

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended **September 30, 2021**  
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number **001-34820**

**KKR**

**KKR & CO. INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other Jurisdiction of  
Incorporation or Organization)

**26-0426107**  
(I.R.S. Employer  
Identification Number)

**30 Hudson Yards**  
**New York, New York 10001**  
**Telephone: (212) 750-8300**  
(Address, zip code, and telephone number, including  
area code, of registrant's principal executive office.)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	KKR	New York Stock Exchange
6.00% Series C Mandatory Convertible Preferred Stock	KKR PR C	New York Stock Exchange
4.625% Subordinated Notes due 2061 of KKR Group Finance Co. IX LLC	KKRS	New York Stock Exchange

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of November 4, 2021, there were 585,009,228 shares of common stock of the registrant outstanding.

**KKR & CO. INC.**

**FORM 10-Q**

**For the Quarter Ended September 30, 2021**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "think," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of dividends on common or preferred stock of KKR & Co. Inc.; the timing, manner and volume of repurchase of common stock pursuant to its repurchase program; expansion and growth opportunities and other synergies resulting from acquisitions, reorganizations or strategic partnerships; and the timing and completion of the transactions contemplated by the Reorganization Agreement (as defined below) may constitute forward-looking statements. Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the anticipated benefits and synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in this report. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

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In this report, references to "KKR," "we," "us" and "our" refer to KKR & Co. Inc. and its subsidiaries, including The Global Atlantic Financial Group LLC ("TGAFG" and, together with its subsidiaries, "Global Atlantic"), unless the context requires otherwise.

On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), which was undertaken to, among other purposes, simplify KKR's internal structure. In the Reorganization, KKR Management Holdings L.P. and KKR International Holdings L.P., which were former intermediate holdings companies for KKR's business, were combined with another intermediate holding company, KKR Fund Holdings L.P., which changed its name to KKR Group Partnership L.P. ("KKR Group Partnership") and became the sole intermediate holding company for KKR's business. On May 8, 2020, we amended and restated our certificate of incorporation and our bylaws to, among other things, rename Class A common stock of KKR & Co. Inc. as common stock, and reclassify Class B common stock and Class C common stock of KKR & Co. Inc. into Series I preferred stock and Series II preferred stock, respectively (the "Reclassification"). References to "KKR Group Partnership" for periods prior to the Reorganization mean KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., collectively, and references to "KKR Group Partnership" for periods following the Reorganization mean KKR Group Partnership L.P. References to a "KKR Group Partnership Unit" mean (i) one Class A partner interest in each of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., collectively, for periods prior to the Reorganization and (ii) one Class A partner interest in KKR Group Partnership for periods following the Reorganization. References to "common stock" for periods prior to the Reclassification mean Class A common stock of KKR & Co. Inc. and references to "Series I preferred stock" and "Series II preferred stock" for periods prior to the Reclassification mean Class B common stock and Class C common stock of KKR & Co. Inc., respectively. References to the "Series I preferred stockholder" or "KKR Management" are to KKR Management LLP, the holder of the sole share of our Series I preferred stock. Contemporaneously with the Reorganization, KKR acquired KKR Capstone Americas LLC and its affiliates ("KKR Capstone") on January 1, 2020. References to "non-employee operating consultants" for periods prior to the acquisition mean employees of KKR Capstone, who were not employees of KKR during such periods. Prior to the acquisition, KKR Capstone was owned and controlled by its senior management and was not a subsidiary or affiliate of KKR.

Unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity interests in KKR Group Partnership and are net of amounts that have been allocated to our principals and other employees in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees who hold interests in KKR's business through KKR Holdings L.P. ("KKR Holdings") or comparable equity structures, including KKR Holdings II L.P., and references to our "senior principals" are to our senior employees who hold interests in the Series I preferred stockholder.

On February 1, 2021, KKR completed its acquisition of Global Atlantic. KKR holds all of the voting interests in Global Atlantic and owns 61.5% of the economic equity interests in Global Atlantic, following the completion of certain post-closing purchase price adjustments in the second quarter of 2021. Global Atlantic conducts its insurance business through its subsidiaries that are regulated insurance companies.

On October 11, 2021, KKR announced a series of integrated transactions that provide for: (i) a simplifying reorganization of KKR's current corporate structure whereby all holders of common stock of KKR & Co. Inc. immediately prior to such reorganization and all holders of interests in KKR Holdings immediately prior to such reorganization will receive the same common stock in a new parent company of KKR ("New KKR Parent"), (ii) the future elimination of control of New KKR Parent by KKR Management, by having all voting power vested in the common stock of New KKR Parent on a one vote per share basis on the Sunset Date (as defined below), which will be no later than December 31, 2026, (iii) also on the Sunset Date, the future acquisition of control by KKR of KKR Associates Holdings L.P. ("KKR Associates Holdings"), the entity providing for the allocation of carry proceeds to KKR employees, also known as the carry pool, (iv) the termination of KKR's tax receivable agreement with KKR Holdings, other than with respect to certain exchanges occurring prior to the closing of the mergers contemplated by the Reorganization Agreement (as defined below), and (v) in the merger of KKR Holdings with a subsidiary of New KKR Parent (the "Holdings Merger"), the issuance to limited partners of KKR Holdings of 8.5 million shares (as adjusted for any stock splits or similar adjustments) of common stock of New KKR Parent, which will not be transferrable (except in the case of death or for estate planning purposes) prior to the Sunset Date. The "Sunset Date" will be the earlier of (i) December 31, 2026 and (ii) the six-month anniversary of the first date on which the death or permanent disability of both Mr. Henry Kravis and Mr. George Roberts (collectively, "Co-Founders") has occurred (or any earlier date consented to by KKR Management in its sole discretion). The terms of these transactions are reflected in the Reorganization Agreement, dated as of October 8, 2021, by and among KKR & Co. Inc., KKR Group Holdings Corp., KKR Group Partnership, KKR Holdings, KKR Holdings GP Limited, KKR Associates Holdings, KKR Associates Holdings GP Limited and KKR Management (the "Reorganization Agreement"). The transactions contemplated to occur under the Reorganization Agreement (including the establishment of New KKR Parent, the Holdings Merger, the termination of the tax receivable agreement except with respect to exchanges of Holdings units made prior thereto, and the changes to occur effective on the Sunset Date) are all required to be consummated together as integrated transactions under the Reorganization Agreement. While the Sunset Date itself is expected to occur after, and is conditioned upon, the completion of the merger transactions, the changes to occur effective on the Sunset Date will be unconditional commitments upon the completion of the merger transactions.

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP, including after-tax distributable earnings, distributable operating earnings, fee related earnings ("FRE"), asset management segment revenues, book value and book value per adjusted share. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These non-GAAP financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliations to GAAP Measures." This report also uses the terms AUM, fee paying assets under management ("FPAUM") and capital invested. You should note that our calculations of these and other operating metrics may differ from the calculations of other investment managers and, as a result, may not be comparable to similar metrics presented by other investment managers. These non-GAAP and operating metrics are defined in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Non-GAAP Performance Measures and Other Operating Measures."

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts that are advised, managed or sponsored by one or more subsidiaries of KKR, including collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund or other manager with which we have formed a strategic partnership where we have acquired an ownership interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common stock outstanding, or to our common stock outstanding on a fully exchanged and diluted basis, reflect (i) actual shares of common stock outstanding, (ii) shares of common stock into which KKR Group Partnership Units held by KKR Holdings are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) shares of common stock into which all outstanding shares of Series C Mandatory Convertible Preferred Stock are convertible and (iv) shares of common stock issuable pursuant to any equity awards actually granted from the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") or the Amended and Restated KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, our "Equity Incentive Plans"). Our fully exchanged and diluted common stock outstanding does not include shares of common stock available for issuance pursuant to the Equity Incentive Plans for which equity awards have not yet been granted.

The use of any defined term in this report to mean more than one entities, persons, securities or other items collectively is solely for convenience of reference and in no way implies that such entities, persons, securities or other items are one indistinguishable group. For example, notwithstanding the use of the defined terms "KKR," "we" and "our" in this report to refer to KKR & Co. Inc. and its subsidiaries, each subsidiary of KKR & Co. Inc. is a standalone legal entity that is separate and distinct from KKR & Co. Inc. and any of its other subsidiaries. Any KKR entity referenced herein is responsible for its own financial, contractual and legal obligations.

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)**  
(Amounts in Thousands, Except Share and Per Share Data)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<i>Asset Management</i>		
Cash and Cash Equivalents	\$ 7,256,382	\$ 6,507,874
Restricted Cash and Cash Equivalents	140,618	485,583
Investments	89,908,570	69,274,715
Due from Affiliates	1,102,874	872,994
Other Assets	2,954,330	2,665,336
	<u>101,362,774</u>	<u>79,806,502</u>
<i>Insurance</i>		
Cash and Cash Equivalents	\$ 4,717,240	\$ —
Restricted Cash and Cash Equivalents	398,572	—
Investments	121,214,570	—
Reinsurance Recoverable	25,233,883	—
Insurance Intangible Assets	1,279,070	—
Other Assets	6,148,371	—
Separate Account Assets	5,445,170	—
	<u>164,436,876</u>	<u>—</u>
<b>Total Assets</b>	<u>\$ 265,799,650</u>	<u>\$ 79,806,502</u>
<b>Liabilities and Equity</b>		
<i>Asset Management</i>		
Debt Obligations	\$ 38,988,544	\$ 33,423,596
Due to Affiliates	299,703	325,177
Accrued Expenses and Other Liabilities	8,914,739	5,257,813
	<u>48,202,986</u>	<u>39,006,586</u>
<i>Insurance</i>		
Policy Liabilities	\$ 124,611,909	\$ —
Debt Obligations	2,162,591	—
Funds Withheld Payable at Interest	23,614,810	—
Accrued Expenses and Other Liabilities	4,442,962	—
Reinsurance Liabilities	261,669	—
Separate Account Liabilities	5,445,170	—
	<u>160,539,111</u>	<u>—</u>
<b>Total Liabilities</b>	<u>208,742,097</u>	<u>39,006,586</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
<b>Commitments and Contingencies (See Note 23)</b>		
<b>Redeemable Noncontrolling Interests</b>	\$ 93,339	\$ —
<b>Stockholders' Equity</b>		
Series A Preferred Stock, \$0.01 par value. 0 and 13,800,000 shares, issued and outstanding as of September 30, 2021 and December 31, 2020, respectively.		
Series B Preferred Stock, \$0.01 par value. 0 and 6,200,000 shares, issued and outstanding as of September 30, 2021 and December 31, 2020.	\$ —	\$ 482,554
Series C Mandatory Convertible Preferred Stock, \$0.01 par value. 23,000,000 shares issued and outstanding as of September 30, 2021 and December 31, 2020.	1,115,792	1,115,792
Series I Preferred Stock, \$0.01 par value. 1 share authorized, 1 share issued and outstanding as of September 30, 2021 and December 31, 2020.	—	—
Series II Preferred Stock, \$0.01 par value. 499,999,999 shares authorized, 271,027,751 and 275,626,493 shares, issued and outstanding as of September 30, 2021 and December 31, 2020, respectively.	2,710	2,756
Common Stock, \$0.01 par value. 3,500,000,000 shares authorized, 583,026,679 and 572,893,738 shares, issued and outstanding as of September 30, 2021 and December 31, 2020, respectively.	5,830	5,729
Additional Paid-In Capital	8,735,677	8,687,817
Retained Earnings	7,247,400	3,440,782
Accumulated Other Comprehensive Income (Loss)	(174,439)	(18,612)
<b>Total KKR &amp; Co. Inc. Stockholders' Equity</b>	<u>16,932,970</u>	<u>13,716,818</u>
Noncontrolling Interests	40,031,244	27,083,098
<b>Total Equity</b>	<u>56,964,214</u>	<u>40,799,916</u>
<b>Total Liabilities and Equity</b>	<u>\$ 265,799,650</u>	<u>\$ 79,806,502</u>

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED) (Continued)**  
**(Amounts in Thousands)**

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs"). As of September 30, 2021 and December 31, 2020, KKR's consolidated VIEs consist primarily of (i) certain collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") (ii) certain investment funds and (iii) certain VIEs formed by Global Atlantic.

With respect to consolidated CLOs and certain investment funds, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs and not generally to KKR. The noteholders, creditors and equity holders of these VIEs have no recourse to the assets of any other KKR entity. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR's beneficial interest therein and any income generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed to them, if any.

With respect to certain other VIEs consolidated by Global Atlantic, Global Atlantic has formed certain VIEs to hold investments in transportation, renewable energy, consumer and other loans and fixed maturity securities. These VIEs issue beneficial interests primarily to Global Atlantic's insurance companies.

	<b>September 30, 2021</b>			
	<b>Consolidated CLOs</b>	<b>Consolidated Funds</b>	<b>Other VIEs</b>	<b>Total</b>
<b>Assets</b>				
<i><b>Asset Management</b></i>				
Cash and Cash Equivalents	\$ 941,660	\$ 1,617,067	\$ —	\$ 2,558,727
Restricted Cash and Cash Equivalents	—	94,455	—	94,455
Investments	20,696,676	44,975,624	—	65,672,300
Other Assets	421,987	510,357	—	932,344
	<u>22,060,323</u>	<u>47,197,503</u>	<u>—</u>	<u>69,257,826</u>
<i><b>Insurance</b></i>				
Cash and Cash Equivalents	—	—	961,174	961,174
Investments	—	—	17,194,546	17,194,546
Accrued investment income	—	—	56,261	56,261
Other Assets	—	—	772,669	772,669
	<u>—</u>	<u>—</u>	<u>18,984,650</u>	<u>18,984,650</u>
<b>Total Assets</b>	<u>\$ 22,060,323</u>	<u>\$ 47,197,503</u>	<u>\$ 18,984,650</u>	<u>\$ 88,242,476</u>
<b>Liabilities</b>				
<i><b>Asset Management</b></i>				
Debt Obligations	\$ 19,969,156	\$ 5,978,374	\$ —	\$ 25,947,530
Accrued Expenses and Other Liabilities	1,326,891	956,245	—	2,283,136
	<u>21,296,047</u>	<u>6,934,619</u>	<u>—</u>	<u>28,230,666</u>
<i><b>Insurance</b></i>				
Accrued Expenses and Other Liabilities	—	—	982,705	982,705
<b>Total Liabilities</b>	<u>\$ 21,296,047</u>	<u>\$ 6,934,619</u>	<u>\$ 982,705</u>	<u>\$ 29,213,371</u>



	<b>December 31, 2020</b>		
	<u>Consolidated CLOs</u>	<u>Consolidated Funds</u>	<u>Total</u>
<b>Assets</b>			
<i>Asset Management</i>			
Cash and Cash Equivalents	\$ 749,395	\$ 263,024	\$ 1,012,419
Restricted Cash and Cash Equivalents	—	59,490	59,490
Investments	17,706,976	32,699,562	50,406,538
Other Assets	161,621	150,696	312,317
<b>Total Assets</b>	<u>\$ 18,617,992</u>	<u>\$ 33,172,772</u>	<u>\$ 51,790,764</u>
<b>Liabilities</b>			
<i>Asset Management</i>			
Debt Obligations	\$ 17,372,740	\$ 4,253,645	\$ 21,626,385
Accrued Expenses and Other Liabilities	782,056	412,410	1,194,466
<b>Total Liabilities</b>	<u>\$ 18,154,796</u>	<u>\$ 4,666,055</u>	<u>\$ 22,820,851</u>

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(Amounts in Thousands, Except Share and Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
<i>Asset Management</i>				
Fees and Other	\$ 718,968	\$ 563,340	\$ 1,887,805	\$ 1,337,385
Capital Allocation-Based Income (Loss)	1,526,667	1,331,898	5,736,707	888,342
	<u>2,245,635</u>	<u>1,895,238</u>	<u>7,624,512</u>	<u>2,225,727</u>
<i>Insurance</i>				
Net Premiums	974,903	—	1,698,912	—
Policy Fees	310,381	—	824,326	—
Net Investment Income	758,381	—	1,919,659	—
Net Investment Gains (Losses)	162,127	—	32,983	—
Other Income	31,938	—	82,160	—
	<u>2,237,730</u>	<u>—</u>	<u>4,558,040</u>	<u>—</u>
<b>Total Revenues</b>	<u>4,483,365</u>	<u>1,895,238</u>	<u>12,182,552</u>	<u>2,225,727</u>
<b>Expenses</b>				
<i>Asset Management</i>				
Compensation and Benefits	1,012,837	882,339	3,419,057	1,211,526
Occupancy and Related Charges	17,438	17,321	51,289	51,222
General, Administrative and Other	203,977	194,039	608,270	491,327
	<u>1,234,252</u>	<u>1,093,699</u>	<u>4,078,616</u>	<u>1,754,075</u>
<i>Insurance</i>				
Policy Benefits and Claims	1,697,046	—	3,593,563	—
Amortization of Policy Acquisition Costs	(16,900)	—	(57,409)	—
Interest Expense	22,437	—	44,482	—
Insurance Expenses	89,534	—	242,591	—
General, Administrative and Other	158,873	—	371,656	—
	<u>1,950,990</u>	<u>—</u>	<u>4,194,883</u>	<u>—</u>
<b>Total Expenses</b>	<u>3,185,242</u>	<u>1,093,699</u>	<u>8,273,499</u>	<u>1,754,075</u>
<b>Investment Income (Loss) - Asset Management</b>				
Net Gains (Losses) from Investment Activities	2,116,647	2,284,602	8,032,900	(179,033)
Dividend Income	121,484	116,379	323,051	295,047
Interest Income	402,839	354,865	1,151,548	1,040,052
Interest Expense	(278,166)	(223,709)	(794,978)	(725,245)
<b>Total Investment Income (Loss)</b>	<u>2,362,804</u>	<u>2,532,137</u>	<u>8,712,521</u>	<u>430,821</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Income (Loss) Before Taxes</b>	3,660,927	3,333,676	12,621,574	902,473
<b>Income Tax Expense (Benefit)</b>	379,282	359,375	1,161,688	204,960
<b>Net Income (Loss)</b>	3,281,645	2,974,301	11,459,886	697,513
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,519	—	2,856	—
Net Income (Loss) Attributable to Noncontrolling Interests	2,123,569	1,909,458	7,315,362	206,225
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	1,156,557	1,064,843	4,141,668	491,288
Series A Preferred Stock Dividends	—	5,822	23,656	17,466
Series B Preferred Stock Dividends	7,953	2,519	12,991	7,557
Series C Mandatory Convertible Preferred Stock Dividends	17,250	—	51,750	—
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Common Stockholders</b>	<b>\$ 1,131,354</b>	<b>\$ 1,056,502</b>	<b>\$ 4,053,271</b>	<b>\$ 466,265</b>
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Common Stock</b>				
Basic	\$ 1.94	\$ 1.86	\$ 6.98	\$ 0.82
Diluted	\$ 1.80	\$ 1.79	\$ 6.52	\$ 0.80
<b>Weighted Average Shares of Common Stock Outstanding</b>				
Basic	583,030,506	562,425,576	580,742,033	560,124,947
Diluted	637,416,100	589,116,387	629,620,055	569,910,981

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**  
**(Amounts in Thousands)**

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Net Income (Loss)</b>	\$ 3,281,645	\$ 2,974,301	\$ 11,459,886	\$ 697,513
Other Comprehensive Income (Loss), Net of Tax:				
Unrealized Gains (Losses) on Available-For-Sale Securities and Other	(141,762)	—	(338,067)	—
Foreign Currency Translation Adjustments	(12,873)	21,923	(24,365)	(2,954)
<b>Comprehensive Income (Loss)</b>	3,127,010	2,996,224	11,097,454	694,559
Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,519	—	2,856	—
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	2,037,025	1,918,700	7,105,634	201,421
<b>Comprehensive Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	<u>\$ 1,088,466</u>	<u>\$ 1,077,524</u>	<u>\$ 3,988,964</u>	<u>\$ 493,138</u>

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**  
**(Amounts in Thousands, Except Share and Per Share Data)**

	Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
	Amounts	Shares	Amounts	Shares
<b>Series A and B Preferred Stock</b>				
Beginning of Period	\$ 149,566	6,200,000	\$ 482,554	20,000,000
Redemption of Series A Preferred Stock	—	—	(332,988)	(13,800,000)
Redemption of Series B Preferred Stock	(149,566)	(6,200,000)	(149,566)	(6,200,000)
End of Period	—	—	—	—
<b>Series C Mandatory Convertible Preferred Stock</b>				
Beginning of Period	1,115,792	23,000,000	1,115,792	23,000,000
End of Period	1,115,792	23,000,000	1,115,792	23,000,000
<b>Series I Preferred Stock</b>				
Beginning of Period	—	1	—	1
End of Period	—	1	—	1
<b>Series II Preferred Stock</b>				
Beginning of Period	2,710	271,027,751	2,756	275,626,493
Cancellation of Series II Preferred Stock	—	—	(46)	(4,598,742)
End of Period	2,710	271,027,751	2,710	271,027,751
<b>Common Stock</b>				
Beginning of Period	5,830	583,030,973	5,729	572,893,738
Private Placement Share Issuance	—	—	9	964,871
Exchange of KKR Holdings Units	—	—	46	4,598,742
Net Delivery of Common Stock	—	—	73	7,249,400
Clawback of Transfer Restricted Shares	—	(4,294)	—	(12,077)
Repurchases of Common Stock	—	—	(27)	(2,667,995)
End of Period	5,830	583,026,679	5,830	583,026,679
<b>Additional Paid-In Capital</b>				
Beginning of Period	8,700,224		8,687,817	
Private Placement Share Issuance	—		38,454	
Exchange of KKR Holdings Units	—		125,188	
Tax Effects - Exchange of KKR Holdings Units and Other	(6,038)		(1,623)	
Net Delivery of Common Stock	—		(106,987)	
Repurchases of Common Stock	—		(135,903)	
Equity-Based Compensation	41,491		128,731	
End of Period	8,735,677		8,735,677	
<b>Retained Earnings</b>				
Beginning of Period	6,200,585		3,440,782	
Net Income (Loss) Attributable to KKR & Co. Inc.	1,156,557		4,141,668	
Series A Preferred Stock Dividends (\$0.00 and \$0.843750 per share for the three and nine months ended September 30, 2021, respectively)	—		(11,644)	
Redemption of Series A Preferred Stock	—		(12,012)	
Series B Preferred Stock Dividends (\$0.406250 and \$1.218750 per share for the three and nine months ended September 30, 2021, respectively)	(2,519)		(7,557)	
Redemption of Series B Preferred Stock	(5,434)		(5,434)	
Series C Mandatory Convertible Preferred Stock Dividends (\$0.75 and \$2.25 per share for the three and nine months ended September 30, 2021, respectively)	(17,250)		(51,750)	
Common Stock Dividends (\$0.145 and \$0.425 per share for the three and nine months ended September 30, 2021, respectively)	(84,539)		(246,653)	
End of Period	7,247,400		7,247,400	
<b>Accumulated Other Comprehensive Income (Loss) (net of tax)</b>				
Beginning of Period	(106,348)		(18,612)	
Other Comprehensive Income (Loss)	(68,091)		(152,704)	
Exchange of KKR Holdings Units	—		(3,123)	
End of Period	(174,439)		(174,439)	
<b>Total KKR &amp; Co. Inc. Stockholders' Equity</b>	<b>16,932,970</b>		<b>16,932,970</b>	
<b>Noncontrolling Interests (See Note 21)</b>	<b>40,031,244</b>		<b>40,031,244</b>	

<b>Total Equity</b>	\$ 56,964,214		\$ 56,964,214	
<b>Redeemable Noncontrolling Interests (See Note 22)</b>	\$ 93,339		\$ 93,339	
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2020</b>		<b>September 30, 2020</b>	
	<b>Amounts</b>	<b>Shares</b>	<b>Amounts</b>	<b>Shares</b>
<b>Series A and B Preferred Stock</b>				
Beginning of Period	\$ 482,554	20,000,000	\$ 482,554	20,000,000
End of Period	482,554	20,000,000	482,554	20,000,000
<b>Series C Mandatory Convertible Preferred Stock</b>				
Beginning of Period	—	—	—	—
Issuance of Series C Mandatory Convertible Preferred Stock (net of issuance costs)	1,115,792	23,000,000	1,115,792	23,000,000
End of Period	1,115,792	23,000,000	1,115,792	23,000,000
<b>Series I Preferred Stock</b>				
Beginning of Period	—	1	—	1
End of Period	—	1	—	1
<b>Series II Preferred Stock</b>				
Beginning of Period	2,860	285,978,495	2,904	290,381,345
Cancellation of Series II Preferred Stock	(72)	(7,197,017)	(116)	(11,599,867)
End of Period	2,788	278,781,478	2,788	278,781,478
<b>Common Stock</b>				
Beginning of Period	5,591	559,140,869	5,600	560,007,579
Exchange of KKR Holdings Units	72	7,197,017	116	11,599,867
Net Delivery of Common Stock	—	—	49	4,940,113
Clawback of Transfer Restricted Shares	—	(3,140)	—	(3,140)
Repurchases of Common Stock	—	—	(102)	(10,209,673)
End of Period	5,663	566,334,746	5,663	566,334,746
<b>Additional Paid-In Capital</b>				
Beginning of Period	8,459,914		8,565,919	
Exchange of KKR Holdings Units	141,587		222,840	
Tax Effects - Exchange of KKR Holdings Units and Other	(4,315)		(10,197)	
Net Delivery of Common Stock	—		(40,639)	
Repurchases of Common Stock	—		(246,058)	
Equity-Based Compensation	42,488		133,424	
Transfer of Interests Under Common Control	—		14,385	
Transfer of Oil and Gas Interests (See Note 2)	(45,669)		(45,669)	
End of Period	8,594,005		8,594,005	
<b>Retained Earnings</b>				
Beginning of Period	1,056,918		1,792,152	
Net Income (Loss) Attributable to KKR & Co. Inc.	1,064,843		491,288	
Series A Preferred Stock Dividends (\$0.421875 and \$1.265625 per share for the three and nine months ended September 30, 2020, respectively)	(5,822)		(17,466)	
Series B Preferred Stock Dividends (\$0.406250 and \$1.218750 per share for the three and nine months ended September 30, 2020, respectively)	(2,519)		(7,557)	
Common Stock Dividends (\$0.135 and \$0.395 per share for the three and nine months ended September 30, 2020, respectively)	(75,485)		(220,482)	
End of Period	2,037,935		2,037,935	
<b>Accumulated Other Comprehensive Income (Loss) (net of tax)</b>				
Beginning of Period	(52,969)		(41,639)	
Other Comprehensive Income (Loss)	12,681		1,850	
Exchange of KKR Holdings Units	(793)		(1,292)	
End of Period	(41,081)		(41,081)	
<b>Total KKR &amp; Co. Inc. Stockholders' Equity</b>	12,197,656		12,197,656	
<b>Noncontrolling Interests (See Note 21)</b>	21,845,974		21,845,974	
<b>Total Equity</b>	\$ 34,043,630		\$ 34,043,630	

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(Amounts in Thousands)

	Nine Months Ended September 30,	
	2021	2020
<b>Operating Activities</b>		
Net Income (Loss)	\$ 11,459,886	\$ 697,513
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Equity-Based and Other Non-Cash Compensation	296,323	196,644
Net Realized (Gains) Losses - Asset Management	(1,532,956)	(281,378)
Change in Unrealized (Gains) Losses - Asset Management	(6,499,944)	460,411
Capital Allocation-Based (Income) Loss - Asset Management	(5,736,707)	(888,342)
Net Realized (Gains) Losses - Insurance	642,557	—
Net Accretion and Amortization	324,692	(41,308)
Interest Credited to Policyholder Account Balances (net of Policy Fees) - Insurance	938,415	—
Other Non-Cash Amounts	101,904	28,652
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Reinsurance Transactions and Acquisitions, Net of Cash Provided - Insurance	1,041,130	—
Change in Premiums, Notes Receivable and Reinsurance Recoverable, Net of Reinsurance Premiums Payable - Insurance	435,715	—
Change in Deferred Policy Acquisition Costs - Insurance	(307,031)	—
Change in Policy Liabilities and Accruals, Net - Insurance	(583,875)	—
Change in Consolidation	(24,183)	8,624
Change in Due from / to Affiliates	(243,120)	(115,895)
Change in Other Assets	669,361	(300,660)
Change in Accrued Expenses and Other Liabilities	2,608,487	521,877
Investments Purchased - Asset Management	(55,435,501)	(27,838,469)
Proceeds from Investments - Asset Management	48,286,348	23,404,986
Net Cash Provided (Used) by Operating Activities	(3,558,499)	(4,147,345)
<b>Investing Activities</b>		
Acquisition of Global Atlantic, Net of Cash Acquired (See Note 3)	(473,779)	—
Purchases of Fixed Assets	(82,515)	(100,341)
Investments Purchased - Insurance	(38,215,238)	—
Proceeds from Investments - Insurance	32,463,286	—
Other Investing Activities, Net - Insurance	(708,992)	—
Development of Oil and Natural Gas Properties	—	(11,128)
Net Cash Provided (Used) by Investing Activities	(7,017,238)	(111,469)
<b>Financing Activities</b>		
Series A and B Preferred Stock Dividends	(19,201)	(25,023)
Series C Mandatory Convertible Preferred Stock Dividends	(51,750)	—
Common Stock Dividends	(246,653)	(220,482)
Distributions to Redeemable Noncontrolling Interests	(1,362)	—
Distributions to Noncontrolling Interests	(3,975,764)	(3,412,058)
Contributions from Noncontrolling Interests	8,875,106	5,586,977
Issuance of Series C Mandatory Convertible Preferred Stock (net of issuance costs)	—	1,115,792
Redemption of Series A and B Preferred Stock	(500,000)	—
Net Delivery of Common Stock (Equity Incentive Plans)	(106,914)	(40,590)
Repurchases of Common Stock	(135,930)	(246,160)
Private Placement Share Issuance	38,463	—
Proceeds from Debt Obligations	20,615,117	11,708,358
Repayment of Debt Obligations	(13,881,246)	(7,547,703)
Financing Costs Paid	(93,914)	(31,754)
Additions to Contractholder Deposit Funds	11,331,510	—
Withdrawals from Contractholder Deposit Funds	(6,264,316)	—

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Reinsurance Transactions, Net of Cash Provided	524,724	—
Other Financing Activity, Net	18,244	—
Net Cash Provided (Used) by Financing Activities	16,126,114	6,887,357
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(31,022)	21,968
<b>Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>\$ 5,519,355</b>	<b>\$ 2,650,511</b>
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	6,993,457	3,237,416
<b>Cash, Cash Equivalents and Restricted Cash, End of Period</b>	<b>\$ 12,512,812</b>	<b>\$ 5,887,927</b>

**Cash, Cash Equivalents and Restricted Cash are comprised of the following:**

Beginning of the Period		
<i>Asset Management</i>		
Cash and Cash Equivalents	\$ 6,507,874	\$ 3,163,154
Restricted Cash and Cash Equivalents	485,583	74,262
<i>Total Asset Management</i>	6,993,457	3,237,416
<i>Insurance</i>		
Cash and Cash Equivalents	\$ —	\$ —
Restricted Cash and Cash Equivalents	—	—
<i>Total Insurance</i>	—	—
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	\$ 6,993,457	\$ 3,237,416
End of the Period		
<i>Asset Management</i>		
Cash and Cash Equivalents	\$ 7,256,382	\$ 5,744,081
Restricted Cash and Cash Equivalents	140,618	143,846
<i>Total Asset Management</i>	7,397,000	5,887,927
<i>Insurance</i>		
Cash and Cash Equivalents	\$ 4,717,240	\$ —
Restricted Cash and Cash Equivalents	398,572	—
<i>Total Insurance</i>	5,115,812	—
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 12,512,812	\$ 5,887,927

See notes to financial statements.



**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)**  
**(Amounts in Thousands)**

	Nine Months Ended September 30,	
	2021	2020
<b>Supplemental Disclosures of Cash Flow Information</b>		
Payments for Interest	\$ 876,412	\$ 775,848
Payments for Income Taxes	\$ 463,983	\$ 145,097
Payments for Operating Lease Liabilities	\$ 35,124	\$ 40,467
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>		
Equity-Based and Other Non-Cash Contributions	\$ 235,381	\$ 197,020
Non-Cash Contribution from Noncontrolling Interests	\$ 845,943	\$ 209,703
Debt Obligations - Net Gains (Losses), Translation and Other	\$ 272,410	\$ (39,894)
Transfer of Oil and Gas Interests (See Note 2)	\$ —	\$ (69,027)
Tax Effects - Exchange of KKR Holdings L.P. Units and Other	\$ (1,623)	\$ (10,197)
Right-of-Use Assets obtained in Exchange for new Operating Lease Liabilities	\$ 44,754	\$ 68,700
Investments Acquired through Reinsurance Agreements	\$ 16,133,534	\$ —
Policyholder Liabilities and Accruals Acquired through Reinsurance Agreements	\$ 3,455,904	\$ —
Contractholder Deposit Funds Acquired through Reinsurance Agreements	\$ 14,809,751	\$ —
<b>Change in Consolidation</b>		
Investments	\$ (64,957)	\$ 3,480
Due From Affiliates	\$ (3,735)	\$ —
Other Assets	\$ (46,352)	\$ 46,892
Debt Obligations	\$ (26,165)	\$ 259,822
Due to Affiliates	\$ (238)	\$ —
Accrued Expenses and Other Liabilities	\$ (11,626)	\$ 32,494
Noncontrolling Interests	\$ (78,840)	\$ (239,258)

See notes to financial statements.

**KKR & CO. INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
**(All Amounts in Thousands, Except Share and Per Share Data, and Except Where Noted)**

**1. ORGANIZATION**

KKR & Co. Inc. (NYSE: KKR), through its subsidiaries (collectively, "KKR"), is a leading global investment firm that offers alternative asset management and capital markets and insurance solutions. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and supporting growth in its portfolio companies and communities. KKR sponsors investment funds that invest in private equity, credit and real assets and has strategic partners that manage hedge funds. KKR's insurance subsidiaries offer retirement, life and reinsurance products under the management of The Global Atlantic Financial Group LLC ("TGAFG" and, together with its subsidiaries, "Global Atlantic").

KKR & Co. Inc. is the parent company of KKR Group Holdings Corp., which is the general partner of KKR Group Partnership L.P. ("KKR Group Partnership"). KKR & Co. Inc. both indirectly controls KKR Group Partnership and indirectly holds Class A partner interests in KKR Group Partnership ("KKR Group Partnership Units") representing economic interests in KKR's business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. ("KKR Holdings"), which is not a subsidiary of KKR & Co. Inc., and holders of other exchangeable securities. As of September 30, 2021, KKR & Co. Inc. held indirectly approximately 68.2% of the KKR Group Partnership Units. The percentage ownership in KKR Group Partnership may continue to change as KKR Holdings and the holders of other exchangeable securities exchange their KKR Group Partnership Units for shares of common stock of KKR & Co. Inc. or when KKR & Co. Inc. otherwise issues or repurchases shares of common stock of KKR & Co. Inc. KKR Group Partnership also has outstanding limited partner interests that provide for a carry pool and preferred units with economic terms that mirror the Series C Mandatory Convertible Preferred Stock issued by KKR & Co. Inc.

***Acquisition of Global Atlantic Financial Group***

In July 2020, KKR and Global Atlantic Financial Group Limited announced a strategic transaction whereby KKR agreed to acquire Global Atlantic, a leading retirement and life insurance and reinsurance company. The transaction, which closed on February 1, 2021 (the "GA Acquisition Date"), was funded with a combination of: (i) cash on hand, (ii) proceeds from syndication of the equity interests in Global Atlantic to minority co-investors, (iii) proceeds from the offering of \$1,150 million of 6.00% Series C Mandatory Convertible Preferred Stock by KKR & Co. Inc. and (iv) proceeds from the offering of \$750 million aggregate principal amount of 3.500% Senior Notes due 2050 by KKR Group Finance Co. VIII LLC.

Global Atlantic's results are included in KKR's consolidated financial statements commencing from the GA Acquisition Date. Refer to Note 3 "Acquisition of Global Atlantic" for additional information on the transaction.

References herein to "KKR," refer to KKR & Co. Inc. and its subsidiaries, including Global Atlantic, unless the context requires otherwise such as in sections where it refers to the asset management business only.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying unaudited financial statements of KKR & Co. Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to this Quarterly Report on Form 10-Q. The condensed consolidated financial statements (referred to hereafter as the "financial statements"), including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the financial statements are presented fairly and that estimates made in preparing the financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The consolidated balance sheet data as of December 31, 2020 were derived from audited financial statements included in KKR's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (the "SEC") on February 19, 2021, and the financial statements should be read in conjunction with the audited financial statements included therein. Additionally, in the accompanying financial statements, the condensed consolidated statements of financial condition are referred to hereafter as the "consolidated statements of financial condition"; the condensed consolidated statements of operations are referred to hereafter as the "consolidated statements of operations"; the condensed consolidated statements of comprehensive income (loss) are referred to hereafter as the "consolidated statements of comprehensive income (loss)"; the condensed consolidated statements of changes in equity and redeemable non-controlling interests are referred to hereafter as the "consolidated statements of changes in equity"; and the condensed consolidated statements of cash flows are referred to hereafter as the "consolidated statements of cash flows."

KKR consolidates the financial results of KKR Group Partnership and its consolidated entities, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds, certain other entities including CFEs and Global Atlantic. References in the accompanying financial statements to "principals" are to KKR's senior employees who hold interests in KKR's business through KKR Holdings. References to Global Atlantic hereafter includes the insurance companies of Global Atlantic, which are consolidated by KKR starting on the GA Acquisition Date (refer to Note 3 "Acquisition of Global Atlantic" for additional information on the transaction).

The presentations in the consolidated statement of financial condition and consolidated statement of operations reflect the significant industry diversification of KKR by its acquisition of Global Atlantic. Global Atlantic operates an insurance business, and KKR operates an asset management business, each of which possess distinct characteristics. As a result, KKR developed a two-tiered approach for the financial statements presentation, where Global Atlantic's insurance operations are presented separately from KKR's asset management business. KKR believes that these separate presentations provide a more informative view of the consolidated financial position and results of operations than traditional aggregated presentations and that reporting Global Atlantic's insurance operations separately is appropriate given, among other factors, the relative significance of Global Atlantic's policy liabilities, which are not obligations of KKR (other than the insurance companies that issued them). If a traditional aggregate presentation were to be used, KKR would expect to eliminate or combine several identical or similar captions, which would condense the presentations, but would also reduce the level of information presented. KKR also believes that using a traditional aggregate presentation would result in no new line items compared to the two-tier presentation included in the financial statements in this report.

In addition, in connection with the Global Atlantic acquisition, we organized our business into two segments: Asset Management and Insurance. Global Atlantic's operations constitute the Insurance segment. See Note 20 "Segment Reporting".

The summary of the significant accounting policies has been organized considering the two-tiered approach and includes a section for common accounting policies and an accounting policy section for each of the two tiers when a policy is specific to one of the tiers.

All intercompany transactions and balances have been eliminated.

**SIGNIFICANT ACCOUNTING POLICIES - COMMON AMONG ASSET MANAGEMENT AND INSURANCE****COVID-19 and Global Economic and Market Conditions**

The novel strain of coronavirus ("COVID-19") has caused, and continues to cause in certain cases, severe disruptions to the U.S. and global economies. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on the U.S. and global economies, contributing to significant volatility in the financial markets, resulting in increased volatility in currencies, interest rates, and equity prices (including our common stock). Shutdowns in some locations are causing furloughs and layoffs. Furthermore, supply chain disruptions are causing wage, freight and material prices to rise, resulting in margin pressure in certain sectors. Although a number of vaccines for COVID-19 have been developed and are in the process of being deployed in certain countries, including the United States, the timing for widespread vaccination and immunity is uncertain, and these vaccines may be less effective against new mutated strains of the virus that have started to spread globally.

Given the ongoing nature of the pandemic, at this time KKR cannot reasonably predict the ultimate impact that COVID-19 will have on KKR's business, financial performance and operating results. The estimates and assumptions underlying the consolidated financial statements are based on the information available as of September 30, 2021 for the current period and as of September 30, 2020 or December 31, 2020, as applicable. Actual events could differ materially from those estimated or assumed for purposes of KKR's financial reporting.

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and investment income (loss) during the reporting periods. Such estimates include but are not limited to (i) the valuation of investments and financial instruments, (ii) the determination of the income tax provision, (iii) the impairment of goodwill and intangible assets, (iv) the impairment of available-for-sale investments, (v) the valuation of insurance policy liabilities, (vi) the valuation of embedded derivatives, (vii) the determination of the allowance for loan losses, and (viii) amortization of deferred revenues and expenses associated with the insurance business. Actual results could differ from those estimates, and such differences could be material to the financial statements.

**Principles of Consolidation**

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have the attributes of an investment company, like investment funds, (iii) CFEs, (iv) Global Atlantic and its insurance companies beginning on February 1, 2021, and (v) other entities. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity. For further information on the acquisition accounting for Global Atlantic see Note 3 "Acquisition of Global Atlantic".

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements."

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund

**Notes to Financial Statements (Continued)**

investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and, as such, the limited partners do not have kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance income), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered to be variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion when facts and circumstances change.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE, depends on the facts and circumstances for each entity, and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in KKR's role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

In March 2021, KKR invested approximately \$20 million in the sponsor shareholder of KKR Acquisition Holdings I Corp., a special purpose acquisition company ("SPAC"). The sponsor shareholder is a limited liability company whose only assets are equity securities of the SPAC. The investors in the sponsor shareholder are KKR and an unaffiliated investor. KKR is not the managing member of the sponsor shareholder, and KKR does not have the sole power to direct the activities that most significantly impact the sponsor shareholder. As such, KKR treats its investment in the sponsor shareholder as an equity method investment.

Global Atlantic has formed certain VIEs to hold investments, including investments in transportation, renewable energy, consumer and other loans and fixed maturity securities. These VIEs issue beneficial interests primarily to Global Atlantic's insurance companies, and Global Atlantic maintains the power to direct the activities of the VIEs that most significantly impact their economic performance and bears the obligation to absorb losses or receive benefits from the VIEs that could potentially be significant. Accordingly, Global Atlantic is the primary beneficiary of these VIEs, which are consolidated in Global Atlantic's results. Where these VIEs or entities consolidated by these VIEs issue beneficial interests to third-party investors, they are reported as non-controlling interests by Global Atlantic.

For certain consolidated renewable energy partnerships consolidated by Global Atlantic's insurance companies, Global Atlantic uses a hypothetical liquidation at book value method ("HLBV") to allocate income and cash flows based on third-party investors' claim to net assets, including those for the noncontrolling interests and redeemable noncontrolling interests.

KKR classifies certain noncontrolling interests with redemption features that are not solely within the control of KKR outside of permanent equity on its consolidated statements of financial condition. These redeemable non-controlling interests are reported using the greater of the carrying value at each reporting date as determined by the HLBV method or the estimated redemption value in each reporting period.

**Cash and Cash Equivalents**

KKR considers all liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents. Cash and cash equivalents includes cash held at consolidated entities, which represents cash that, although not legally restricted, is not available generally to fund liquidity needs of KKR, as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs. In prior periods, those amounts were classified in a separate line "*Cash and Cash Equivalents Held at Consolidated Entities*" on the statement of financial condition, and the comparable information have been recasted to current presentation. The carrying values of cash and cash equivalents are considered to be reasonable estimates of their fair values.

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions. The duration of this restricted cash generally matches the duration of the related financing or derivative transaction. Global Atlantic's restricted cash principally includes certain cash and cash equivalents held in trusts formed for the benefit of ceding companies or held in connection with open derivative transactions. The carrying values of restricted cash and cash equivalents are considered to be reasonable estimates of their fair values.

**Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

**Level I** - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities, U.S. government and agencies securities, and securities sold short.

**Level II** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, fixed-income securities held by consolidated insurance companies, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities, certain funds withheld payable at interest, and certain over-the-counter derivatives such as foreign currency option and forward contracts.

**Level III** - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, certain credit investments, equity method investments for which the fair value option was elected, certain fixed-income and structured securities held by the consolidated insurance subsidiaries, reinsurance recoverables carried at fair value, certain insurance policy liabilities carried at fair value, and certain embedded derivatives related to (i) certain funds withheld payable at interest, and (ii) annuities and indexed universal life products, which contain equity-indexed features.

**Notes to Financial Statements (Continued)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires additional judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

***Level II Valuation Methodologies***

*Credit Investments, U.S. Municipal Securities, Corporate Bonds and Structured Securities:* These financial instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial instruments whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value. KKR may also use model-derived valuations whose inputs are observable or whose significant value drivers are observable.

*Investments and Debt Obligations of Consolidated CLO Vehicles:* Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

*Securities Indexed to Publicly-Listed Securities:* These securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

*Equity Securities:* The valuation of certain equity securities is based on (i) an observable price for an identical security adjusted for the effect of a restriction or leverage that collateralized the equity securities and (ii) quoted prices for identical or similar instruments in markets that are not active.

*Derivatives:* The valuation incorporates observable inputs comprising yield curves, foreign currency rates, interest rate volatility and credit spreads.

**Level III Valuation Methodologies**

*Private Equity Investments:* KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs, which may take into account recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. The results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors, and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings or other transactions.

*Real Asset Investments:* Real asset investments in infrastructure, energy and real estate are valued using one or a combination of the discounted cash flow analysis, market comparables analysis and direct income capitalization methods, which in each case incorporates significant assumptions and judgments.

Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples.



**Notes to Financial Statements (Continued)**

Energy investments are generally valued using a discounted cash flow approach, and where applicable, a market approach using comparable companies and transactions. Key inputs used in our valuations include (i) the weighted average cost of capital, (ii) future commodity prices, as quoted on indices, and long-term commodity price forecasts, and (iii) the asset's projected future operating performance.

Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Certain real estate investments are valued by KKR based on ranges of valuations determined by independent valuation firms. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

*Credit Investments:* Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

*Real Estate Mortgage Loans:* Real estate mortgage loans are illiquid, structured investments that are specific to the property and its operating performance. KKR engages an independent valuation firm to estimate the fair value of each loan. KKR reviews the quarterly loan valuation estimates provided by the independent valuation firm. These loans are generally valued using a discounted cash flow model using discount rates derived from observable market data applied to the capital structure of the respective sponsor and estimated property value.

*Other Investments:* With respect to other investments including equity method investments, KKR generally employs the same valuation methodologies as described above for private equity, credit investments and real assets investments when valuing these other investments.

*Funds withheld at interest:* The funds withheld receivables and payables at interest carried at fair value are primarily valued based on the fair value of the underlying investments, which have quoted prices or other observable inputs to pricing. A portion of the funds withheld receivable and payables at interest carried at fair value represent embedded derivatives and are valued using present value techniques that consider inputs including contract duration.

*Reinsurance recoverables:* Reinsurance recoverables carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the associated policies, as well as estimates of policy expenses and the cost of capital held in support of the related closed block policy liabilities.

*Insurance liabilities and insurance embedded derivatives:* Policy liabilities carried at fair value are valued using present value techniques that discount estimated liability cash flows at a rate that reflects the variability of those cash flows and also consider policyholder behavior (including lapse rates, surrender rates and mortality). Closed block policy liabilities carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the respective policies, as well as estimates of policy expenses and the cost of capital held in support of the liabilities. The funds withheld payable at interest carried at fair value represents embedded derivatives and is valued based on the change in the fair value of the assets supporting the payable. Other embedded derivative liabilities are related to our fixed-indexed annuity, variable annuity and indexed universal life products, which contain equity-indexed features. The embedded derivative liabilities are calculated as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate and considering an adjustment to reflect the risk of nonperformance on our obligation and inputs such as projected withdrawal and surrender activity, and mortality. KKR calculates nonperformance risk using a blend of observable peer holding company credit spreads, adjusted to reflect the claims paying ability of our insurance entities, as well as an adjustment to reflect the priority of policyholder claims.

Key unobservable inputs that have a significant impact on KKR's Level III valuations as described above are included in Note 9 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III financial instruments. These unobservable pricing inputs and assumptions may differ by financial instruments and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for certain applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

There is inherent uncertainty involved in the valuation of Level III financial instruments and there is no assurance that, upon liquidation or sale, KKR will realize the values reflected in our valuations. Our valuations may differ significantly from the values

that would have been used had an active market for the financial instruments existed, and it is reasonably possible that the difference could be material.

**Goodwill and Intangible Assets**

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

KKR has the option to either (i) perform a quantitative impairment test or (ii) first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, in which case the quantitative test would then be performed. When performing a quantitative impairment test, KKR compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is less than its carrying amount, the goodwill impairment loss is equal to the excess of the carrying value over the fair value, limited to the carrying amount of goodwill allocated to that reporting unit. The estimated fair values of the reporting units are derived based on valuation techniques KKR believes market participants would use for each respective reporting unit. The estimated fair values are generally determined by utilizing a discounted cash flow methodology or methodologies that incorporate market multiples of certain comparable companies.

KKR tests goodwill for impairment at the reporting unit level, which is generally at the level of or one level below its reportable segments. Goodwill recorded as a result of the acquisition of Global Atlantic has been allocated to the Insurance Segment. See Note 20 "Segment Reporting".

During the third quarter of 2021, KKR performed its annual impairment analysis for the goodwill recorded at the asset management and insurance reporting units. KKR elected to perform a qualitative assessment (commonly known as "step zero") for the purposes of its annual goodwill impairment analysis. Based upon this assessment, KKR determined that it is more likely than not that the fair value of each reporting unit exceeds its carrying value. Factors considered in the qualitative assessment included macroeconomic conditions, industry and market considerations, cost factors, current and projected financial performance, changes in management or strategy and market capitalization.

Intangible assets, which primarily relate to intangible assets acquired in the GA Acquisition are recorded in Other Assets in the accompanying consolidated statements of financial condition and are amortized over their estimated useful lives and are reviewed for impairment on an interim basis when impairment indicators are present. Impairment losses are recorded within Insurance Expenses in the consolidated statements of operations. The finite lived intangible assets are amortized using the straight-line method over the useful life of the assets which is between 15 to 19 years. The indefinite lived intangible assets are not subject to amortization.

For additional details on the GA Acquisition and the acquisition accounting see Note 3 "Acquisition of Global Atlantic".

**Fixed Assets, Depreciation and Amortization**

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease term or the life of the asset, for KKR's owner occupied corporate real estate is up to forty years, and three to seven years for other fixed assets.

**Foreign Currency**

Consolidated entities that have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States and certain CFEs. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

**Leases**

At contract inception, KKR determines if an arrangement contains a lease by evaluating whether (i) the identified asset has been deployed in the contract explicitly or implicitly and (ii) KKR obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Additionally, at contract inception KKR will evaluate whether the lease is an operating or finance lease. Right-of-use ("ROU") assets represent KKR's right to use an underlying asset for the lease term and lease liabilities represent KKR's obligation to make lease payments arising from the lease.

ROU assets and the associated lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. The discount rate implicit in the lease is generally not readily determinable. Consequently, KKR uses its incremental borrowing rate based on the information available including, but not limited to, collateral assumptions, the term of the lease, and the economic environment in which the lease is denominated at the commencement date in determining the present value of the future lease payments. The ROU assets are recognized as the initial measurement of the lease liabilities plus any initial direct costs and any prepaid lease payments less lease incentives received, if any. The lease terms may include options to extend or terminate the lease which are accounted for when it is reasonably certain that KKR will exercise that option. Certain leases that include lease and non-lease components are accounted for as one single lease component. In addition to contractual rent payments, occupancy lease agreements generally include additional payments for certain costs incurred by the landlord, such as building expenses and utilities. To the extent these are fixed or determinable, they are included as part of the lease payments used to measure the Operating Lease Liability.

Operating lease expense is recognized on a straight-line basis over the lease term and is recorded within Occupancy and Related Charges in the accompanying consolidated statements of operations. The ROU assets are included in Other Assets and the lease liabilities are included in Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. See Note 14 "Other Assets and Accrued Expenses and Other Liabilities."

**Comprehensive Income (Loss)**

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying consolidated financial statements, comprehensive income is comprised of (i) Net Income (Loss), as presented in the consolidated statements of operations, (ii) unrealized gains (losses) on available-for-sale securities and (iii) net foreign currency translation.

**Income Taxes**

KKR & Co. Inc. is a domestic corporation for U.S. federal income tax purposes and is subject to U.S. federal, state and local income taxes at the entity level on its share of taxable income. In addition, KKR Group Partnership and certain of its subsidiaries operate as partnerships for U.S. federal tax purposes but as taxable entities for certain state, local or non-U.S. tax purposes. Moreover, certain corporate subsidiaries of KKR, including certain Global Atlantic subsidiaries, are domestic corporations for U.S. federal income tax purposes and are subject to U.S. federal, state, and local income taxes.

*Deferred Income Taxes*

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period when the change is enacted.

Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accrued and Other Liabilities, as applicable, in the accompanying statements of financial condition.

*Uncertain Tax Positions*

KKR analyzes its tax filing positions in all of the U.S. federal, state and local tax jurisdictions and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. The reserve for uncertain tax positions is recorded in Accrued and Other Liabilities in the accompanying statements of financial condition. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

**SIGNIFICANT ACCOUNTING POLICIES - ASSET MANAGEMENT**

The significant accounting policies applicable to KKR's asset management business are described below.

**Investments**

Investments consist primarily of private equity, credit, investments of consolidated CFEs, real assets, equity method and other investments. Investments denominated in currencies other than the entity's functional currency are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 7 "Investments."

The following describes the types of securities held within each investment class.

*Private Equity* - Consists primarily of equity investments in operating businesses, including growth equity investments.

*Credit* - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), originated, distressed and opportunistic credit, real estate mortgage loans, and interests in unconsolidated CLOs.

*Investments of Consolidated CFEs* - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs.

*Real Assets* - Consists primarily of investments in (i) energy related assets, principally oil and natural gas properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

*Equity Method - Other* - Consists primarily of (i) certain direct interests in operating companies in which KKR is deemed to exert significant influence under GAAP and (ii) certain interests in partnerships and joint ventures that hold private equity and real assets investments.

*Equity Method - Capital Allocation-Based Income* - Consists primarily of (i) the capital interest KKR holds as the general partner in certain investment funds, which are not consolidated and (ii) the carried interest component of the general partner interest, which are accounted for as a single unit of account.

*Other* - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

**Investments held by Consolidated Investment Funds**

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated investment funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.

Investments in operating companies that are held through KKR's consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas properties are generally classified as real asset investments.

***Energy Investments held by KKR***

On August 18, 2020, KKR transferred all the working and royalty interests in oil and natural gas properties, which were directly held by KKR and not held through investment funds, into a consolidated investment fund. Before the transfer, oil and natural gas activities were accounted for under the successful efforts method of accounting and such working and royalty interests were consolidated based on the proportion of the working and royalty interests held by KKR. Subsequent to the transfer, such working and royalty interests are carried at fair value in accordance with ASC 946, Financial Services - Investment Companies, and recorded within investments in the consolidated statements of financial condition. Any changes in fair value are recorded within Net Gains (Losses) from Investment Activities in the consolidated statements of operations. No gain or loss has been recorded in the consolidated statement of operations as result of the transfer. KKR recognized the differential between the net carrying value of such working and royalty interests and the fair value at the time of the transfer within stockholders' equity. This transaction resulted in an adjustment to KKR Group Partnership's equity, and accordingly, both KKR's equity and noncontrolling interests held by KKR Holdings were adjusted for their proportionate share based on their ownership in KKR Group Partnership at the time of transfer. See the consolidated statements of changes in equity and Note 21 "Equity". The fair value has been determined in accordance with KKR's Level III Valuation Methodologies.

***Fair Value Option***

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method - other and other financial instruments not held through a consolidated investment fund. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

***Equity Method***

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. The carrying value of equity method investments, for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions.

For equity method investments for which KKR has not elected the fair value option, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. As of September 30, 2021, equity method investees for which KKR reports financial results on a lag include Marshall Wace LLP ("Marshall Wace").

KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of investments classified as Equity Method - Capital Allocation-Based Income approximates fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

***Financial Instruments held by Consolidated CFEs***

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR's consolidated net income (loss) reflecting KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLOs, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

**Due from and Due to Affiliates**

KKR considers its principals and their related entities, unconsolidated investment funds and the portfolio companies of its funds to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

**Freestanding Derivatives**

Freestanding derivatives are instruments that KKR and certain of its consolidated funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to reduce this risk by limiting its counterparties to major financial institutions with strong credit ratings.

**Securities Sold Short**

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

## Notes to Financial Statements (Continued)

## Revenues

For the three and nine months ended September 30, 2021 and 2020, respectively, revenues consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Management Fees	\$ 349,249	\$ 254,467	\$ 931,624	\$ 696,892
Fee Credits	(164,720)	(89,487)	(322,402)	(185,746)
Transaction Fees	437,619	300,805	978,399	561,259
Monitoring Fees	29,823	28,824	98,164	86,875
Incentive Fees	6,962	63	13,092	731
Expense Reimbursements	34,857	44,553	122,642	100,779
Oil and Gas Revenue	—	6,687	—	21,054
Consulting Fees	25,178	17,428	66,286	55,541
<b>Total Fees and Other</b>	<b>718,968</b>	<b>563,340</b>	<b>1,887,805</b>	<b>1,337,385</b>
Carried Interest	1,216,433	1,077,932	4,553,527	626,338
General Partner Capital Interest	310,234	253,966	1,183,180	262,004
<b>Total Capital Allocation-Based Income (Loss)</b>	<b>1,526,667</b>	<b>1,331,898</b>	<b>5,736,707</b>	<b>888,342</b>
<b>Total Revenues - Asset Management</b>	<b>\$ 2,245,635</b>	<b>\$ 1,895,238</b>	<b>\$ 7,624,512</b>	<b>\$ 2,225,727</b>

## Fees and Other

Fees and Other, as detailed above, are accounted for as contracts with customers. Under ASC 606, Revenue from Contracts with Customers ("ASC 606"), KKR is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) KKR satisfies its performance obligation. In determining the transaction price, KKR has included variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

**Notes to Financial Statements (Continued)**

The following table summarizes KKR's revenues from contracts with customers:

Revenue Type	Customer	Performance Obligation	Performance Obligation Satisfied Over Time or Point In Time <sup>(1)</sup>	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts <sup>(2)</sup>
Management Fees	Investment funds, CLOs and other vehicles	Investment management services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the management fee over time	Typically quarterly or annually in arrears	No	Due from Affiliates
Transaction Fees	Portfolio companies and third party companies	Advisory services and debt and equity arranging and underwriting	Point in time when the transaction (e.g. underwriting) is completed	Fixed consideration	Typically paid on or shortly after transaction closes	No	Due from Affiliates (portfolio companies) Other Assets (third parties)
Monitoring Fees							
Recurring Fees	Portfolio companies	Monitoring services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the recurring fee	Typically quarterly in arrears	No	Due from Affiliates
Termination Fees	Portfolio companies	Monitoring services	Point in time when the termination is completed	Fixed consideration	Typically paid on or shortly after termination occurs	No	Due from Affiliates
Incentive Fees	Investment funds and other vehicles	Investment management services that result in achievement of minimum investment return levels	Over time as services are rendered	Variable consideration since contingent upon the investment fund and other vehicles achieving more than stipulated investment return hurdles	Typically paid shortly after the end of the performance measurement period	No	Due from Affiliates
Expense Reimbursements	Investment funds and portfolio companies	Investment management and monitoring services	Point in time when the related expense is incurred	Fixed consideration	Typically shortly after expense is incurred	No	Due from Affiliates
Oil and Gas Revenues	Oil and gas wholesalers	Delivery of oil liquids and gas	Point in time when delivery has occurred and title has transferred	Fixed consideration	Typically shortly after delivery	No	Other Assets
Consulting Fees	Portfolio companies and other companies	Consulting and other services	Over time as services are rendered	Fixed consideration	Typically quarterly in arrears	No	Due from Affiliates

(1) For performance obligations satisfied at a point in time, there were no significant judgments made in evaluating when a customer obtains control of the promised service.

(2) For amounts classified in Other Assets, see Note 14 "Other Assets and Accrued Expenses and Other Liabilities." For amounts classified in Due from Affiliates, see Note 19 "Related Party Transactions."

**Management Fees**

KKR provides investment management services to investment funds, CLOs, and other vehicles and entities in exchange for a management fee. Management fees are determined quarterly based on an annual rate and are generally based upon a percentage of the capital committed or capital invested during the investment period. Thereafter, management fees are generally based on a percentage of remaining invested capital, net asset value, gross assets or as otherwise defined in the respective contractual agreements. Since some of the factors that cause the fees to fluctuate are outside of KKR's control, management fees are considered to be constrained and are therefore not included in the transaction price. Additionally, after the contract is established there are no significant judgments made when determining the transaction price.

Management fees earned from KKR's consolidated investment funds and other vehicles and entities are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.



***Fee Credits***

Under the terms of the management agreements with certain of its investment funds, KKR is required to share with such funds an agreed upon percentage of certain fees, including monitoring and transaction fees earned from portfolio companies ("Fee Credits"). Investment funds earn Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses") and generally amount to 80% for older funds formed on or prior to January 1, 2015, or 100% for newer funds, of allocable monitoring and transaction fees after broken-deal expenses are recovered, although the actual percentage may vary from fund to fund. Fee Credits are recognized and owed to investment funds concurrently with the recognition of monitoring fees, transaction fees and broken-deal expenses. Since Fee Credits are payable to investment funds, amounts owed are generally applied as a reduction of the management fee that is otherwise billed to the investment fund. Fee credits are recorded as a reduction of revenues in the consolidated statement of operations. Fee Credits owed to investment funds are recorded in Due to Affiliates on the consolidated statements of financial condition. See Note 19 "Related Party Transactions."

***Transaction Fees***

KKR (i) arranges debt and equity financing, places and underwrites securities offerings, and provides other types of capital markets services for companies seeking financing in its Capital Markets business line and (ii) provides advisory services in connection with successful Private Markets and Public Markets business line portfolio company investment transactions, in each case, in exchange for a transaction fee. Transaction fees are separately negotiated for each transaction and are generally based on (i) for Capital Markets business line transactions, a percentage of the overall transaction size and (ii) for Private Markets and Public Markets business line transactions, a percentage of either total enterprise value of an investment or a percentage of the aggregate price paid for an investment. After the contract is established, there are no significant judgments made when determining the transaction price.

***Monitoring Fees***

KKR provides services in connection with monitoring portfolio companies in exchange for a fee. Recurring monitoring fees are separately negotiated for each portfolio company. In addition, certain monitoring fee arrangements may provide for a termination payment following an initial public offering or change of control as defined in the contractual terms of the related agreement. These termination payments are recognized in the period when the related transaction closes. After the contract is established, there are no significant judgments made when determining the transaction price.

***Incentive Fees***

KKR provides investment management services to certain investment funds, CLOs and other vehicles in exchange for a management fee as discussed above and, in some cases an incentive fee when KKR is not entitled to a carried interest. Incentive fee rates generally range from 5% to 20% of investment gains. Incentive fees are considered a form of variable consideration as these fees are subject to reversal, and therefore the recognition of such fees is deferred until the end of each fund's measurement period when the performance-based incentive fees become fixed and determinable. Incentive fees are generally paid within 90 days of the end of the investment vehicles' measurement period. After the contract is established, there are no significant judgments made when determining the transaction price.

Incentive fees earned from KKR's consolidated investment funds, CLOs, and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs, and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

***Expense Reimbursements***

Providing investment management services to investment funds and monitoring KKR's portfolio companies require KKR to arrange for services on behalf of them. In those situations where KKR is acting as an agent on behalf of its investment funds or portfolio companies, it presents the cost of services on a net basis as a reduction of Revenues. In all other situations, KKR is primarily responsible for fulfilling the services and is therefore acting as a principal for those arrangements for accounting purposes. As a result, the expense and related reimbursement associated with those services is presented on a gross basis. Costs incurred are classified within Expenses and reimbursements of such costs are classified as Expense Reimbursements within

**Notes to Financial Statements (Continued)**

Revenues on the consolidated statements of operations. After the contract is established, there are no significant judgments made when determining the transaction price.

***Oil and Gas Revenue***

On August 18, 2020, KKR transferred all the working and royalty interests in oil and natural gas properties, which were directly held by KKR and not held through investment funds, into a consolidated investment fund. Before the transfer, oil and gas revenue was recognized when the performance obligations were satisfied, which occurred at the point in time when control of the product transferred to the customer. Performance obligations were typically satisfied through the monthly delivery of production. Revenue was recognized based on KKR's proportionate share of production from non-operated properties as marketed by the operator. After the contract was established, there were no significant judgments made when determining the transaction price. As result of the transfer of all the working and royalty interests into a consolidated investment fund, no oil and gas revenue has been recognized since the date of the transfer.

***Consulting Fees***

KKR provides consulting and other services to portfolio companies and other companies in exchange for a consulting fee. Consulting fees are separately negotiated with each company for which services are provided. After the contract is established, there are no significant judgments made when determining the transaction price.

**Capital Allocation-Based Income (Loss)**

Capital allocation-based income (loss) is earned from those arrangements where KKR has a general partner capital interest and is entitled to a disproportionate allocation of investment income (referred to hereafter as "carried interest"). KKR accounts for its general partner interests in capital allocation-based arrangements as financial instruments under ASC 323, Investments - Equity Method and Joint Ventures ("ASC 323") since the general partner has significant governance rights in the investment funds in which it invests, which demonstrates significant influence. In accordance with ASC 323, KKR records equity method income based on the proportionate share of the income of the investment fund, including carried interest, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. Accordingly, these general partner interests are accounted for outside of the scope of ASC 606. Other arrangements surrounding contractual incentive fees through an advisory contract are separate and distinct and accounted for in accordance with ASC 606. In these incentive fee arrangements, accounted for in accordance with ASC 606, KKR's economics in the entity do not involve an allocation of capital. See "Incentive Fees" above.

Carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to the funds' limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for an investment fund have been fully reversed. KKR is not obligated to make payments for guaranteed returns or hurdles and, therefore, cannot have negative carried interest over the life of an investment fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.

**Compensation and Benefits**

Compensation and Benefits expense includes (i) base cash compensation consisting of salaries and wages, (ii) benefits, (iii) carry pool allocations, (iv) equity-based compensation, and (v) discretionary cash bonuses.

To supplement base cash compensation, benefits, carry pool allocations, and equity-based compensation, KKR typically pays discretionary cash bonuses, which are included in Compensation and Benefits expense in the consolidated statements of operations, based principally on the level of (i) management fees and other fee revenues (including incentive fees), (ii) realized carried interest and (iii) realized investment income earned during the year. The amounts paid as discretionary cash bonuses, if any, are at KKR's sole discretion and vary by individual to individual and from period to period, including having no cash bonus. KKR accrues discretionary cash bonuses when payment becomes probable and reasonably estimable which is generally in the

period when KKR makes the decision to pay discretionary cash bonuses and is based upon a number of factors including the recognition of fee revenues, realized carried interest, realized investment income and other factors determined during the year.

KKR decides whether to pay a discretionary cash bonus and determines the percentage of applicable revenue components to pay compensation only upon the occurrence of the realization event. There is no contractual or other binding obligation that requires KKR to pay a discretionary cash bonus to its employees, except in limited circumstances.

While most cash bonuses paid to most employees are borne by KKR and result in customary compensation and benefits expense, certain cash bonuses that are paid to certain of KKR's principals can be borne by KKR Holdings. These bonuses can be funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges, if any, are currently recorded based on the amount of cash expected to be paid by KKR Holdings.

#### *Carry Pool Allocation*

With respect to KKR's funds that provide for carried interest, KKR allocates a portion of the realized and unrealized carried interest that it earns to a carry pool established at KKR Associates Holdings L.P. (which is not a subsidiary of KKR), from which its employees and certain other carry pool participants are eligible to receive a carried interest allocation. The allocation is determined based upon a fixed arrangement between KKR Associates Holdings L.P. and KKR, and KKR does not exercise discretion on whether to make an allocation to the carry pool upon a realization event. These amounts are accounted for as compensatory profit sharing arrangements in Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income and are recorded as compensation expense. Upon a reversal of carried interest income, the related carry pool allocation, if any, is also reversed. Accordingly, such compensation expense is subject to both positive and negative adjustments.

In February 2021, following the approval of a majority of KKR & Co. Inc.'s independent directors, KKR amended the percentage of carried interest that is allocable to the carry pool to 65% for (i) current investment funds for which no or de minimis amounts of carried interest was accrued as of December 31, 2020 and (ii) all future funds. For all other funds, the percentage of carried interest remains 40% or 43%, as applicable. The percentage of carried interest allocable to the carry pool may be increased above 65% only with the approval of a majority of KKR & Co. Inc.'s independent directors.

#### *Equity-based Compensation*

In addition to the cash-based compensation and carry pool allocations as described above, employees receive equity awards under the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") and the Amended and Restated KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, the "Equity Incentive Plans"). Most of these awards are subject to service-based vesting typically over a three to five-year period from the date of grant, while in certain cases vesting is subject to the achievement of market conditions. Certain of these awards are subject to transfer restrictions and minimum retained ownership requirements.

#### *Profit Sharing Plan*

KKR provides certain profit sharing programs for KKR employees. In particular, KKR provides a 401(k) plan for eligible employees in the United States. For certain employees who are participants in the 401(k) plan, KKR may, in its discretion, contribute an amount after the end of the plan year.

### **General, Administrative and Other**

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas entities that are consolidated, broken-deal expenses, placement fees and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

### **Investment Income**

Investment income consists primarily of the net impact of:

**Notes to Financial Statements (Continued)**

- (i) Realized and unrealized gains and losses on investments, securities sold short, derivatives and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.
- (ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.
- (iii) Dividends, which are recognized on the ex-dividend date, or, in the absence of a formal declaration of a record date, on the date it is received.
- (iv) Interest income, which is recognized as earned.
- (v) Interest expense, which is recognized as incurred.

**SIGNIFICANT ACCOUNTING POLICIES - INSURANCE**

The significant accounting policies applicable to KKR's insurance business, which is conducted by Global Atlantic, are described below.

**Investments**

In the normal course of business, Global Atlantic enters into transactions involving various types of investments.

Investments include the following: U.S. government and agency obligations; commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS"), CLOs, collateralized bond obligations ("CBOs") and all other structured securities (consisting primarily of asset-backed securities ("ABS") (collectively, "structured securities"); corporate bonds; state and political subdivision obligations; foreign government obligations; equity securities; mortgage and other loan receivables; policy loans; and other non-derivative investments. Investments are recorded on a trade-date basis.

**Available-for-sale fixed maturity securities**

Global Atlantic primarily accounts for its fixed maturity securities (including bonds, structured securities and redeemable preferred stock) as available-for-sale ("AFS"). AFS fixed maturity securities are carried at fair value. Impairment associated with AFS fixed maturity securities is recognized as an allowance for credit losses. The allowance for credit losses is established either by a charge to net investment losses in the consolidated statements of operations, for securities identified as credit impaired after purchase, or by a gross-up recognition of an initial allowance for purchased credit deteriorated ("PCD") securities.

PCD securities are those purchased by Global Atlantic that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. Global Atlantic considers an AFS fixed maturity security to be PCD if there are indicators of a credit loss at the acquisition date or, in the case of structured securities, if there is a significant difference between contractual cash flows and expected cash flows at acquisition. PCD securities also include those AFS fixed maturity securities previously held by Global Atlantic that were similarly assessed at the time of the KKR acquisition. The initial amortized cost for a PCD security equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a discounted cash flow method based on the best estimate of the present value of cash flows expected to be collected. After purchase, the accounting for a PCD security is consistent with that applied to all other securities.

Unrealized gains and losses on AFS fixed maturity securities, net of tax and insurance intangible amortization, are reported in accumulated other comprehensive income in the consolidated statements of financial condition. Realized investment gains and losses are recognized on a first-in first-out basis and are reported in net investment losses in the consolidated statements of operations. The amortized cost of fixed maturity securities is adjusted for impairment charge-offs, amortization of premiums and accretion of discounts. Such amortization and accretion is calculated using the effective yield method and included in net investment income in the consolidated statements of operations.

For structured securities, Global Atlantic recognizes interest income using a constant effective yield based on estimated cash flows generated from internal models utilizing interest rate, default and prepayment assumptions. Effective yields for structured securities that are not of high credit quality are recalculated and adjusted prospectively based on changes in expected undiscounted future cash flows, after consideration of any appropriate recognition or release of an allowance for credit losses. For structured securities that are of high credit quality, effective yields are recalculated based on payments received and updated prepayment expectations, and amortized cost is adjusted to the amount that would have existed had the new effective yield been

**Notes to Financial Statements (Continued)**

applied since acquisition with a corresponding charge or credit to net investment income. Prepayment fees are recorded when earned in net investment income in the consolidated statements of operations.

Global Atlantic generally suspends accrual of interest for securities that are more than 90 days past due and reverses any related accrued interest to net investment income in the consolidated statements of operations. When a security is in non-accrual status, coupon payments are recognized as interest income as cash is received, subject to consideration as to the overall collectibility of the security. A security is returned to accrual status when Global Atlantic determines that the collection of amounts due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

**Trading fixed maturity securities**

Global Atlantic accounts for certain fixed maturity securities as trading at acquisition, based on intent or via the election of the fair value option. Trading securities are carried at fair value, with realized and unrealized gains and losses reported in net investment gains (losses) in the consolidated statements of operations. Interest income from these securities is reported in net investment income. These trading securities, for which investment results accrue to the benefit of either contractholders or reinsurance counterparties, are primarily used to match asset and liability accounting.

**Equity securities**

Global Atlantic accounts for its investments in equity securities (including common stock and non-redeemable preferred stock) that do not require equity method accounting or result in consolidation, at fair value. Realized and unrealized investment gains and losses are reported in net investment gains (losses) in the consolidated statements of operations.

**Mortgage and other loan receivables**

Global Atlantic purchases and originates mortgage and other loan receivables, and these loans are carried at cost, less the allowance for credit losses and as adjusted for amortization/accretion of premiums/discounts. The allowance for credit losses is established either by a charge to net investment losses in the consolidated statements of operations or, for PCD mortgage and other loan receivables, by a gross-up recognition of the initial allowance in the consolidated statements of financial condition.

PCD mortgage and other loan receivables are those purchased by Global Atlantic that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. PCD mortgage and other loan receivables also include those mortgage and other loan receivables previously held by Global Atlantic that were similarly assessed at the time of the GA Acquisition. The initial amortized cost for a PCD mortgage or other loan receivable equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a method consistent with that used for other similar loans. See further discussion of allowance methods below. After purchase, the accounting for a PCD mortgage or other loan receivable is consistent with that applied to all other mortgage and other loan receivables. As part of the GA Acquisition, Global Atlantic identified \$3.7 billion of PCD mortgage and other loan receivables with a related allowance of \$120.3 million. The allowance on the Non-PCD mortgage and other loan receivables, instead, had to be recognized outside the purchase accounting analysis and had an impact on the consolidated statement of operations of \$183.6 million.

Loan premiums or discounts are amortized or accreted using the effective yield method. Interest income is accrued on the principal balance of each loan based on its contractual interest rate. The accrual of interest is generally suspended when the collection of interest is no longer probable or the collection of any portion of principal is doubtful. Global Atlantic generally suspends accrual of interest for loans that are more than 90 days past due and reverses any related accrued interest to net investment income in the consolidated statements of operations. When a loan is in non-accrual status, coupon payments are generally recognized as interest income as cash is received, subject to consideration as to the overall collectibility of the loan. A loan is returned to accrual status when Global Atlantic determines that the collection of amounts due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

**Policy loans**

Policy loans are loans policyholders take out against their life insurance policies. Each policy loan is fully collateralized by the cash surrender value of the policyholder's life insurance policy. Policy loans are carried at unpaid principal balances. Interest income on such loans is recognized as earned using the contractually agreed upon interest rate and reflected in net investment income in the consolidated statements of operations. Generally, interest is capitalized on the associated policy's anniversary date.

**Other investments**

Other investments in the consolidated statements of financial condition include Global Atlantic's investments in investment partnerships, for which Global Atlantic does not have voting control or power to direct activities. These investments are accounted for using the equity method of accounting unless Global Atlantic's interest is so minor that it has virtually no influence over partnership operating or financial policies. The equity method of accounting requires that the investments be initially recorded at cost and the carrying amount of the investment subsequently be adjusted to recognize Global Atlantic's share of the earnings and losses of the investee. Where there is a difference between the cost of the investment and Global Atlantic's proportionate share of the equity method investee's net assets, this basis difference is accreted to net investment income over the life of the underlying assets. In applying the equity method, Global Atlantic uses financial information provided by the investee, generally on a one to three month lag due to the timing of the receipt of related financial statements.

The income from Global Atlantic's equity method investments is included in net investment income in the consolidated statements of operations. In limited circumstances, Global Atlantic elects to apply the fair value option to investment partnerships, which are carried at fair value with unrealized gains and losses reported in net investment gains (losses) in the consolidated statements of operations. The contributions to and distributions from investment partnerships are classified as investing activities within the consolidated statements of cash flows.

Global Atlantic consolidates investment partnerships and other entities when it is deemed to control or is considered the primary beneficiary of a VIE. The results of certain consolidated investment entities are reported on a one to three month lag and intervening events are evaluated for materiality and recognition by disclosure or otherwise, as appropriate.

Included in other investments are Global Atlantic's investments in renewable energy entities, including partnerships and limited liability companies. Respective investments are consolidated when Global Atlantic has control, or are accounted for using the equity method of accounting when Global Atlantic has the ability to exercise significant influence but not control. These investments involve tiered capital structures that facilitate a waterfall of returns and allocations to ensure the efficient use of tax credits. A conventional income statement oriented approach to the equity method of accounting, or to the recognition of non-controlling interests (when Global Atlantic is consolidating the investment), based on ownership percentages does not accurately reflect the proper allocation of income and cash flows for these investments. Instead, Global Atlantic uses the hypothetical liquidation at book value method ("HLBV") which is a balance sheet oriented approach to the equity method of accounting and to the recognition of non-controlling interests that allocates income and cash flows based on changes to each investor's claim to net assets assuming a liquidation of the investee as of each reporting date, including an assessment of the likelihood of liquidation in determining the contractual provisions to utilize when applying the HLBV method.

Investments in real assets included in other investments in the consolidated statements of financial condition relate to Global Atlantic's consolidated investments in renewable energy entities and investments in transportation assets. The income, as well as the depreciation and other expenses associated with these tangible assets is reported in net investment income in the consolidated statements of operations.

Income on consolidated investments in renewable energy entities is earned from the sale of the energy generated under long-term contracts. Income on investments in transportation assets is earned from the lease of these assets. Tangible assets associated with renewable energy entities primarily comprise solar energy systems, which are depreciated on a straight-line basis over their estimated useful lives of generally 35 years. Transportation assets are primarily aircraft and railcars, which are depreciated to their estimated salvage value on a straight-line basis over their remaining useful lives. These useful lives generally range up to 25 years for aircraft and 45 years for railcars, as determined from the date of manufacture.

Global Atlantic has investments in real estate, some of which are accounted for at cost less depreciation. The useful lives for these real estate investments generally range up to 30 years. Other investments in real estate held in consolidated investment companies that account for such real estate at fair value under investment company accounting. Net rental income on the investments in real estate is recognized in net investment income and changes in the fair value of real estate held in consolidated investment companies are recognized in net investment gains (losses) in the consolidated statements of operations.

Investments in Federal Home Loan Bank ("FHLB") common stock are also included in other investments in the consolidated statements of financial condition and are accounted at cost.

**Derivative instruments**

Derivatives are instruments that derive their values from underlying asset prices, indices, foreign exchange rates, reference rates and other inputs or a combination of these factors. Derivatives may be privately negotiated contracts, which are usually referred to as over-the-counter ("OTC") derivatives, or they may be listed and traded on an exchange ("exchange-traded"). Global Atlantic's derivative instruments are primarily used to hedge certain risks, including interest rate risk and equity market risk, and to a lesser extent foreign exchange and inflation risks. Where certain criteria are met, some of these hedging arrangements may achieve hedge accounting.

Derivative instruments are generally recognized at estimated fair value in either funds withheld receivable at interest, other assets, funds withheld payable at interest or accrued expenses and other liabilities in the consolidated statements of financial condition, with changes in fair value recorded in net investment gains (losses) in the consolidated statements of operations. Where certain qualifying criteria are met, some derivative instruments are designated as accounting hedges and are recognized at estimated fair value in derivative assets or accrued expenses and other liabilities in the consolidated statements of financial condition. For derivative instruments designated as fair value hedges, changes in fair value are recognized in the consolidated statements of operations, in the same line where the hedged item is reported. For derivative instruments designated as cash flow hedges, changes in fair value are initially recognized in accumulated other comprehensive income (loss) in the consolidated statements of financial condition and subsequently reclassified to the consolidated statements of operations, in the same line item where the hedged item is reported.

Derivative receivables and payables with a counterparty that are subject to an International Swaps and Derivatives Association Master Agreement ("ISDA") or other similar agreement that provides a legal right of setoff, are presented at their net amounts. Where the legal right of setoff exists, Global Atlantic also offsets the fair value of cash collateral received or posted under an ISDA, or other similar agreement with a counterparty, against the related derivative balances as appropriate.

**Investment credit losses and impairment****Available-for-sale fixed maturity securities**

One of the significant estimates related to AFS securities is the evaluation of those investments for credit losses. The evaluation of investments for credit losses is a quantitative and qualitative quarterly process that is subject to risks and uncertainties and involves significant estimates and judgments by management. Changes in the estimates and judgments used in such analysis can have a significant impact on the consolidated statements of operations.

Global Atlantic regularly reviews its AFS securities for declines in fair value below amortized cost that it determines to be due to credit losses. For fixed maturity securities, Global Atlantic first considers the intent to sell a security, or whether it is more-likely-than-not that it will be required to sell the security, before the recovery of its amortized cost. If Global Atlantic intends to sell an AFS fixed maturity security with an unrealized loss or it is more-likely-than-not that it will be required to sell an AFS fixed maturity security with an unrealized loss before recovery of its amortized cost basis, the amortized cost is written down to fair value and a corresponding charge is recognized to net investment losses.

For AFS fixed maturity securities in an unrealized loss position that Global Atlantic does not intend to sell, and will not be required to sell, Global Atlantic bifurcates the impairment into two components: credit impairment and non-credit impairment. Credit impairments are measured as the difference between the security's cost or amortized cost and its estimated recoverable value, which is the present value of its expected future cash flows discounted at the current effective interest rate. The estimated recoverable value is subject to a floor equal to the fair value of the security. The remaining difference between the security's fair value and the recoverable value, if any, is the non-credit impairment. Credit impairments are recognized in the allowance for credit losses on AFS fixed maturity securities, which is established via a charge to net investment losses in the consolidated statements of operations, and non-credit impairments are charged to accumulated other comprehensive income in the consolidated statements of financial condition.

The review of each AFS fixed maturity in an unrealized loss position for credit losses includes an analysis of gross unrealized losses by severity. A severe unrealized loss position on a fixed maturity security may not impact the recoverability of all contractual cash flows or the ability to recover an amount at least equal to the investment's amortized cost. The facts and circumstances available relevant to the severity of the loss position are analyzed, including changes in market interest rates, credit issues, changes in business climate, management changes, litigation, government actions, and other similar factors that may impact the issuer's ability to meet current and future principal and interest obligations. Indicators of credit impairment may

include changes in the issuers' credit ratings, the frequency of late payments, pricing levels and deterioration in any, or a combination of, key financial ratios, financial statements, revenue forecasts and cash flow projections.

In determining the estimated recoverable value, the review of expected future cash flows for structured securities includes assumptions about key systemic risks (e.g., unemployment rates, housing prices) and loan-specific information (e.g., delinquency rates, loan-to-value ratios). Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third parties, along with assumptions and judgments about the future performance of the underlying collateral. For corporate and government bonds the recoverable value is determined using cash flow estimates that consider facts and circumstances relevant to the security and the issuer, including overall financial strength and secondary sources of repayment as well as pending restructuring or disposition of assets. Where information for such cash flow estimates is limited or deemed not reliable, fair value is considered the best estimate of the recoverable value.

In periods subsequent to the initial recognition of an allowance for credit losses on a fixed maturity security, whether for a PCD security or a security impaired since purchase, Global Atlantic continues to monitor credit loss expectations. Deterioration in the estimated recoverable value of a credit impaired security is recognized as an addition to the allowance for credit losses, as limited by the amount by which the security's fair value is less than amortized cost. Improvements in the estimated recoverable value of a credit impaired security or improvements in the fair value of a credit impaired security that limit the amount of the allowance result in reductions in the allowance for credit losses, which are recognized as a credit to net investment gains in the consolidated statements of income.

Amounts are charged off against the allowance for credit losses when deemed uncollectible or when Global Atlantic determines that it intends to sell, or more likely than not will be required to sell, the security. Charge-offs are reflected as a decrease in the allowance and a direct write down in the amortized cost of the security. If Global Atlantic recovers all or a portion of an amount previously written off on a credit impaired security, the recovery is recognized as a realized investment gain.

### **Mortgage and other loan receivables**

Global Atlantic updates its estimate of the expected credit losses on its investments in mortgage and other loan receivables each quarter. For loans that share similar risk characteristics, expected credit losses are measured on a pool basis.

For commercial mortgage loans, the current expected credit losses are estimated using a model that evaluates the probability that each loan will default and estimates the amount of loss given the occurrence of such a default over the life of each loan in the portfolio. The model incorporates historical and current data on the relevant property market and projects potential future paths for each loan's collateral, considering both the net income to be generated by the collateral real estate and its market value. The model considers how macroeconomic forecasts (such as gross domestic product, unemployment, and interest rates) influence commercial real estate market factors (including vacancy rates, rental and income growth rates, property value changes), and in turn how commercial real estate market conditions, in combination with loan specific information (including debt service coverage and loan to value), drive commercial mortgage loan credit risk.

For residential mortgage loans and consumer loans, the current expected credit losses are primarily estimated using a discounted cash flow model. The model considers loan-specific information as well as current, historical and forecasted data relevant to the respective loans, including home prices, interest rates and unemployment. Expected cash flows are projected for each loan and are discounted using the effective interest rate of the respective loan. Any shortfalls between the discounted cash flows and the amortized cost of each individual loan are aggregated to determine the total allowances on the residential mortgage loan and consumer loan portfolios. For certain residential mortgage loans secured by single-family rental properties, current expected credit losses are determined using a model consistent with that described above for commercial mortgage loans.

With regard to the use of forecasts in the determination of Global Atlantic's current expected credit losses, the reversion of forecasts to historical data is based on reversion dynamics that depend on the specific variable and its interaction with the other parameters of the respective model; however, the forecasts generally tend to revert to a long-term equilibrium trend within two to three years from the forecast start date.

For the investment in other loan receivables, a variety of methodologies are used to estimate the respective current expected credit losses. These methodologies consider the terms specific to each loan, including the value of any collateral, and evaluate the risk of loss over the life of these loans.

Global Atlantic also assesses and measures an allowance for credit losses arising from off-balance sheet commitments, including loan commitments, that are not unconditionally cancellable by Global Atlantic. This allowance for credit losses for off-balance sheet commitments is determined using methods consistent with those used for the associated mortgage and other loan



receivable class, as described above, and is recognized in other liabilities in the consolidated statements of financial condition, since there is no funded asset for the committed amount.

When all or a portion of a loan is deemed uncollectible, the uncollectible portion of the carrying amount of the loan is charged off against the allowance. If Global Atlantic recovers all or a portion of an amount previously written off on a credit impaired loan, the recovery is recognized as a realized investment gain.

**Other investments**

The determination of the amount of impairment on other classes of investments also requires significant judgment and is based upon a periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such assessments are revised as conditions change and new information becomes available.

Impairment of consolidated renewable energy assets and transportation assets is assessed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment are present, a recoverability test is performed to determine if the sum of the estimated undiscounted future cash flows attributable to the assets is greater than the carrying amount. If the undiscounted estimated future cash flows are less than the carrying amount, an impairment loss is recognized based on the amount by which the carrying amount exceeds its estimated fair value.

Impairment of investments subject to the equity method of accounting is assessed whenever events or circumstances suggest that the carrying amount may not be recoverable. An impairment charge is recognized in earnings for a decline in value that is determined to be other than temporary and is measured as the difference between the carrying amount and the fair value of the equity method investment as of the balance sheet date.

**Deferral and amortization of certain revenues and expenses****Deferrals**

Deferred policy acquisition costs ("DAC") consist of commissions and other costs that are directly related to the successful acquisition of new or renewal life insurance or annuity contracts. Deferred sales inducements ("DSI") are generated by annuities that offer enhanced crediting rates or bonus payments to policyholders and is included in other assets in the consolidated statements of financial condition. DAC is recorded in insurance intangibles in the consolidated statements of financial condition.

Value of business acquired ("VOBA") represents the difference between the carrying value of the purchased in-force insurance contract liabilities at the time of the business combination and the estimated fair value of insurance and reinsurance contracts. VOBA can be either positive or negative. Positive VOBA is recorded in insurance intangibles. Negative VOBA is recorded in the same financial statement line in the consolidated statement of financial condition as the associated reserves.

Revenues from certain universal life insurance products are deferred to future periods and an unearned revenue reserve ("URR") liability is established. The amount deferred is equal to the excess of the revenue collected over an estimate of the ultimate future level of these revenues and included in policy liabilities in the consolidated statements of financial condition.

Deferred revenue liability ("DRL") represents the gross premium less the net premium on limited pay contracts (i.e., payout annuities). DRL is included in policy liabilities in the consolidated statements of financial condition.

For certain preneed contracts, the gross premium is in excess of the benefit reserve plus additional insurance liability. An unearned front-end load ("UFEL") is established to defer the recognition of this front-end load. UFEL is included in policy liabilities in the consolidated statements of financial condition.

**Amortization**

For interest-sensitive products (fixed-indexed annuities and variable annuities, most universal life including preneed contracts, and variable universal life), DAC and DSI assets are generally amortized in proportion to actual historical gross profits and estimated future gross profits over the estimated lives of the contracts. The amount of gross profit consists principally of investment returns (including hedge gains and losses) in excess of the amounts credited to policyholders, asset-based and other policy fees, and surrender charges reduced by death and other excess benefits and expenses. Numerous factors including mortality, benefit utilization, surrender activity, premium persistency, and the economic environment influence the level and timing of gross profits.

Estimated gross profits are updated each reporting period with actual gross profits as part of the amortization process for the interest-sensitive policies. When actual gross profits are higher in the period than had been previously estimated, more amortization is recognized than planned. When actual gross profits are lower than had been previously estimated, less amortization is recognized than planned. These relationships hold provided that future estimates of gross profits remain unchanged, which may not always be true.

VOBA is generally amortized on a constant level basis using policy count over the estimated lives of the contracts.

When a different basis of amortization is determined to be more representative of the economics, such as when negative estimated gross profits or margins occur, an alternative basis of amortization may be selected for DAC and VOBA.

For most term and whole life products, DAC is amortized in proportion to premium revenue recognized.

DRL is amortized on a straight-line basis for whole life and term life insurance policies. For annuities, universal life and indexed universal life policies, DRL is amortized in proportion to the pattern of policyholder death benefits in-force. For payout annuities, DRL is recognized in income in a constant relationship with the amount of expected future payments.

URR is amortized consistent with the amortization of DAC on similar products. UFEL is amortized consistent with the method used in the amortization of DAC for preneed contracts.

The key assumptions used in the calculation of the amortization of DAC, VOBA and DSI are periodically updated as part of the assumptions review process, which results in revisions to the estimated future gross profits. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made. The following are types of changes to future assumptions that would generally result in a negative unlocking (i.e., an acceleration of amortization resulting in a reduction to net income): lower equity returns, lower investment returns, higher operating expenses, higher mortality, and unfavorable lapses.

The carrying amounts of DAC, DSI, URR and UFEL are adjusted for the effects of realized and unrealized gains and losses on debt and equity securities classified as AFS and certain derivatives.

#### **Internal replacements**

An internal replacement is a modification in product benefits, features, rights, or coverages that occurs by the legal extinguishment of one contract and the issuance of another contract (a contract exchange), or by amendment, endorsement, or rider to a contract, or by the election of a benefit, feature, right, or coverage within a contract. If the modification does not substantially change the contract, Global Atlantic does not change the accounting and amortization of existing DAC and related actuarial balances (i.e., continuation of contract accounting). If an internal replacement represents a substantial change, the original contract is considered to be extinguished and any related DAC or other policy balances are charged or credited to income, and any new deferrable costs associated with the replacement contract are deferred.

#### **Separate accounts**

Separate account assets and liabilities represent segregated funds administered and invested by Global Atlantic for the benefit of variable annuities and variable universal life insurance contractholders and certain pension funds. Global Atlantic reports separately, as assets and liabilities, investments held in the separate accounts and liabilities of separate accounts if: (1) such separate accounts are legally recognized; (2) assets supporting the contract liabilities are legally insulated from Global Atlantic's general account liabilities; (3) investments are directed by the contract owner or participant; and (4) all investment performance, net of contract fees and assessments, is passed through to the contract owner.

Separate account assets consist principally of mutual funds at fair value. The investment income and gains and losses of these accounts generally accrue to the contractholders and therefore, are not included in Global Atlantic's net income. However, Global Atlantic's net income reflects fees assessed and earned on fund values of these contracts which are presented as a component of policy fees in the consolidated statements of operations. Realized investment gains and losses related to separate accounts that meet the conditions for separate account reporting accrue to and are borne by the contractholder.

**Policy liabilities**

Policy liabilities, or collectively, “reserves,” are the portion of past premiums or assessments received that are set aside to meet future policy and contract obligations as they become due. Interest accrues on these reserves and on future premiums, which may also be available to pay for future obligations. Global Atlantic establishes reserves to pay future policyholder benefits, claims, and certain expenses for its life policies and annuity contracts.

Reserves are estimates based on models that include many actuarial assumptions and projections. These assumptions and projections, which are inherently uncertain, involve significant judgment, including assumptions as to the levels and/or timing of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), mortality, longevity, and persistency.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policyholder benefits are payable. The adequacy of these reserves and the assumptions underlying those reserves are reviewed at least annually. Global Atlantic cannot, however, determine with precision the amount or the timing of actual policyholder benefit payments. If actual experience is better than or equal to the assumptions, then reserves would be adequate to provide for future policyholder benefits and expenses. If experience is worse than the assumptions, additional reserves may be required to meet future policy and contract obligations. This would result in a charge to Global Atlantic’s net income during the period in which excess policyholder benefits are paid or an increase in reserves occurs.

For a majority of Global Atlantic’s in-force policies, including its universal life policies and most annuity contracts, the base policy reserve is equal to the account value. For these products, the account value represents Global Atlantic’s obligation to repay to the policyholder the amounts held on deposit. However, there are several significant blocks of business where additional policyholder reserves are explicitly calculated, including variable annuities, fixed-indexed annuities, universal life with secondary guarantees, indexed universal life and preneed policies.

**Fixed-rate and fixed-indexed annuities**

Contractholder deposits fund reserves for fixed-indexed annuities earning a fixed rate of interest and certain other fixed-rate annuity products are computed under a retrospective deposit method and represent policyholder account balances before applicable surrender charges. For certain fixed-rate annuity products, an additional reserve was established for above market interest rate guarantees upon acquisition. These reserves are amortized on a straight-line basis over the remaining guaranteed interest rate period.

Certain of Global Atlantic’s fixed-indexed annuity products enable the policyholder to allocate contract value between a fixed crediting rate and strategies which reflect the change in the value of an index, such as the S&P 500 Index or other indices. These products are accounted for as investment-type contracts. The liability for these products consists of a combination of the underlying account value and an embedded derivative value. The liability for the underlying account value is primarily based on policy guarantees and its initial value is the difference between the premium payment and the fair value of the embedded derivative. Thereafter, the account value liability is determined in a manner consistent with the accounting for a deposit liability under the “constant yield method.” All future host balances are determined as: (1) the initial host balance; (2) plus interest; (3) less applicable policyholder benefits. The interest rate used in the prior roll forward is re-determined on each valuation date, per the constant yield method. The embedded derivative component’s fair value is based on an estimate of the policyholders’ expected participation in future increases in the relevant index. The fair value of this embedded derivative component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity, benefit utilization and the level and limits on contract participation in any future increases in the respective index option. The account value liability and embedded derivative are recorded in policy liabilities in the consolidated statements of financial condition, with changes in value of the liabilities recorded in policy benefits and claims in the consolidated statements of operations.

Global Atlantic issues funding agreements to certain unaffiliated (and non-unconsolidated) special purpose entities that have issued debt securities for which payment of interest and principal is secured by such funding agreements. Global Atlantic’s funding agreements are considered investment type contracts and liabilities are calculated as the present value of future payments. Global Atlantic’s obligation is reported in policy liabilities in the consolidated statements of financial condition. Interest expense is calculated using the effective interest method and recorded in policy benefits and claims in the consolidated statements of income.

**Notes to Financial Statements (Continued)**

Contractholder deposit funds reserves for certain assumed blocks of fixed-indexed and fixed-rate annuity products are accounted for as investment-type contracts. A net liability (consisting of the benefit reserve plus deferred revenue liability less DAC) is established at inception and amortized under the constant yield method.

**Guaranteed benefits**

Certain fixed-rate and fixed-indexed annuity contracts provide the contractholder with guaranteed minimum death benefits ("GMDB") and/or guaranteed minimum withdrawal benefits ("GMWB"). The associated reserves for these benefits are calculated by estimating the present value of total expected (excess) benefit payments over the life of the contract divided by the present value of total expected assessments over the life of the contract, or the "benefit ratio," and multiplying this ratio by the cumulative assessments recorded from the contract inception through the balance sheet date less cumulative benefit payments plus interest on the reserves. The liabilities are included in policy liabilities in the consolidated statements of financial condition. The change in the reserve is included in policy benefits and claims in the consolidated statements of operations.

**Long-term care benefit riders**

Certain fixed-rate contracts provide the policyholder with long-term care benefit riders. The long-term care benefit rider permits access to the policy's account value, along with a supplemental rider benefit value, free of a surrender charge, to reimburse the policyholder for certain qualified long-term care expenses. Depending on the outcome of simplified underwriting, the rider benefit is capped at the return of account value plus one or two times the account value. The benefit rider paid to the policyholder is subject to a monthly maximum such that the benefit is typically paid out over a period of six years or longer. The liabilities for these benefits are calculated by using the benefit ratio multiplied by the cumulative assessments recorded from the contract inception through the balance sheet date less cumulative benefit payments plus interest on the reserves. The change in the reserve is included in policy benefits and claims in the consolidated statements of operations.

**Variable annuities**

Variable annuity contracts offered and assumed by Global Atlantic provide the contractholder with GMDB and/or GMWB. The liabilities for these benefits are included in policy liabilities in the consolidated statements of financial condition. The change in the liabilities for these benefits is included in policy benefits and claims in the consolidated statements of operations.

Global Atlantic issued variable annuity contracts with GMDB features. Global Atlantic elected the fair value option to measure the liability for certain of these variable annuity contracts. Fair value is calculated as the present value of the estimated death benefits less the present value of the GMDB fees, using 1,000 risk neutral scenarios. Global Atlantic discounts the cash flows using the U.S. Treasury rates plus an adjustment for own company credit risk.

Global Atlantic also issues variable annuity contracts with a GMWB. The GMWB feature represents an embedded derivative. The embedded derivative is required to be bifurcated and measured at fair value. This liability is calculated as the present value of the excess GMWB claims less the present value of GMWB fees, using 1,000 risk neutral scenarios. Global Atlantic discounts the cash flows using U.S. Treasury rates plus an adjustment for own company credit risk.

**Payout annuities**

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities and structured settlements. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as financial instruments. For life contingent annuities, Global Atlantic records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and costs, and interest assumptions. Any gross premiums received in excess of the net premium is the DRL and is recognized in income in a constant relationship with the amount of expected future payments. The liabilities are recorded in policy liabilities in the consolidated statements of financial condition.

Also included under payout annuities are liabilities for disability income benefits which pertain primarily to disability income policies that are already in claim payout status. Liabilities for disability income benefits are calculated as the present value of future disability payments and estimated future expenses using expected mortality and costs, and interest assumptions. The liabilities are recorded in policy liabilities in the consolidated statements of financial condition.

**Universal life policies**

For universal life policies, the base benefit reserves are deemed to be equal to the policyholder account value.

Policy liabilities for indexed universal life with returns linked to the performance of a specified market index are equal to the sum of two components: (1) the fair value of the embedded derivative; and (2) the host (or guaranteed) component. The fair value of the embedded derivative component is based on the fair value of the policyholders' expected participation in future increases in the relevant index over the life of the contract. The fair value of this embedded derivative component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected benefits, benefit utilization and the level and limits on contract participation in any future increases in the respective index option.

The initial host balance is established at the time of premium payment and is equal to the total account value less the embedded derivative component. Thereafter, the balance of the host component is determined in a manner consistent with the accounting for a deposit liability under the "constant yield method." All future host balances are determined as: (1) the initial host balance; (2) plus interest; (3) less applicable policyholder benefits. The interest rate used in the prior roll forward is re-determined on each valuation date, per the constant yield method.

Global Atlantic holds additional liabilities for universal life products with secondary guarantees, sometimes referred to as no-lapse guarantees. For these products, the fair value of the embedded derivative is the present value of the best estimate option budget projection minus the guaranteed surrender benefits over the life of the contract. The additional liabilities are measured using the benefit ratio approach where excess benefits are spread over the life of the contract based on assessments collected from the policyholder. Generally, total expected excess benefit payments are the aggregate of death claims after the policyholder account value is exhausted. The exception is when the cost of insurance charges are insufficient to produce consistently positive earnings in the future. In this case, all death benefits are deemed to be excess benefits.

**Variable universal life policies**

Certain assumed variable universal life policies include several forms of secondary guarantees. Global Atlantic holds additional liabilities for its secondary guarantees as discussed above.

**Preneed policies**

Global Atlantic's preneed life insurance contracts are accounted for as universal life-type contracts which require that the retrospective deposit method be used. That accounting method establishes a liability for policyholder benefits in an amount determined by the account or contract balance that accrues to the benefit of the policyholder. This account value is deemed to be equal to the contract's statutory cash surrender value. The majority of Global Atlantic's preneed insurance contracts feature death benefits with a discretionary death benefit growth rate. Global Atlantic has the discretion to adjust these rates up or down. Global Atlantic has established an additional reserve for expected future discretionary benefits which is reflected as policy liabilities in the consolidated statements of financial condition. Global Atlantic has also issued preneed insurance contracts with crediting rates tied to inflation as measured by the U.S. Consumer Price Index.

**Whole and term life**

Global Atlantic has established liabilities for amounts payable under insurance policies, including whole life insurance and term life insurance policies. Generally, liabilities for these policies are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected net premiums. Principal assumptions used in the establishment of liabilities for future policyholder benefits are mortality, policy lapse, renewal, investment returns, inflation, expenses and other contingent events as appropriate for the respective product. These assumptions, which include provisions for adverse deviations, are established at the time the policy is issued and are intended to estimate the experience for the period the policyholder benefits are payable. By utilizing these assumptions, liabilities are established on a block-of-business basis. For whole life and term long-duration insurance contracts, assumptions such as mortality, morbidity and interest rates are locked-in upon the issuance of new business. However, significant adverse changes in experience on such contracts may require Global Atlantic to establish premium deficiency reserves. Premium deficiency reserves are established, if necessary, when the liability for future policyholder benefits plus the present value of expected future gross premiums are determined to be insufficient to provide for expected future policyholder benefits and expenses. Such reserves are determined based on assumptions at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

**Notes to Financial Statements (Continued)**

Policy liabilities for participating whole life insurance policies are equal to the aggregate of: (1) net level premium reserves for death and endowment policyholder benefits (calculated based upon the non-forfeiture interest rate, and mortality rated guarantee in calculating the cash surrender values described in such contracts); and (2) the liability for terminal dividends.

Policy liabilities for non-participating whole life and term life insurance policies are equal to the aggregate of the present value of expected future policyholder benefit payments and related expenses less the present value of expected future net premiums. Assumptions as to the mortality and persistency are based upon Global Atlantic's experience when the basis of the liability is established, and are periodically updated. Interest rate assumptions for the aggregate policy liabilities are calculated based on the portfolio rate, net of investment expenses.

**Outstanding claims**

Outstanding claims include amounts payable relating to in course of settlement and incurred but not reported claim liabilities. In course of settlement claim liabilities are established for policies when Global Atlantic is notified of the death of the policyholder but the claim has not been paid as of the reporting date. Incurred but not reported claim liabilities are determined using studies of past experience and are estimated using actuarial assumptions of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amounts initially recognized, which are reflected in net income in the period in which they are determined. Changes in policyholder and contract claims are recorded in policy benefits and claims in the consolidated statements of operations.

**Closed blocks**

Through its insurance companies, Global Atlantic has acquired several closed blocks of participating life insurance policies. Global Atlantic has elected to account for the closed block policy liabilities using the fair value option.

The assets and cash flow generated by the closed blocks inure solely to the benefit of the holders of policies included in the closed blocks. All closed block assets will ultimately be paid out as policyholder benefits and through policyholder dividends. In the event that the closed blocks' assets are insufficient to meet the benefits of the closed blocks' benefits, general assets of Global Atlantic would be used to meet the contractual benefits to the closed blocks' policyholders.

The closed block liabilities are measured at fair value, which comprises the fair value of the closed block assets plus the present value of projected expenses including commissions and the cost of capital charges associated with the closed blocks. In calculating the present value, Global Atlantic used a discount rate based on current U.S. Treasury rates, with a risk margin to reflect uncertainties in the closed block liability and a provision for Global Atlantic's nonperformance risk.

**Reinsurance**

Consistent with the overall business strategy, Global Atlantic assumes certain policy risks written by other insurance companies on a coinsurance, modified coinsurance or funds withheld coinsurance basis. Reinsurance accounting is applied for ceded and assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer mortality or morbidity risks, and subject the reinsurer to a reasonable possibility of a significant loss. Those contracts that do not meet risk transfer requirements are accounted for using deposit accounting. Global Atlantic seeks to diversify risk and limits its overall financial exposure through reinsurance.

With respect to ceded reinsurance, Global Atlantic values reinsurance recoverables on reported claims at the time the underlying claim is recognized in accordance with contract terms. For future policyholder benefits, Global Atlantic estimates the amount of reinsurance recoverables based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance recoverables are based on what Global Atlantic believes are reasonable estimates and the balance is reported as an asset in the consolidated statements of financial condition. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. Cost of reinsurance assets and liabilities are reported in insurance intangibles and policy liabilities in the consolidated statements of financial condition, respectively and includes certain variable incentive compensation directly related to reinsurance contract acquisition. Reinsurance contracts do not relieve Global Atlantic from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to Global Atlantic; consequently, allowances are established for expected credit losses, via a charge to policy benefits and claims in the consolidated statements of operations. Global Atlantic's funds withheld receivable at interest and reinsurance recoverable assets are reviewed for expected

credit losses by considering credit ratings for each reinsurer, historical insurance industry specific default rate factors, rights of offset, expected recovery rates upon default and the impact of other terms specific to the reinsurance arrangement.

**Recognition of insurance revenue and related benefits**

Premiums related to whole life and term life insurance contracts and payout contracts with life contingencies are recognized in premiums in the consolidated statements of operations when due from the contractholders.

Amounts received as payment for universal life and investment-type contracts are reported as deposits to contractholder account balances and recorded in policy liabilities in the consolidated statements of financial condition. Amounts received as payment for Global Atlantic's fixed fund variable annuities are reported as a component of policy liabilities in the consolidated statements of financial condition. Revenues from these contracts consist primarily of fees assessed against the contractholder account balance for mortality, policy administration, separate account administration and surrender charges, and are reported in policy fees in the consolidated statements of operations. Additionally, Global Atlantic earns investment income from the investment of contract deposits in Global Atlantic's insurance companies' general account portfolio, which is reported in net investment income in the consolidated statements of operations.

Fees assessed that represent compensation to Global Atlantic for benefits to be provided in future periods and certain other fees are established as an unearned revenue reserve liability and amortized into revenue over the expected life of the related contracts in proportion to estimated gross profits in a manner consistent with DAC for these contracts. Unearned revenue reserves are reported in policy liabilities in the consolidated statements of financial condition and amortized into policy fees in the consolidated statements of operations. Benefits and expenses for these products include claims in excess of related account balances, expenses for contract administration and interest credited to contractholder account balances in the consolidated statements of operations.

**Other income**

Other income is primarily comprised of administration, management fees and distribution fees.

**Insurance expenses**

Insurance expenses are primarily comprised of commissions expense, premium taxes, amortization of acquired distribution and trade name intangibles, and other expenses related to insurance products and reinsurance transactions.

**General, administrative and other expenses**

General, administrative and other expenses are primarily comprised of employee compensation and benefit expenses, administrative and professional services and other operating expenses.

**Equity-based, incentive and other deferred compensation**

Global Atlantic has established a long-term incentive plan to foster and promote its long-term financial success. Compensation expense for Global Atlantic's incentive awards is recognized only when vesting is deemed to be probable.

Global Atlantic measures compensation cost for service-based, equity-classified share-based payment awards at fair value as of the grant date and recognizes it in general, administrative and other expenses in the consolidated statements of operations as compensation expense over the requisite service period for awards expected to vest. Global Atlantic recognizes the expense using the straight-line attribution method, with adjustments for estimated forfeitures. For awards with performance-based vesting, expense recognition is deferred until the performance factor occurs or becomes probable.

Global Atlantic measures compensation cost for liability-classified share-based payment awards or other deferred compensation plans using the fair value method, beginning on the grant date, and re-measures the fair value of the awards at each reporting period until the awards are settled. Accrued compensation expense is recognized, net of an estimated forfeiture rate, in general, administrative and other expenses in the consolidated statements of operations and within accrued expenses and other liabilities in the consolidated statements of financial condition, respectively.

**Adoption of new accounting pronouncements****The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and related regulatory actions**

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits net operating loss ("NOL") carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes.

The provisions of the CARES Act, as amended by the Consolidated Appropriations Act, also permit financial institutions to suspend requirements under U.S. GAAP for loan modifications that otherwise would be categorized as troubled debt restructurings ("TDRs") if (1) the borrower was not more than 30 days past due as of December 31, 2019, and (2) the modifications are related to arrangements that defer or delay the payment of principal or interest, or change the interest rate on the loan, provided the modifications are made between March 1, 2020 and the earlier of 60 days after the end of the national emergency related to the COVID-19 pandemic or December 31, 2022. Global Atlantic has applied this guidance to loan forbearance requests that meet the requirements.

See Note 7—"Investments," for additional information on loan modifications.

**Simplifying the accounting for income taxes**

On December 18, 2019, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2019-12, which modifies ASC 740 to simplify the accounting for income taxes. The ASU, among other changes, (i) provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax and (ii) provides guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. The guidance is effective for fiscal periods beginning after December 15, 2020. The adoption did not have a material impact on the financial statements.

**Reference rate reform**

On March 12, 2020, the FASB issued ASU No. 2020-04, which provides temporary optional expedients and exceptions to the guidance in GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The temporary optional expedients and exceptions can be elected through December 31, 2022. For the quarter ended September 30, 2021, KKR has not elected to apply the temporary optional expedients and exceptions and will be reevaluating the application each quarter.

**Future application of accounting standards****Targeted improvements to the accounting for long-duration contracts**

In August 2018, the FASB issued new guidance for insurance and reinsurance companies that issue long-duration contracts such as life insurance and annuities. The objective of this guidance is to improve, simplify and enhance the financial reporting of long-duration contracts by providing financial statement users with useful information in a timely and transparent manner. The primary changes include: (1) more timely recognition of assumption changes in the liability for future policy benefits and use of a current rate for the discounting of future cash flows; (2) standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (referred to as market risk benefits); (3) simplification of the amortization of deferred acquisition costs; and (4) enhanced disclosures.

The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. For changes related to the liability for future policy benefits and deferred acquisition costs, the new guidance requires adoption using a modified retrospective approach upon transition with an option to elect a retrospective approach. For changes related to market risk benefits, the new guidance requires a retrospective approach.

KKR intends to implement this standard to Global Atlantic's insurance business using the retrospective approach for the liability for future policy benefits, deferred acquisition costs and market risk benefits with an adoption date of January 1, 2023. Global Atlantic has completed the design and planning phase of its implementation effort and has begun detailed implementation activities. KKR continues to evaluate the impact of this guidance but anticipates that the new standard will have a material impact



**Notes to Financial Statements (Continued)**

on the consolidated financial statements. The new guidance is expected to increase financial statement volatility primarily due to the requirement to measure market risk benefits at fair value, which is recorded in net income, except for changes in value attributable to changes in an entity's non-performance risk, which is recorded in other comprehensive income. In addition, the new guidance is expected to have a significant impact on Global Atlantic's systems, processes and controls.

### 3. ACQUISITION OF GLOBAL ATLANTIC

On July 7, 2020, indirect subsidiaries of KKR & Co. Inc., namely Magnolia Parent LLC and Magnolia Merger Sub Limited, entered into an Agreement and Plan of Merger (the "GA Merger Agreement") with Global Atlantic Financial Group Limited ("GAFG"), Global Atlantic Financial Life Limited ("GAFLL"), LAMC LP, and Goldman Sachs & Co. LLC, solely in its capacity as the Equity Representative (as defined in the GA Merger Agreement). Pursuant to the GA Merger Agreement, at the closing of the acquisition of Global Atlantic by KKR (the "GA Acquisition"), among other things, Global Atlantic Financial Group Limited continued as the surviving entity in its merger with Magnolia Merger Sub Limited and became a direct subsidiary of Magnolia Parent LLC, which subsequently changed its name to The Global Atlantic Financial Group LLC ("TGAFG").

On February 1, 2021 (the "GA Acquisition Date"), the GA Acquisition was completed, and KKR acquired all of the voting interests in Global Atlantic and an economic ownership of 61.1% of Global Atlantic prior to certain post-closing purchase price adjustments discussed below and after taking into account GA Rollover Investors' and GA Co-Investors' (each as defined below) equity ownership of Global Atlantic. In addition to entering into the retirement and life insurance business through KKR's indirect ownership of Global Atlantic's insurance companies, KKR's flagship investment management company became the investment adviser for Global Atlantic's insurance companies, which increases KKR's presence in the insurance community. Furthermore, the transaction allows Global Atlantic to gain access to KKR's origination and asset management capabilities.

Under the GA Merger Agreement, KKR agreed to pay former shareholders of Global Atlantic Financial Group Limited an amount in cash equal to 1.0x U.S. GAAP Shareholders' Equity of Global Atlantic Financial Group Limited, excluding Accumulated Other Comprehensive Income and subject to certain other purchase price adjustments ("GA Book Value," determined as \$4.7 billion as of February 1, 2021 for purposes of the purchase price determination). The amount of consideration payable by KKR was reduced by the amount of equity rolled over by certain former shareholders of Global Atlantic Financial Group Limited who elected to continue their equity ownership in Global Atlantic at closing ("GA Rollover Investors"). In addition, KKR syndicated equity interests in Global Atlantic to minority co-investors ("GA Co-Investors"), which also had the effect of reducing the amount of consideration payable by KKR at closing. The purchase price is as follows (in thousands):

Cash consideration paid by KKR	\$	2,914,455
GA Co-Investors and GA Rollover Investors		1,824,239
Total Purchase Price	\$	<u>4,738,694</u>

The purchase price paid at closing was subject to certain post-closing adjustments, which were finalized in June 2021, and KKR and certain GA Co-Investors paid incremental amounts of \$55 million and \$3 million, respectively (\$58 million in total). As a result of the post-closing adjustments, KKR's economic ownership of Global Atlantic increased from 61.1% at closing to 61.5%.

The GA Acquisition was accounted for as a business combination under FASB Accounting Standards Codification Topic 805, Business Combinations ("Topic 805"). The purchase price has been allocated to Global Atlantic's assets acquired and liabilities assumed based on estimates of their fair values as of the GA Acquisition Date. The fair value of assets acquired and liabilities assumed represent a provisional allocation as our evaluation of facts and circumstances available as of February 1, 2021 is ongoing. Pursuant to Topic 805, the financial statements will not be retrospectively adjusted for any changes to the provisional values of assets acquired and liabilities assumed that occur in subsequent periods. Rather, KKR will recognize any adjustments as we obtain information not available as of the completion of this preliminary fair value calculation. KKR will also be required to record, in the same period as the financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting had been completed at the GA Acquisition Date. KKR expects to finalize the purchase price allocation as soon as practicable, but no later than one year from the GA Acquisition Date.

Goodwill of \$497.1 million has been recorded based on the amount that the purchase price exceeds the fair value of the net assets acquired less the amounts attributable to noncontrolling interests. Goodwill is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved subsequent to the GA Acquisition. The goodwill recorded is not expected to be deductible for tax purposes and it has been allocated to the Insurance Segment.

**Notes to Financial Statements (Continued)**

The following table summarizes the provisional fair value amounts recognized for the assets acquired and liabilities assumed and resulting goodwill as of the GA Acquisition Date:

	<b>February 1, 2021</b>	
<i>(\$ in thousands)</i>		
<b>Consideration Transferred</b>		
Cash Consideration paid by KKR	\$	2,914,455
GA Co-Investors		978,296
GA Rollover Investors		845,943
Settlement of pre-existing relationships <sup>(1)</sup>		(60,200)
<b>Total Consideration Transferred<sup>(2)</sup></b>	<b>\$</b>	<b>4,678,494</b>
<b>Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:</b>		
Cash, Cash Equivalents and Restricted Cash	\$	3,358,772
Investments		99,544,755
Reinsurance Recoverable		15,753,030
Insurance Intangible Assets		1,024,520
Other Assets <sup>(3)</sup>		3,325,652
Separate Account Assets		5,371,060
Policy Liabilities		(100,374,765)
Debt Obligations		(1,450,920)
Funds Withheld Payable at Interest		(13,800,969)
Accrued Expenses and Other Liabilities		(2,735,811)
Reinsurance Liabilities		(180,573)
Separate Account Liabilities		(5,371,060)
<b>Total Identifiable Net Assets</b>		<b>4,463,691</b>
Redeemable non-controlling interests <sup>(4)</sup>		(91,845)
Other Noncontrolling interests <sup>(4)</sup>		(190,405)
<b>Goodwill</b>	<b>\$</b>	<b>497,053</b>

(1) Represents KKR debt obligations held by Global Atlantic at the GA Acquisition Date.

(2) At the GA Acquisition Date, the transaction was funded with a combination of (i) cash on hand by KKR, (ii) cash proceeds from syndication of the equity interests in Global Atlantic to minority co-investors and equity rolled over from certain former Global Atlantic shareholders. The equity held by GA co-investors and rollover investors are presented as noncontrolling interests in the financial statements. Acquisition of Global Atlantic, Net of Cash Acquired in the consolidated statements of cash flows represents the Total Consideration Transferred (excluding GA Rollover Investors) net of acquired Cash and Cash Equivalents and Restricted Cash and Cash Equivalents.

(3) Includes \$1.0 billion of deferred tax assets recognized from the step-up in basis under purchase accounting.

(4) Represents the fair value of Noncontrolling Interests in consolidated renewable energy entities held by Global Atlantic on the GA Acquisition Date. Such interests do not represent ownership interests held by GA Rollover Investors or GA Co-Investors in Global Atlantic's equity.

#### Measurement Period Adjustments

During the second quarter of 2021, KKR recognized measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period adjustments also reflected the increase in the total consideration transferred of \$58 million as a result of final purchase price adjustments. Measurement period adjustments consist primarily of a \$50 million increase in the value of distribution agreements acquired, a \$63 million increase in policy liabilities, a \$25 million increase in investments, and a \$46 million increase in goodwill. The related impact to net income that would have been recognized in previous periods if the adjustments were recognized as of the GA Acquisition Date was not material to the consolidated financial statements. KKR expects to finalize the valuation of the acquired assets and assumed liabilities as soon as practicable, but not later than one year from the GA Acquisition Date. Any adjustments to the initial estimates of the fair values of the acquired assets and assumed liabilities will be recorded as adjustments to the respective assets and liabilities, with an offsetting amount allocated to goodwill.

KKR performed a valuation of the acquired investments, policy liabilities, VOBA, other identifiable intangibles, and funds withheld at interest payables and receivables. The following is a summary of significant inputs to the valuation:

**Notes to Financial Statements (Continued)***Investments*

Global Atlantic's investment portfolio primarily consists of fixed maturity securities, mortgage and other loan receivables, and also includes equity securities, and investments in real assets, such as renewable energy and transportation assets. All of the assets included within the investment portfolio were measured and reported at their fair values on the GA Acquisition Date consistent with the valuation methodologies discussed in Note 2. As a result, the cost basis of each respective investment was reset to equal fair value on the GA Acquisition Date.

*Policy liabilities*

Policy liabilities were remeasured based on generally accepted actuarial methods and reported at their fair values on the GA Acquisition Date. Assumptions for future mortality, persistency, policyholder behavior, expenses, investment return and other actuarial factors were based on an evaluation of Global Atlantic's recent experience, industry experience, and anticipated future trends. These assumptions are intended to be representative of market assumptions used by buyers and sellers in similar transactions. The approach employed to develop these projection assumptions is described below:

- Discount rates used to calculate fair value ranged from 11% to 15%, depending on product;
- Mortality and persistency assumptions are based on both Global Atlantic and general industry experience;
- Expenses were projected reflecting Global Atlantic's unit expenses with an allocation of a portion of overhead expenses to in-force business;
- Future investment income reflects a runoff of the existing asset portfolios and reinvestment strategies based on Global Atlantic's assumptions for asset yield, quality, and maturity. The projections are based on forward interest rates implied by the Treasury yield curve. Credit rates reflect Global Atlantic's target spreads;
- Separate account and index account growth rates are based on long-term return expectations for different fund types and on the underlying mix of funds; and
- Statutory reserves underlying the valuation reflect Global Atlantic's current reserving methodologies.

*Value of business acquired*

VOBA represents the estimated fair value of future net cash flows from in-force life and annuity insurance contracts acquired at the GA Acquisition Date.

*Other identifiable intangible assets*

Other identifiable intangible assets represent distribution relationships, trade names and state insurance licenses. The distribution relationships were valued using the excess earnings method, which derives value based on the present value of the cash flow attributable to the distribution relationships, less returns for contributory assets. The trade name intangible asset represents the Global Atlantic trade name, and was valued using the relief-from-royalty method giving consideration to publicly available third-party trade name royalty rates as well as expected premiums generated by the use of the trade name over its anticipated life. The state insurance licenses represent Global Atlantic's jurisdictional insurance licenses, which include 52 insurance licenses, encompassing all 50 U.S. states, the District of Columbia, and the U.S. Virgin Islands. They were protected through registration and were valued using the market approach based on third-party market transactions from which the prices paid for state insurance licenses could be derived.

*Funds withheld at interest receivables and payables*

Funds withheld at interest receivables and payables were remeasured at fair value based on the fair value of assets held in the underlying portfolios supporting those receivables or payables.

**Notes to Financial Statements (Continued)**

The fair value and weighted average estimated useful lives of Value of Business Acquired and Other Identifiable Intangible Assets acquired in the GA Acquisition consist of the following (dollars in thousands):

	<b>Fair Value</b>	<b>Average Useful Life</b>
	<b>(\$ in thousands)</b>	<b>(in years)</b>
VOBA (included within Insurance Intangible Assets)	\$ 1,024,520	28.6
Negative VOBA (included within Policy Liabilities)	(1,273,414)	22.2
<b>Total VOBA</b>	<b>\$ (248,894)</b>	
Value of Distribution Agreements Acquired	\$ 250,000	16 to 21
Trade Names	50,000	15 to 18
State Insurance Licenses	10,000	Indefinite
<b>Total Identifiable Other Intangible Assets (included within Other Assets)</b>	<b>\$ 310,000</b>	

As of the GA Acquisition Date, Global Atlantic's financial results are reflected in these financial statements. Global Atlantic's revenues of \$2.2 billion and \$4.5 billion and net income of \$185.8 million and \$239.7 million, in each case for the three and nine months ended September 30, 2021, respectively, are included in the consolidated statement of operations for the three and nine months ended September 30, 2021.

**Pro- Forma Financial Information**

Unaudited pro-forma financial information for the three and nine months ended September 30, 2021 and September 30, 2020 are presented below. Pro-forma financial information presented does not include adjustments to reflect any potential revenue synergies or cost savings that may be achievable in connection with the GA Acquisition and assumes the GA Acquisition occurred as of January 1, 2020. The unaudited pro forma financial information is presented for informational purposes only, and is not necessarily indicative of future operations or results had the GA Acquisition been completed as of January 1, 2020.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Total Revenues	\$ 4,483,365	\$ 3,275,305	\$ 12,696,730	\$ 5,606,280
Net Income Attributable to KKR & Co. Inc. Common Stockholders	\$ 1,131,354	\$ 1,102,762	\$ 4,147,132	\$ 601,752

Amounts above reflect certain pro forma adjustments that were directly attributable to the GA Acquisition. These adjustments include the following:

- adjustment to reflect the elimination of historical amortization of Global Atlantic's intangibles and the additional amortization of intangibles measured at fair value as of the GA Acquisition Date;
- adjustment to reflect the prospective reclassification from accumulated other comprehensive earnings of the unrealized gains on available-for-sale securities to a premium which will be amortized into income based on the expected life of the investment securities;
- adjustments to reflect the KKR pro-rata economic ownership as well as financing consummated by KKR to complete the acquisition; and
- adjustments to reflect the adoption of ASC 326 "Financial Instruments - Credit Losses" in 2020 by Global Atlantic.

**Notes to Financial Statements (Continued)**
**4. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES - ASSET MANAGEMENT**

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes total Net Gains (Losses) from Investment Activities:

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity <sup>(1)</sup>	\$ 296,410	\$ 647,448	\$ 943,858	\$ 660,216	\$ 930,918	\$ 1,591,134
Credit <sup>(1)</sup>	74,945	(117,354)	(42,409)	(70,391)	385,850	315,459
Investments of Consolidated CFEs <sup>(1)</sup>	23,198	(15,013)	8,185	(33,373)	425,660	392,287
Real Assets <sup>(1)</sup>	61,807	575,891	637,698	(22,040)	273,639	251,599
Equity Method - Other <sup>(1)</sup>	311,420	(137,281)	174,139	(20,899)	456,563	435,664
Other Investments <sup>(1)</sup>	(118,844)	199,961	81,117	(13,630)	71,438	57,808
Foreign Exchange Forward Contracts and Options <sup>(2)</sup>	(2,777)	323,916	321,139	15,281	(295,687)	(280,406)
Securities Sold Short <sup>(2)</sup>	(21,031)	2,579	(18,452)	34,461	(119,780)	(85,319)
Other Derivatives <sup>(2)</sup>	(17,687)	6,577	(11,110)	(10,291)	(46,522)	(56,813)
Debt Obligations and Other <sup>(3)</sup>	2,190	20,292	22,482	9,233	(346,044)	(336,811)
<b>Net Gains (Losses) From Investment Activities</b>	<b>\$ 609,631</b>	<b>\$ 1,507,016</b>	<b>\$ 2,116,647</b>	<b>\$ 548,567</b>	<b>\$ 1,736,035</b>	<b>\$ 2,284,602</b>
	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity <sup>(1)</sup>	\$ 1,322,179	\$ 3,479,827	\$ 4,802,006	\$ 721,009	\$ 735,245	\$ 1,456,254
Credit <sup>(1)</sup>	130,191	(11,864)	118,327	(118,851)	(422,537)	(541,388)
Investments of Consolidated CFEs <sup>(1)</sup>	44,954	173,775	218,729	(127,175)	(424,918)	(552,093)
Real Assets <sup>(1)</sup>	148,581	1,243,725	1,392,306	36,027	(257,589)	(221,562)
Equity Method - Other <sup>(1)</sup>	410,491	305,085	715,576	(166,178)	410,371	244,193
Other Investments <sup>(1)</sup>	(354,349)	908,906	554,557	(267,166)	(330,621)	(597,787)
Foreign Exchange Forward Contracts and Options <sup>(2)</sup>	(29,727)	282,030	252,303	134,427	(196,095)	(61,668)
Securities Sold Short <sup>(2)</sup>	36,517	21,313	57,830	60,502	(168,220)	(107,718)
Other Derivatives <sup>(2)</sup>	(125,376)	83,805	(41,571)	(9,481)	(91,044)	(100,525)
Debt Obligations and Other <sup>(3)</sup>	(50,505)	13,342	(37,163)	18,264	284,997	303,261
<b>Net Gains (Losses) From Investment Activities</b>	<b>\$ 1,532,956</b>	<b>\$ 6,499,944</b>	<b>\$ 8,032,900</b>	<b>\$ 281,378</b>	<b>\$ (460,411)</b>	<b>\$ (179,033)</b>

(1) See Note 7 "Investments."

(2) See Note 8 "Derivatives" and Note 14 "Other Assets and Accrued Expenses and Other Liabilities."

(3) See Note 16 "Debt Obligations."

**Notes to Financial Statements (Continued)**
**5. NET INVESTMENT INCOME - INSURANCE**

Net investment income for Global Atlantic is comprised primarily of interest income, including amortization of premiums and accretion of discounts, based on yields that change due to expectations in projected cash flows, dividend income from common and preferred stock, earnings from investments accounted for under equity method accounting, and lease income on other investments.

The components of net investment income were as follows:

	<b>Three Months Ended September 30, 2021</b>	<b>Nine Months Ended September 30, 2021</b>
Fixed maturity securities – interest and other income	\$ 632,314	\$ 1,512,377
Mortgage and other loan receivables	247,917	617,334
Investments in transportation and other leased assets	56,317	146,004
Short-term and other investment income	23,285	41,349
Policy loans	3,203	22,138
Investments in real estate	4,501	10,028
Investments in renewable energy	62,468	96,400
Equity securities – dividends and other income	764	23
Income from (to) funds withheld at interest	(135,632)	(216,057)
Gross investment income	895,137	2,229,596
Less investment expenses:		
Investment management and administration	88,789	190,458
Transportation and renewable energy asset depreciation and maintenance	47,331	117,749
Interest expense on derivative collateral and repurchase agreements	636	1,730
<b>Net investment income</b>	<b>\$ 758,381</b>	<b>\$ 1,919,659</b>

**6. NET INVESTMENT GAINS (LOSSES) - INSURANCE**

Net investment (losses) gains from insurance operations primarily consists out of (i) realized gains and (losses) from the disposal of investments, (ii) unrealized gains and (losses) from investments held for trading, equity securities, or with fair value remeasurements recognized in earnings as a result of the election of a fair-value option, (iii) unrealized gains and (losses) on funds withheld at interest, (iv) unrealized gains and (losses) from derivatives not designated in an hedging relationship, and (v) allowances for credit losses, and other impairments of investments.

Net investment gains (losses) were as follows:

	<b>Three Months Ended September 30, 2021</b>	<b>Nine Months Ended September 30, 2021</b>
Equity securities and other investments	\$ 359,101	\$ 431,728
Derivatives	40,792	70,098
Trading fixed maturity securities	(141,683)	(197,047)
Allowance for credit losses on mortgage and other loan receivables	(69,386)	(250,690)
AFS fixed maturity securities	(15,231)	(88,233)
Allowance for losses on AFS fixed maturity securities	(3,809)	21,287
Allowance for loan commitment losses provision	(3,677)	(15,372)
Mortgage and other loans receivables	(2,905)	15,527
Funds withheld receivable at interest	(1,075)	45,685
<b>Net investment gains (losses)</b>	<b>\$ 162,127</b>	<b>\$ 32,983</b>

**Notes to Financial Statements (Continued)**
**Allowance for credit losses**
*Available-for-sale fixed maturity securities*

The table below presents a roll-forward of the allowance for credit losses recognized for available-for-sale fixed maturity securities held by Global Atlantic:

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	Corporate	Structured	Total	Corporate	Structured	Total
Balance, as of beginning of period <sup>(1)</sup>	\$ —	\$ 91,646	\$ 91,646	\$ —	\$ 120,895	\$ 120,895
Initial impairments for credit losses recognized on securities not previously impaired	—	19,921	19,921	—	47,530	47,530
Initial credit loss allowance recognized on PCD securities	—	1,576	1,576	—	7,204	7,204
Accretion of initial credit loss allowance on PCD securities	—	1,879	1,879	—	2,200	2,200
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	—	(2,510)	(2,510)	—	(12,612)	(12,612)
Net additions / reductions for securities previously impaired	—	(16,112)	(16,112)	—	(68,817)	(68,817)
<b>Balance, as of end of period</b>	<b>\$ —</b>	<b>\$ 96,400</b>	<b>\$ 96,400</b>	<b>\$ —</b>	<b>\$ 96,400</b>	<b>\$ 96,400</b>

(1) Includes securities designated as purchased credit deteriorated as of the time of the acquisition of Global Atlantic.

*Mortgage and other loan receivables*

Changes in the allowance for credit losses on mortgage and other loan receivables held by Global Atlantic are summarized below:

	Three Months Ended September 30, 2021				Nine Months Ended September 30, 2021			
	Commercial Mortgage Loans	Residential Mortgage Loans	Consumer and Other Loan Receivables	Total	Commercial Mortgage Loans	Residential Mortgage Loans	Consumer and Other Loan Receivables	Total
Balance, as of beginning of period <sup>(1)</sup>	\$ 58,255	\$ 76,536	\$ 163,135	\$ 297,926	\$ 58,203	\$ 62,056	\$ —	\$ 120,259
Net provision (release)	17,750	(2,793)	54,429	69,386	17,802	10,888	222,000	250,690
Loans purchased with credit deterioration	—	—	—	—	—	799	838	1,637
Charge-offs	—	(3,162)	5,274	2,112	—	(3,162)	—	(3,162)
<b>Balance, as of end of period</b>	<b>\$ 76,005</b>	<b>\$ 70,581</b>	<b>\$ 222,838</b>	<b>\$ 369,424</b>	<b>\$ 76,005</b>	<b>\$ 70,581</b>	<b>\$ 222,838</b>	<b>\$ 369,424</b>

(1) Includes loans designated as purchased credit deteriorated as of the time of the acquisition of Global Atlantic.



**Notes to Financial Statements (Continued)**
**Proceeds and gross gains and losses from voluntary sales**

The proceeds from voluntary sales and the gross gains and losses on those sales of AFS fixed maturity securities were as follows:

	<b>Three Months Ended September 30, 2021</b>	<b>Nine Months Ended September 30, 2021</b>
<b>AFS fixed maturity securities:</b>		
Proceeds from voluntary sales	\$ 7,440,645	\$ 12,766,887
Gross gains	16,816	38,061
Gross losses	(30,086)	(103,190)

**7. INVESTMENTS**

Investments consist of the following:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<i>Asset Management</i>		
Private Equity	\$ 25,568,516	\$ 20,470,123
Credit	12,448,414	11,203,905
Investments of Consolidated CFEs	20,696,676	17,706,976
Real Assets	11,684,296	6,096,618
Equity Method - Other	4,573,679	4,471,441
Equity Method - Capital Allocation-Based Income	11,091,844	6,460,430
Other Investments	3,845,145	2,865,222
<b>Investments - Asset Management</b>	<b>\$ 89,908,570</b>	<b>\$ 69,274,715</b>
<i>Insurance</i>		
Fixed maturity securities, available-for-sale, at fair value <sup>(1)</sup>	\$ 67,689,846	\$ —
Mortgage and other loan receivables	25,367,116	—
Fixed maturity securities, trading, at fair value <sup>(2)</sup>	16,660,328	—
Other investments	7,627,490	—
Funds withheld receivable at interest	3,066,481	—
Policy loans	765,931	—
Equity securities at fair value	37,378	—
<b>Investments - Insurance</b>	<b>\$ 121,214,570</b>	<b>\$ —</b>
<b>Total Investments</b>	<b>\$ 211,123,140</b>	<b>\$ 69,274,715</b>

(1) Amortized cost of \$68.1 billion, net of credit loss allowances of \$96.4 million.

(2) Amortized cost of \$16.8 billion.

As of September 30, 2021 and December 31, 2020, there were no investments which represented greater than 5% of total investments.

For certain disclosures a comparison to prior period is not provided when the amounts relate to investments held by Global Atlantic, which was acquired by KKR on February 1, 2021.

**Notes to Financial Statements (Continued)**
**Fixed maturity securities**

The cost or amortized cost and fair value for AFS fixed maturity securities were as follows:

As of September 30, 2021	Cost or amortized cost	Allowance for Credit Losses <sup>(2)</sup>	Gross unrealized		Fair value
			gains	losses	
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	\$ 1,030,859	\$ —	\$ 14	\$ (11,860)	\$ 1,019,013
U.S. state, municipal and political subdivisions	5,136,682	—	29,493	(61,090)	5,105,085
Corporate	41,280,338	—	205,390	(689,688)	40,796,040
RMBS	8,074,429	(71,565)	146,277	(70,457)	8,078,684
CMBS	3,981,119	—	28,830	(16,578)	3,993,371
CBOs	3,171,138	(17,187)	9,711	(17,132)	3,146,530
CLOs	3,024,860	(665)	8,845	(2,468)	3,030,572
All other structured securities <sup>(1)</sup>	2,523,746	(6,983)	21,473	(17,685)	2,520,551
<b>Total AFS fixed maturity securities</b>	<b>\$ 68,223,171</b>	<b>\$ (96,400)</b>	<b>\$ 450,033</b>	<b>\$ (886,958)</b>	<b>\$ 67,689,846</b>

(1) Includes primarily asset-backed securities ("ABS").

(2) Represents the cumulative amount of credit impairments that have been recognized in the consolidated statement of operations (as net investment (losses) gains) or that were recognized as a gross-up of the purchase price of PCD securities. Amount excludes unrealized losses related to non-credit impairment.

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, or Global Atlantic may have the right to put or sell the obligations back to the issuers.

The maturity distribution for AFS fixed maturity securities is as follows:

As of September 30, 2021	Cost or amortized cost (net of allowance)	Fair value
Due in one year or less	\$ 829,405	\$ 824,765
Due after one year through five years	9,801,829	9,766,497
Due after five years through ten years	11,800,470	11,704,970
Due after ten years	25,016,175	24,623,906
Subtotal	47,447,879	46,920,138
RMBS	8,002,864	8,078,684
CMBS	3,981,119	3,993,371
CBOs	3,153,951	3,146,530
CLOs	3,024,195	3,030,572
All other structured securities	2,516,763	2,520,551
<b>Total AFS fixed maturity securities</b>	<b>\$ 68,126,771</b>	<b>\$ 67,689,846</b>

***Purchased credit deteriorated securities***

Certain securities purchased by Global Atlantic were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. These securities are identified as PCD, and a reconciliation of the difference between the purchase price and the par value of these PCD securities is below:

**Notes to Financial Statements (Continued)**

	<b>September 30, 2021</b>
Purchase price of PCD securities acquired during the current period	\$ 1,726,900
Allowance for credit losses at acquisition	128,099
Discount (premium) attributable to other factors	308,053
Par value	<u>\$ 2,163,052</u>

**Securities in a continuous unrealized loss position**

The following tables provide information about AFS fixed maturity securities that have been continuously in an unrealized loss position:

<b>As of September 30, 2021</b>	<b>Less than 12 months</b>		<b>12 months or more</b>		<b>Total</b>	
	<b>Fair value</b>	<b>Unrealized losses</b>	<b>Fair value</b>	<b>Unrealized losses</b>	<b>Fair value</b>	<b>Unrealized losses</b>
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	\$ 982,449	\$ (11,860)	\$ —	\$ —	\$ 982,449	\$ (11,860)
U.S. state, municipal and political subdivisions	3,212,070	(61,090)	—	—	3,212,070	(61,090)
Corporate	31,334,306	(689,688)	—	—	31,334,306	(689,688)
RMBS	2,612,695	(70,457)	—	—	2,612,695	(70,457)
CBOs	1,421,081	(17,132)	—	—	1,421,081	(17,132)
CMBS	1,912,047	(16,578)	—	—	1,912,047	(16,578)
CLOs	680,755	(2,468)	—	—	680,755	(2,468)
All other structured securities	1,281,447	(17,685)	—	—	1,281,447	(17,685)
<b>Total AFS fixed maturity securities in a continuous loss position</b>	<u>\$ 43,436,850</u>	<u>\$ (886,958)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 43,436,850</u>	<u>\$ (886,958)</u>

Unrealized gains and losses can be created by changing interest rates or several other factors, including changing credit spreads. Global Atlantic had gross unrealized losses on below investment grade AFS fixed maturity securities of \$5.8 million as of September 30, 2021. The single largest unrealized loss on AFS fixed maturity securities was \$6.5 million as of September 30, 2021. Global Atlantic had 4,210 securities in an unrealized loss position as of September 30, 2021.

**Mortgage and other loan receivables**

Mortgage and other loan receivables consist of the following:

	<b>As of September 30, 2021</b>
Commercial mortgage loans <sup>(1)</sup>	\$ 11,901,653
Residential mortgage loans <sup>(1)</sup>	7,360,869
Consumer loans	5,284,524
Other loan receivables <sup>(1)(2)(3)</sup>	1,189,494
Total mortgage and other loan receivables	25,736,540
Allowance for credit losses	(369,424)
<b>Total mortgage and other loan receivables, net of allowance for loan losses</b>	<u>\$ 25,367,116</u>

(1) Includes \$840.4 million of loans carried at fair value using the fair value option as of September 30, 2021. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of \$820.6 million as of September 30, 2021.

(2) As of September 30, 2021, other loan receivables consisted primarily of renewable energy development loans of \$559.3 million.

(3) Includes \$448.1 million of related party loans carried at fair value using the fair value option as of September 30, 2021. These loans had unpaid principal balances of \$448.1 million as of September 30, 2021.

**Notes to Financial Statements (Continued)**

The maturity distribution for residential and commercial mortgage loans was as follows as of September 30, 2021:

Years	Residential	Commercial	Total mortgage loans
Remainder of 2021	\$ 94,988	\$ 368,629	\$ 463,617
2022	528,800	1,052,447	1,581,247
2023	233,336	1,192,664	1,426,000
2024	500,069	1,601,678	2,101,747
2025	17,776	968,337	986,113
2026	373,710	2,249,266	2,622,976
2027 and thereafter	5,612,190	4,468,632	10,080,822
<b>Total</b>	<b>\$ 7,360,869</b>	<b>\$ 11,901,653</b>	<b>\$ 19,262,522</b>

Actual maturities could differ from contractual maturities, because borrowers may have the right to prepay (with or without prepayment penalties) and loans may be refinanced.

The mortgage loan portfolio is diversified by both geographic region and property type to reduce concentration risk. The following tables present the mortgage loans by geographic region and property type:

Mortgage loans - carrying value by geographic region	September 30, 2021
Pacific	\$ 5,624,981
West South Central	2,506,058
South Atlantic	4,302,812
Middle Atlantic	2,630,050
East North Central	526,895
Mountain	1,585,458
New England	795,352
East South Central	920,981
West North Central	336,134
Other regions	33,801
<b>Total by geographic region</b>	<b>\$ 19,262,522</b>

Mortgage loans - carrying value by property type	September 30, 2021
Residential	\$ 7,360,869
Office building	3,778,950
Apartment	4,922,659
Industrial	1,825,749
Retail	837,294
Other property types	336,116
Warehouse	200,885
<b>Total by property type</b>	<b>\$ 19,262,522</b>

As of September 30, 2021, Global Atlantic had \$197.7 million of mortgage loans that were 90 days or more past due or in the process of foreclosure. Global Atlantic ceases accrual of interest on loans that are more than 90 days past due and recognizes income as cash is received. As of September 30, 2021, there were \$197.7 million of mortgage loans that were non-income producing.

As of September 30, 2021, 1% of residential mortgage loans and 1% of consumer loans have been granted forbearance due to COVID-19. This forbearance, which generally involves a 3-month period in which payments are not required (though must subsequently be made up), is not considered to result in troubled debt restructurings for the nine months ended September 30, 2021. Interest continues to accrue on loans in temporary forbearance.

**Notes to Financial Statements (Continued)**

As of September 30, 2021, Global Atlantic had \$4.0 million of consumer loans that were delinquent by more than 120 days or in default.

***Purchased credit deteriorated loans***

Certain residential mortgage loans purchased by Global Atlantic were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. These loans are identified as PCD, and a reconciliation of the difference between the purchase price and the par value of these PCD loans is below:

	<b>September 30, 2021</b>
Purchase price of PCD loans acquired during the current period	\$ 4,231,426
Allowance for credit losses at acquisition	121,895
Discount (premium) attributable to other factors	(136,174)
<b>Par value</b>	<b>\$ 4,217,147</b>

**Credit quality indicators**
***Mortgage and loan receivable performance status***

The following table represents the portfolio of mortgage and loan receivables by origination year and performance status:

<b>Performance status</b>	<b>September 30,</b>						
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>Prior</b>	<b>Total</b>
<b>Commercial mortgage loans</b>							
Current	\$ 4,386,351	\$ 1,124,617	\$ 1,938,622	\$ 1,535,710	\$ 914,729	\$ 2,001,624	\$ 11,901,653
30 to 59 days past due	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
<b>Total commercial mortgage loans</b>	<b>\$ 4,386,351</b>	<b>\$ 1,124,617</b>	<b>\$ 1,938,622</b>	<b>\$ 1,535,710</b>	<b>\$ 914,729</b>	<b>\$ 2,001,624</b>	<b>\$ 11,901,653</b>
<b>Residential mortgage loans</b>							
Current	\$ 2,835,053	\$ 1,485,965	\$ 552,473	\$ 275,733	\$ 68,705	\$ 1,809,831	\$ 7,027,760
30 to 59 days past due	17,589	3,722	8,439	118	632	76,456	106,956
60 to 89 days past due	—	96	1,025	—	—	27,322	28,443
Over 90 days past due	—	8,689	10,666	1,462	—	176,893	197,710
<b>Total residential mortgage loans</b>	<b>\$ 2,852,642</b>	<b>\$ 1,498,472</b>	<b>\$ 572,603</b>	<b>\$ 277,313</b>	<b>\$ 69,337</b>	<b>\$ 2,090,502</b>	<b>\$ 7,360,869</b>
<b>Total mortgage loans</b>	<b>\$ 7,238,993</b>	<b>\$ 2,623,089</b>	<b>\$ 2,511,225</b>	<b>\$ 1,813,023</b>	<b>\$ 984,066</b>	<b>\$ 4,092,126</b>	<b>\$ 19,262,522</b>

The following table represents the portfolio of consumer loan receivables by performance status:

<b>Performance status</b>	<b>September 30, 2021</b>
<b>Consumer loans</b>	
Current	\$ 5,237,492
30 to 59 days past due	25,894
60 to 89 days past due	12,683
Over 90 days past due	8,455
<b>Total consumer loans</b>	<b>\$ 5,284,524</b>

**Notes to Financial Statements (Continued)**
***Loan-to-value ratio on mortgage loans***

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. The following table summarizes the loan-to-value ratios for commercial mortgage loans as of September 30, 2021:

Loan-to-value as of September 30, 2021, by year of origination	Carrying value loan-to-value 70% and less	Carrying value loan-to-value 71% - 90%	Carrying value loan-to-value over 90%	Total carrying value
2021	\$ 3,138,534	\$ 1,247,817	\$ —	\$ 4,386,351
2020	959,254	130,440	34,923	1,124,617
2019	1,801,925	136,697	—	1,938,622
2018	1,468,119	67,591	—	1,535,710
2017	850,772	63,957	—	914,729
2016	430,192	2,552	—	432,744
Prior	1,553,614	15,266	—	1,568,880
<b>Total commercial mortgage loans</b>	<b>\$ 10,202,410</b>	<b>\$ 1,664,320</b>	<b>\$ 34,923</b>	<b>\$ 11,901,653</b>

Changing economic conditions affect the valuation of commercial mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that Global Atlantic performs for monitored loans and may contribute to the establishment of (or increase or decrease in) a commercial mortgage loan valuation allowance for credit losses. In addition, Global Atlantic continuously monitors its commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to specific geographic events, or have deteriorating credit.

The weighted average loan-to-value ratio for the residential mortgage loans was 73% as of September 30, 2021.

**Other investments**

Other investments consist of the following:

	September 30, 2021
Investments in renewable energy <sup>(1)(2)</sup>	\$ 3,976,960
Investments in transportation and other leased assets <sup>(3)</sup>	2,205,946
Other investment partnerships	189,720
Investments in real estate	1,089,912
FHLB common stock and other investments	164,952
<b>Total other investments</b>	<b>\$ 7,627,490</b>

(1) Net of accumulated depreciation attributed to consolidated renewable energy assets of \$140.3 million as of September 30, 2021.

(2) Includes an equity investment in a related party, Origis USA, LLC, of \$335.0 million carried at fair value using the fair value option as of September 30, 2021.

(3) Net of accumulated depreciation of \$74.8 million as of September 30, 2021.

The total amount of other investments accounted for using the equity method of accounting was \$1.2 billion as of September 30, 2021. Global Atlantic's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of \$22.7 million as of September 30, 2021.

In addition, Global Atlantic has investments that would otherwise require the equity method of accounting for which the fair value option has been elected. The carrying amount of these investments was \$476.8 million as of September 30, 2021.

**Notes to Financial Statements (Continued)**
**Funding agreements**

Certain Global Atlantic subsidiaries are members of regional banks in the FHLB system. These subsidiaries have also entered into funding agreements with their respective FHLB. The funding agreements are issued in exchange for cash. The funding agreements require that Global Atlantic pledge eligible assets, such as commercial mortgage loans, as collateral. With respect to certain classes of eligible assets, the FHLB holds the pledged eligible assets in custody at the respective FHLB. The liabilities for the funding agreements are included in policy liabilities in the consolidated statements of financial condition. Information related to the FHLB investment and funding agreements as of September 30, 2021 is as follows:

As of September 30, 2021	Investment in common stock	Funding agreements issued to FHLB member banks	Collateral
FHLB Indianapolis	\$ 74,790	\$ 1,623,147	\$ 2,520,000
FHLB Des Moines	34,600	620,293	1,025,000
FHLB Boston	22,520	327,858	556,000
<b>Total</b>	<b>\$ 131,910</b>	<b>\$ 2,571,298</b>	<b>\$ 4,102,000</b>

In addition, in January 2021, Global Atlantic launched an inaugural funding-agreement backed note ("FABN") program, through which GA Global Funding Trust, a special purpose, unaffiliated statutory trust, was established to offer its senior secured medium-term notes. Net proceeds from each sale of the aforementioned notes are used to purchase one or more funding agreements from Forethought Life Insurance Company, an insurance subsidiary of Global Atlantic. As of September 30, 2021, Global Atlantic had \$2.9 billion of such funding agreements outstanding, with \$7.1 billion of remaining capacity.

**Repurchase agreement transactions**

As of September 30, 2021, Global Atlantic participated in third-party repurchase agreements with a notional value of \$317.9 million. As collateral for these transactions, as of September 30, 2021, Global Atlantic posted fixed maturity securities with a fair value and amortized cost of \$330.0 million and \$331.4 million, respectively, which are included in Insurance - Investments in the consolidated statements of financial condition.

The gross obligation for repurchase agreements is reported in Other Liabilities in the consolidated statements of financial condition. The gross obligations by class of collateral pledged for repurchase agreements accounted for as secured borrowings as of September 30, 2021 is presented in the following table:

As of September 30, 2021	Overnight	<30 Days	30 - 90 Days	> 90 Days	Total
Corporate Securities	\$ —	\$ —	\$ —	\$ 329,963	\$ 329,963
Total borrowing	\$ —	\$ —	\$ —	\$ 329,963	\$ 329,963

**Other**

As of September 30, 2021, the cost or amortized cost and fair value of the assets on deposit with various state and governmental authorities were \$183.6 million and \$180.5 million.

## 8. DERIVATIVES

### Asset Management

As discussed in Note 2 "Summary of Significant Accounting Policies", KKR and certain of its consolidated funds have entered into derivative transactions as part of their overall risk management for the asset management business and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to reduce this risk by limiting its counterparties to major financial institutions with strong credit ratings.

### Insurance

Global Atlantic holds derivative instruments that are primarily used in its hedge program. Global Atlantic has established a hedge program that seeks to mitigate economic impacts primarily from interest rate and equity price movements, while taking into consideration accounting and capital impacts.

For exchange traded derivatives, Global Atlantic offsets asset and liability positions in similar instruments executed with the same clearing member and the same clearing house where there is legal right of setoff. In addition, these exchange traded derivatives have daily settlement of margin.

The restricted cash which was held in connection with open derivative transactions with exchange brokers was \$196.0 million as of September 30, 2021.

#### *Derivatives designated as accounting hedges*

Where Global Atlantic has derivative instruments that are designated and qualify as accounting hedges, these derivative instruments receive hedge accounting.

Global Atlantic has designated interest rate swaps to hedge the interest rate risk associated with the 2029 Senior Notes and 2031 Senior Notes in fair value hedges. The 2029 Senior Notes and 2031 Senior Notes are reported in debt in the consolidated statements of financial condition and are hedged through their respective maturities. These hedges qualify for the shortcut method of assessing hedge effectiveness. As of September 30, 2021, the carrying amount of the hedged 2029 Senior Notes was \$476.2 million, which reflects a fair value hedge adjustment of \$(16.4) million. A loss of \$4.0 million and \$16.4 million was recognized in interest expense in the consolidated statements of operations, due to changes in the fair value of the swap for the three and nine months ended September 30, 2021, respectively, fully offsetting the fair value change in the hedged 2029 Senior Notes. As of September 30, 2021, the carrying amount of the hedged 2031 Senior Notes was \$646.0 million, which reflects a fair value hedge adjustment of \$(4.0) million. A loss of \$7.0 million and \$4.0 million was recognized in interest expense in the consolidated statement of operations due to changes in the fair value of the swap for the three and nine months ended September 30, 2021, respectively, fully offsetting the fair value change in the hedged 2031 Senior Notes.

Global Atlantic has designated interest rate swaps to hedge the interest rate risk associated with its FHLB funding agreement liabilities in a fair value hedge. The FHLB funding agreement liabilities are reported in policy liabilities in the consolidated statement of financial condition and are hedged through their maturities that range from 2023 to 2025. This hedge qualifies for the shortcut method of assessing hedge effectiveness. As of September 30, 2021, the carrying amount of the hedged FHLB loan liabilities was \$1.1 billion, which reflects a fair value hedge adjustment of \$(6.0) million. A gain of \$1.3 million and a loss of \$6.0 million was recognized in policy benefits and claims in the consolidated statements of operations due to changes in the fair value of the swaps for the three and nine months ended September 30, 2021, respectively, fully offsetting the fair value change in the hedged FHLB funding agreement liabilities.

Global Atlantic has designated bond forwards to hedge the interest rate risk associated with the planned purchase of AFS debt securities in cash flow hedges. Regression analysis is used to assess the effectiveness of these hedges. As of September 30, 2021, there was a cumulative gain of \$2.1 million on the bond forwards recorded in accumulated other comprehensive (loss) income. Amounts deferred in accumulated other comprehensive (loss) income are reclassified to net investment income following the qualifying purchases of AFS securities, as an adjustment to the yield earned over the life of the purchased



**Notes to Financial Statements (Continued)**

securities, using the effective interest method. These arrangements are hedging purchases from July 2021 through January 2027 and are expected to affect earnings until 2051. There were \$1.6 billion of securities purchased for the nine months ended September 30, 2021. Global Atlantic estimates that the amount of gains/losses in accumulated other comprehensive (loss) income to be reclassified into earnings in the next 12 months will not be material.

Global Atlantic designates foreign exchange forward purchase contracts ("FX forwards") to hedge the foreign currency risk associated with foreign currency-denominated bonds in fair value hedges. These foreign currency-denominated bonds are accounted for as AFS fixed maturity securities. Changes in the fair value of the hedged AFS fixed maturity securities due to changes in spot exchange rates are reclassified from AOCI to earnings, which offsets the earnings impact of the spot changes of the FX forwards. The effectiveness of these hedges is assessed using the spot method. Changes in the fair value of the FX forwards related to changes in the spot-forward difference are excluded from the assessment of hedge effectiveness and are deferred in AOCI and recognized in earnings using a systematic and rational method over the life of the FX forwards. The change in the fair value of the FX forwards due to changes in the spot rate was \$12.1 million and \$13.8 million which was recognized in net investment gains (losses) for the three and nine months ended September 30, 2021, respectively, fully offset by amounts reclassified from AOCI due to changes in spot exchange rates on the AFS fixed maturity securities. The change in the fair value of the FX forwards due to changes in the spot-forward difference was \$766 thousand and \$399 thousand which was deferred in AOCI for the three and nine months ended September 30, 2021, respectively. \$593 thousand and \$1.2 million of amounts previously deferred in AOCI was amortized to net investment gains (losses) for the three and nine months ended September 30, 2021, respectively.

The fair value and notional value of the derivative assets and liabilities were as follows:

<b>As of September 30, 2021</b>	<b>Notional value</b>	<b>Derivative assets</b>	<b>Derivative liabilities</b>
<i>Asset Management</i>			
Foreign Exchange Contracts and Options	\$ 9,615,615	\$ 427,929	\$ 444,713
Other Derivatives	628,150	1,747	37,798
<b>Total Asset Management</b>		<b>429,676</b>	<b>482,511</b>
<i>Insurance</i>			
Equity market contracts	\$ 30,956,133	\$ 1,053,680	\$ 158,446
Interest rate contracts	16,859,214	162,727	134,677
Foreign currency contracts	929,803	22,644	1,161
Credit risk contracts	60,000	—	1,600
Impact of netting <sup>(1)</sup>		(121,098)	(121,098)
Fair value included within derivative assets and derivative liabilities		1,117,953	174,786
Embedded derivative – indexed universal life products		—	490,013
Embedded derivative – annuity products		—	1,652,714
Fair value included within policy liabilities		—	2,142,727
Embedded derivative – funds withheld at interest		80,493	(36,755)
<b>Total Insurance</b>		<b>1,198,446</b>	<b>2,280,758</b>
<b>Fair value included within total assets and liabilities</b>		<b>\$ 1,628,122</b>	<b>\$ 2,763,269</b>

(1) Represents netting of derivative exposures covered by qualifying master netting agreements.

**Notes to Financial Statements (Continued)**

<b>As of December 31, 2020</b>	<b>Notional value</b>	<b>Derivative assets</b>	<b>Derivative liabilities</b>
<i>Asset Management</i>			
Foreign Exchange Contracts and Options	\$ 9,837,178	\$ 250,398	\$ 551,728
Other Derivatives	802,988	7,839	126,950
Total Asset Management		258,237	678,678
<b>Fair value included within total assets and liabilities</b>		<b>\$ 258,237</b>	<b>\$ 678,678</b>

The amounts of derivative gains and losses recognized are reported in the consolidated statements of operations as follows:

<b>Derivative contracts not designated as hedges</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<i>Asset Management</i>				
Net Gains (Losses) from Investment Activities:				
Foreign Exchange Contracts and Options	\$ 321,139	\$ (280,406)	\$ 252,303	\$ (61,668)
Other Derivatives	(11,110)	(56,813)	(41,571)	(100,525)
Total included in Net Gains (Losses) from Investment Activities	<u>\$ 310,029</u>	<u>\$ (337,219)</u>	<u>\$ 210,732</u>	<u>\$ (162,193)</u>
<i>Insurance</i>				
Net investment gains (losses):				
Embedded derivatives	\$ 93,970	\$ —	\$ 117,248	\$ —
Equity index options	(25,854)	—	275,035	—
Equity future contracts	1,783	—	(171,982)	—
Interest rate contracts	(24,135)	—	(149,274)	—
Credit risk contracts	(196)	—	(254)	—
Total included in net investment gains (losses)	<u>\$ 45,568</u>	<u>\$ —</u>	<u>\$ 70,773</u>	<u>\$ —</u>
<b>Derivative contracts designated as hedges</b>				
	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<i>Insurance</i>				
Revenues:				
Foreign currency forwards	\$ (4,776)	\$ —	\$ (675)	\$ —
Total included in net investment gains (losses)	<u>\$ (4,776)</u>	<u>\$ —</u>	<u>\$ (675)</u>	<u>\$ —</u>
Policy benefits and claims:				
Interest rate swap	\$ 74	\$ —	\$ (6,552)	\$ —
Total included in policy benefits and claims	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ (6,552)</u>	<u>\$ —</u>
Interest expense:				
Interest rate swap	\$ (7,923)	\$ —	\$ (14,307)	\$ —
Total included in interest expense	<u>\$ (7,923)</u>	<u>\$ —</u>	<u>\$ (14,307)</u>	<u>\$ —</u>

**Notes to Financial Statements (Continued)**

The amount of Global Atlantic's net derivative assets and liabilities after consideration of collateral received or pledged were as follows:

<b>As of September 30, 2021</b>	<b>Gross amount recognized</b>	<b>Gross amounts offset in the statement of financial position<sup>(1)</sup></b>	<b>Net amounts presented in the statement of financial condition</b>	<b>Collateral (received) / pledged</b>	<b>Net amount after collateral</b>
Derivative assets (excluding embedded derivatives)	\$ 1,239,051	\$ (121,098)	\$ 1,117,953	\$ (967,632)	\$ 150,321
Derivative liabilities (excluding embedded derivatives)	\$ 295,884	\$ (121,098)	\$ 174,786	\$ —	\$ 174,786

(1) Represents netting of derivative exposures covered by qualifying master netting agreements.

**9. FAIR VALUE MEASUREMENTS**

The following tables summarize the valuation of assets and liabilities measured and reported at fair value by the fair value hierarchy. Investments classified as Equity Method - Other, for which the fair value option has not been elected, and Equity Method - Capital Allocation-Based Income have been excluded from the tables below.

**Assets, at fair value:**

	<b>September 30, 2021</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Asset Management</b>				
Private Equity	\$ 2,520,158	\$ 1,303,409	\$ 21,744,949	\$ 25,568,516
Credit	—	2,247,803	10,200,611	12,448,414
Investments of Consolidated CFEs	—	20,696,676	—	20,696,676
Real Assets	—	51,112	11,633,184	11,684,296
Equity Method - Other	10,027	296,087	1,008,868	1,314,982
Other Investments	506,928	169,300	3,168,917	3,845,145
Total Investments	3,037,113	24,764,387	47,756,529	75,558,029
Foreign Exchange Contracts and Options	—	427,929	—	427,929
Other Derivatives	—	1,704	43 <sup>(1)</sup>	1,747
Total Assets at Fair Value - Asset Management	<u>\$ 3,037,113</u>	<u>\$ 25,194,020</u>	<u>\$ 47,756,572</u>	<u>\$ 75,987,705</u>
<b>Insurance</b>				
AFS fixed maturity securities:				
U.S. government and agencies	\$ 740,317	\$ 278,696	\$ —	\$ 1,019,013
U.S. state, municipal and political subdivisions	—	5,105,085	—	5,105,085
Corporate	—	35,953,737	4,842,303	40,796,040
Structured securities	—	20,572,721	196,987	20,769,708
Total AFS fixed maturity securities	740,317	61,910,239	5,039,290	67,689,846
Trading fixed maturity securities:				
U.S. government and agencies	28,133	247,428	—	275,561
U.S. state, municipal and political subdivisions	—	1,029,943	—	1,029,943
Corporate	—	11,232,964	1,384,965	12,617,929
Structured securities	—	2,655,895	81,000	2,736,895
Total trading fixed maturity securities	28,133	15,166,230	1,465,965	16,660,328
Equity securities	8,515	—	28,863	37,378
Mortgage and other loan receivables <sup>(2)</sup>	—	—	1,288,478	1,288,478
Other investments <sup>(3)</sup>	—	—	795,228	795,228

**Notes to Financial Statements (Continued)**

Funds withheld receivable at interest	—	—	80,493	80,493
Reinsurance recoverable	—	—	1,325,487	1,325,487
Derivative assets:				
Equity market contracts	85,333	968,347	—	1,053,680
Interest rate contracts	14,690	148,037	—	162,727
Foreign currency contracts	—	22,644	—	22,644
Impact of netting <sup>(4)</sup>	(31,559)	(89,539)	—	(121,098)
Total derivative assets	68,464	1,049,489	—	1,117,953
Separate account assets	5,445,170	—	—	5,445,170
<b>Total Assets at Fair Value - Insurance</b>	<b>\$ 6,290,599</b>	<b>\$ 78,125,958</b>	<b>\$ 10,023,804</b>	<b>\$ 94,440,361</b>
<b>Total Assets at Fair Value</b>	<b>\$ 9,327,712</b>	<b>\$ 103,319,978</b>	<b>\$ 57,780,376</b>	<b>\$ 170,428,066</b>

	December 31, 2020			
	Level I	Level II	Level III	Total
<b>Asset Management</b>				
Private Equity	\$ 2,758,396	\$ 2,476,823	\$ 15,234,904	\$ 20,470,123
Credit	—	2,031,057	9,172,848	11,203,905
Investments of Consolidated CFEs	—	17,706,976	—	17,706,976
Real Assets	—	172,043	5,924,575	6,096,618
Equity Method - Other	485,988	7,254	1,014,378	1,507,620
Other Investments	434,481	88,760	2,341,981	2,865,222
Total Investments	3,678,865	22,482,913	33,688,686	59,850,464
Foreign Exchange Contracts and Options	—	250,398	—	250,398
Other Derivatives	442	729	6,668 <sup>(1)</sup>	7,839
<b>Total Assets at Fair Value - Asset Management</b>	<b>\$ 3,679,307</b>	<b>\$ 22,734,040</b>	<b>\$ 33,695,354</b>	<b>\$ 60,108,701</b>
<b>Total Assets at Fair Value</b>	<b>\$ 3,679,307</b>	<b>\$ 22,734,040</b>	<b>\$ 33,695,354</b>	<b>\$ 60,108,701</b>

- (1) Includes derivative assets that were valued using a third-party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.
- (2) Includes related party balance of \$448.1 million in Level III for mortgage and other loan receivables.
- (3) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of September 30, 2021, the fair value of these investments was \$102.5 million.
- (4) Represents netting of derivative exposures covered by qualifying master netting agreements.

**Notes to Financial Statements (Continued)**
**Liabilities, at fair value:**

	September 30, 2021			
	Level I	Level II	Level III	Total
<b>Asset Management</b>				
Securities Sold Short	\$ 262,151	\$ —	\$ —	\$ 262,151
Foreign Exchange Contracts and Options	—	444,713	—	444,713
Unfunded Revolver Commitments	—	—	50,910 <sup>(1)</sup>	50,910
Other Derivatives	—	37,798	—	37,798
Debt Obligations of Consolidated CFEs	—	19,969,156	—	19,969,156
Total Liabilities at Fair Value - Asset Management	<u>\$ 262,151</u>	<u>\$ 20,451,667</u>	<u>\$ 50,910</u>	<u>\$ 20,764,728</u>
<b>Insurance</b>				
Policy liabilities	\$ —	\$ —	\$ 544,829	\$ 544,829
Closed block policy liabilities	—	—	1,374,913	1,374,913
Funds withheld payable at interest	—	—	(36,755)	(36,755)
Derivative instruments payable:				
Equity market contracts	17,897	140,549	—	158,446
Interest rate contracts	58,866	75,811	—	134,677
Foreign currency contracts	—	1,161	—	1,161
Credit contracts	—	1,600	—	1,600
Impact of netting <sup>(2)</sup>	(31,559)	(89,539)	—	(121,098)
Total derivative instruments payable	45,204	129,582	—	174,786
Reinsurance liabilities	—	—	—	—
Embedded derivative – indexed universal life products	—	—	490,013	490,013
Embedded derivative – annuity products	—	—	1,652,714	1,652,714
Total Liabilities at Fair Value - Insurance	<u>\$ 45,204</u>	<u>\$ 129,582</u>	<u>\$ 4,025,714</u>	<u>\$ 4,200,500</u>
<b>Total Liabilities at Fair Value</b>	<u>\$ 307,355</u>	<u>\$ 20,581,249</u>	<u>\$ 4,076,624</u>	<u>\$ 24,965,228</u>
<b>December 31, 2020</b>				
	Level I	Level II	Level III	Total
<b>Asset Management</b>				
Securities Sold Short	\$ 281,826	\$ —	\$ —	\$ 281,826
Foreign Exchange Contracts and Options	—	551,728	—	551,728
Unfunded Revolver Commitments	—	—	46,340 <sup>(1)</sup>	46,340
Other Derivatives	76,930	50,020	—	126,950
Debt Obligations of Consolidated CFEs	—	17,372,740	—	17,372,740
Total Liabilities at Fair Value - Asset Management	<u>\$ 358,756</u>	<u>\$ 17,974,488</u>	<u>\$ 46,340</u>	<u>\$ 18,379,584</u>
<b>Total Liabilities at Fair Value</b>	<u>\$ 358,756</u>	<u>\$ 17,974,488</u>	<u>\$ 46,340</u>	<u>\$ 18,379,584</u>

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(2) Represents netting of derivative exposures covered by qualifying master netting agreement.

Notes to Financial Statements (Continued)

The following tables summarize changes in assets and liabilities measured and reported at fair value for which Level III inputs have been used to determine fair value for the three and nine months ended September 30, 2021 and 2020, respectively. The format of the tables has been modified to include the insurance assets and liabilities and, as such, the prior period presentation has been modified accordingly.

Three Months Ended September 30, 2021

	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Issuances/Sales/Settlements	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period	Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date	Changes in Net Unrealized Gains (Losses) Included in OCI related to Level III Assets and Liabilities still held as of the Reporting Date
<b>Assets</b>										
<i>Asset Management</i>										
Private Equity	\$ 19,023,638	\$ —	\$ —	\$ (75,554)	\$ 1,636,915	\$ 1,159,950	\$ —	\$ 21,744,949	\$ 1,094,045	\$ —
Credit	9,931,511	—	—	—	317,956	(56,665)	7,809	10,200,611	(15,427)	7,809
Real Assets	8,717,571	(174,658)	—	—	2,454,477	635,794	—	11,633,184	609,092	—
Equity Method - Other	1,067,844	—	—	—	(75,143)	16,167	—	1,008,868	(22,455)	—
Other Investments	2,971,242	—	—	—	105,878	91,797	—	3,168,917	76,256	—
Other Derivatives	1,875	—	—	—	13,152	(14,984)	—	43	(14,984)	—
Total Assets - Asset Management	41,713,681	(174,658)	—	(75,554)	4,453,235	1,832,059	7,809	47,756,572	1,726,527	7,809
<i>Insurance</i>										
AFS fixed maturity securities:										
Corporate fixed maturity securities	4,018,174	—	48,093	(29,400)	785,992	—	19,444	4,842,303	—	1,236
Structured securities	175,936	—	16,309	—	2,460	—	2,282	196,987	—	1,682
Total AFS fixed maturity securities	4,194,110	—	64,402	(29,400)	788,452	—	21,726	5,039,290	—	2,918
Trading fixed maturity securities:										
Corporate fixed maturity securities	1,009,357	—	—	—	368,624	6,984	—	1,384,965	4,926	—
Structured securities	20,939	—	15,744	—	44,233	84	—	81,000	1,131	—
Total trading fixed maturity securities	1,030,296	—	15,744	—	412,857	7,068	—	1,465,965	6,057	—
Equity securities	97,029	—	—	—	(90,855)	22,689	—	28,863	(10,074)	—
Mortgage and other loan receivables	1,224,789	—	—	—	58,303	5,386	—	1,288,478	2,047	—
Other investments	491,635	—	—	—	(33,619)	337,212	—	795,228	(22,496)	—
Funds withheld receivable at interest	78,450	—	—	—	(437)	2,480	—	80,493	—	—
Reinsurance recoverable	1,288,097	—	—	—	—	37,390	—	1,325,487	—	—
Total Assets - Insurance	8,404,406	—	80,146	(29,400)	1,134,701	412,225	21,726	10,023,804	(24,466)	2,918
<b>Total</b>	<b>\$ 50,118,087</b>	<b>\$ (174,658)</b>	<b>\$ 80,146</b>	<b>\$ (104,954)</b>	<b>\$ 5,587,936</b>	<b>\$ 2,244,284</b>	<b>\$ 29,535</b>	<b>\$ 57,780,376</b>	<b>\$ 1,702,061</b>	<b>\$ 10,727</b>

Notes to Financial Statements (Continued)

Nine Months Ended September 30, 2021											
	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Issuances/Sales/Settlements	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period	Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date	Changes in Net Unrealized Gains (Losses) Included in OCI related to Level III Assets and Liabilities still held as of the Reporting Date	
<b>Assets</b>											
<i>Asset Management</i>											
Private Equity	\$ 15,234,904	\$ —	\$ 5,034	\$ (504,112)	\$ 1,853,614	\$ 5,155,509	\$ —	\$ 21,744,949	\$ 5,011,447	\$ —	
Credit	9,172,848	(1,021)	86,135	—	875,871	59,611	7,167	10,200,611	134,588	7,167	
Real Assets	5,924,575	(174,658)	17,567	—	4,503,849	1,361,851	—	11,633,184	1,293,618	—	
Equity Method - Other	1,014,378	—	—	(22,601)	(237,737)	254,828	—	1,008,868	215,103	—	
Other Investments	2,341,981	(2,879)	—	(115,274)	380,337	564,752	—	3,168,917	616,584	—	
Other Derivatives	6,668	—	—	—	23,762	(30,387)	—	43	(30,387)	—	
<b>Total Assets - Asset Management</b>	<b>33,695,354</b>	<b>(178,558)</b>	<b>108,736</b>	<b>(641,987)</b>	<b>7,399,696</b>	<b>7,366,164</b>	<b>7,167</b>	<b>47,756,572</b>	<b>7,240,953</b>	<b>7,167</b>	
<i>Insurance</i>											
AFS fixed maturity securities:											
Corporate fixed maturity securities	3,504,578	—	76,277	(38,610)	1,298,035	—	2,023	4,842,303	—	(9,447)	
Structured securities	197,970	—	16,309	—	(17,047)	—	(245)	196,987	—	1,652	
<b>Total AFS fixed maturity securities</b>	<b>3,702,548</b>	<b>—</b>	<b>92,586</b>	<b>(38,610)</b>	<b>1,280,988</b>	<b>—</b>	<b>1,778</b>	<b>5,039,290</b>	<b>—</b>	<b>(7,795)</b>	
Trading fixed maturity securities:											
Corporate fixed maturity securities	676,650	—	—	—	705,027	3,288	—	1,384,965	604	—	
Structured securities	14,661	—	15,744	—	50,208	387	—	81,000	1,337	—	
<b>Total trading fixed maturity securities</b>	<b>691,311</b>	<b>—</b>	<b>15,744</b>	<b>—</b>	<b>755,235</b>	<b>3,675</b>	<b>—</b>	<b>1,465,965</b>	<b>1,941</b>	<b>—</b>	
Equity securities	66,660	—	—	—	(90,855)	53,058	—	28,863	20,295	—	
Mortgage and other loan receivables	928,673	—	—	—	348,098	11,707	—	1,288,478	9,814	—	
Other investments	437,275	—	5,003	—	(20,693)	373,643	—	795,228	13,510	—	
Funds withheld receivable at interest	—	—	—	—	152	80,341	—	80,493	—	—	
Reinsurance recoverable	—	—	—	—	—	1,325,487	—	1,325,487	—	—	
<b>Total Assets - Insurance</b>	<b>5,826,467</b>	<b>—</b>	<b>113,333</b>	<b>(38,610)</b>	<b>2,272,925</b>	<b>1,847,911</b>	<b>1,778</b>	<b>10,023,804</b>	<b>45,560</b>	<b>(7,795)</b>	
<b>Total</b>	<b>\$ 39,521,821</b>	<b>\$ (178,558)</b>	<b>\$ 222,069</b>	<b>\$ (680,597)</b>	<b>\$ 9,672,621</b>	<b>\$ 9,214,075</b>	<b>\$ 8,945</b>	<b>\$ 57,780,376</b>	<b>\$ 7,286,513</b>	<b>\$ (628)</b>	

Notes to Financial Statements (Continued)

Three Months Ended September 30, 2020												
	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Issuances/Sales/Settlements	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period		Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date	Changes in Net Unrealized Gains (Losses) Included in OCI related to Level III Assets and Liabilities still held as of the Reporting Date	
<b>Assets</b>												
<i>Asset Management</i>												
Private Equity	\$ 10,810,113	\$ —	\$ —	\$ (18,315)	\$ 420,025	\$ 1,415,156	\$ —	\$ 12,626,979	\$ 1,180,782	\$ —	\$ —	
Credit	8,721,478	231,872	—	—	(359,847)	108,889	21,586	8,723,978	127,060	—	21,586	
Real Assets	3,223,540	(230,163)	197,972	—	991,283	257,473	—	4,440,105	280,582	—	—	
Equity Method - Other	1,622,885	(20,523)	136,374	(58,475)	76,437	176,161	—	1,932,859	175,898	—	—	
Other Investments	1,694,797	—	—	(2,473)	110,101	91,904	—	1,894,329	90,711	—	—	
Other Derivatives	26,078	—	—	—	4,026	(17,496)	—	12,608	(17,496)	—	—	
<b>Total Assets - Asset Management</b>	<b>\$ 26,098,891</b>	<b>\$ (18,814)</b>	<b>\$ 334,346</b>	<b>\$ (79,263)</b>	<b>\$ 1,242,025</b>	<b>\$ 2,032,087</b>	<b>\$ 21,586</b>	<b>\$ 29,630,858</b>	<b>\$ 1,837,537</b>	<b>\$ —</b>	<b>\$ 21,586</b>	

Nine Months Ended September 30, 2020												
	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Issuances/Sales/Settlements	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period		Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date	Changes in Net Unrealized Gains (Losses) Included in OCI related to Level III Assets and Liabilities still held as of the Reporting Date	
<b>Assets</b>												
<i>Asset Management</i>												
Private Equity	\$ 9,871,682	\$ —	\$ —	\$ (18,315)	\$ 1,071,229	\$ 1,702,383	\$ —	\$ 12,626,979	\$ 1,466,074	\$ —	\$ —	
Credit	9,217,759	231,872	—	—	36,767	(764,433)	2,013	8,723,978	(733,768)	—	2,013	
Real Assets	3,567,944	(230,163)	197,972	(113,770)	1,240,108	(221,986)	—	4,440,105	(247,961)	—	—	
Equity Method - Other	1,656,045	(20,523)	136,374	(58,475)	158,437	61,001	—	1,932,859	60,926	—	—	
Other Investments	2,154,755	—	—	(2,473)	240,681	(498,634)	—	1,894,329	(484,905)	—	—	
Other Derivatives	21,806	—	—	—	3,628	(12,826)	—	12,608	(12,310)	—	—	
<b>Total Assets - Asset Management</b>	<b>\$ 26,489,991</b>	<b>\$ (18,814)</b>	<b>\$ 334,346</b>	<b>\$ (193,033)</b>	<b>\$ 2,750,850</b>	<b>\$ 265,505</b>	<b>\$ 2,013</b>	<b>\$ 29,630,858</b>	<b>\$ 48,056</b>	<b>\$ —</b>	<b>\$ 2,013</b>	



**Notes to Financial Statements (Continued)**

	Three Months Ended September 30, 2021					Nine Months Ended September 30, 2021				
	Purchases	Issuances	Sales	Settlements	Net Purchases/ Issuances/ Sales/ Settlements	Purchases	Issuances	Sales	Settlements	Net Purchases/ Issuances/ Sales/ Settlements
<b>Assets</b>										
<i>Asset Management</i>										
Private Equity	\$ 1,768,420	\$ —	\$ (131,505)	\$ —	\$ 1,636,915	\$ 2,147,332	\$ —	\$ (293,718)	\$ —	\$ 1,853,614
Credit	1,895,171	—	(1,579,340)	2,125	317,956	4,476,350	—	(3,440,035)	(160,444)	875,871
Real Assets	2,983,593	—	(529,116)	—	2,454,477	5,541,325	—	(1,037,476)	—	4,503,849
Equity Method - Other	7,201	—	(82,344)	—	(75,143)	21,800	—	(259,537)	—	(237,737)
Other Investments	257,463	—	(151,585)	—	105,878	588,865	—	(208,528)	—	380,337
Other Derivatives	13,152	—	—	—	13,152	23,762	—	—	—	23,762
<b>Total Assets - Asset Management</b>	<b>6,925,000</b>	<b>—</b>	<b>(2,473,890)</b>	<b>2,125</b>	<b>4,453,235</b>	<b>12,799,434</b>	<b>—</b>	<b>(5,239,294)</b>	<b>(160,444)</b>	<b>7,399,696</b>
<i>Insurance</i>										
AFS fixed maturity securities:										
Corporate fixed maturity securities	2,155,228	—	(13,846)	(1,355,390)	785,992	4,072,144	—	(48,073)	(2,726,036)	1,298,035
Structured securities	4,218	—	—	(1,758)	2,460	4,289	—	—	(21,336)	(17,047)
<b>Total AFS fixed maturity securities</b>	<b>2,159,446</b>	<b>—</b>	<b>(13,846)</b>	<b>(1,357,148)</b>	<b>788,452</b>	<b>4,076,433</b>	<b>—</b>	<b>(48,073)</b>	<b>(2,747,372)</b>	<b>1,280,988</b>
Trading fixed maturity securities:										
Corporate fixed maturity securities	370,488	—	(623)	(1,241)	368,624	710,446	—	(623)	(4,796)	705,027
Structured securities	44,594	—	—	(361)	44,233	52,735	—	—	(2,527)	50,208
<b>Total trading fixed maturity securities</b>	<b>415,082</b>	<b>—</b>	<b>(623)</b>	<b>(1,602)</b>	<b>412,857</b>	<b>763,181</b>	<b>—</b>	<b>(623)</b>	<b>(7,323)</b>	<b>755,235</b>
Equity securities	—	—	(83,864)	(6,991)	(90,855)	\$ —	\$ —	\$ (83,864)	\$ (6,991)	(90,855)
Mortgage and other loan receivables	65,517	—	(6,541)	(673)	58,303	380,555	—	(22,200)	(10,257)	348,098
Other investments	25,000	—	(58,619)	—	(33,619)	37,926	—	(58,619)	—	(20,693)
Funds withheld receivable at interest	—	(437)	—	—	(437)	—	152	—	—	152
<b>Total Assets - Insurance</b>	<b>2,665,045</b>	<b>(437)</b>	<b>(163,493)</b>	<b>(1,366,414)</b>	<b>1,134,701</b>	<b>5,258,095</b>	<b>152</b>	<b>(213,379)</b>	<b>(2,771,943)</b>	<b>2,272,925</b>
<b>Total</b>	<b>\$ 9,590,045</b>	<b>\$ (437)</b>	<b>\$ (2,637,383)</b>	<b>\$ (1,364,289)</b>	<b>\$ 5,587,936</b>	<b>\$ 18,057,529</b>	<b>\$ 152</b>	<b>\$ (5,452,673)</b>	<b>\$ (2,932,387)</b>	<b>\$ 9,672,621</b>

	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
	Purchases	Sales	Settlements	Net Purchases/Issuances/Sales/Settlements	Purchases	Sales	Settlements	Net Purchases/Issuances/Sales/Settlements
<b>Assets</b>								
<i>Asset Management</i>								
Private Equity	\$ 1,266,063	\$ (846,038)	\$ —	\$ 420,025	\$ 1,950,875	\$ (879,646)	\$ —	\$ 1,071,229
Credit	272,854	(642,056)	9,355	(359,847)	1,792,397	(1,732,825)	(22,805)	36,767
Real Assets	994,130	(2,847)	—	991,283	1,502,382	(262,274)	—	1,240,108
Equity Method - Other	79,079	(2,642)	—	76,437	161,147	(2,710)	—	158,437
Other Investments	127,365	(17,264)	—	110,101	309,358	(68,677)	—	240,681
Other Derivatives	4,026	—	—	4,026	4,988	(1,360)	—	3,628
<b>Total Assets - Asset Management</b>	<b>\$ 2,743,517</b>	<b>\$ (1,510,847)</b>	<b>\$ 9,355</b>	<b>\$ 1,242,025</b>	<b>\$ 5,721,147</b>	<b>\$ (2,947,492)</b>	<b>\$ (22,805)</b>	<b>\$ 2,750,850</b>

Notes to Financial Statements (Continued)

Three Months Ended September 30, 2021

	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Sales/Settlements/Issuances	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period	Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date
<b>Liabilities</b>									
<i>Asset Management</i>									
Unfunded Revolver Commitments	\$ 40,050	\$ —	\$ —	\$ —	\$ —	\$ 10,860	\$ —	\$ 50,910	\$ 10,860
Total Liabilities - Asset Management	40,050	—	—	—	—	10,860	—	50,910	10,860
<i>Insurance</i>									
Policy liabilities	548,377	—	—	—	—	(3,548)	—	544,829	—
Closed block policy liabilities	1,341,262	—	—	—	—	32,941	710	1,374,913	—
Funds withheld payable at interest	55,172	—	—	—	—	(91,927)	—	(36,755)	—
Embedded derivative – indexed universal life products	495,353	—	—	—	108	(5,448)	—	490,013	—
Embedded derivative – annuity products	1,521,447	—	—	—	81,926	49,341	—	1,652,714	—
Total Liabilities - Insurance	3,961,611	—	—	—	82,034	(18,641)	710	4,025,714	—
<b>Total</b>	<b>\$ 4,001,661</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 82,034</b>	<b>\$ (7,781)</b>	<b>\$ 710</b>	<b>\$ 4,076,624</b>	<b>\$ 10,860</b>

Notes to Financial Statements (Continued)

Nine Months Ended September 30, 2021

	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Sales/Settlements/Issuances	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period	Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date	
<b>Liabilities</b>										
<i>Asset Management</i>										
Unfunded Revolver Commitments	\$ 46,340	\$ —	\$ —	\$ —	\$ —	\$ 628	\$ 3,942	\$ —	\$ 50,910	\$ 3,942
Total Liabilities - Asset Management	46,340	—	—	—	—	628	3,942	—	50,910	3,942
<i>Insurance</i>										
Policy liabilities	637,800	—	—	—	—	(92,971)	—	544,829	—	
Closed block policy liabilities	1,395,746	—	—	—	—	(22,205)	1,372	1,374,913	—	
Funds withheld payable at interest	59,230	—	—	—	—	(95,985)	—	(36,755)	—	
Embedded derivative – indexed universal life products	386,746	—	—	—	(393)	103,660	—	490,013	—	
Embedded derivative – annuity products	1,024,601	—	—	—	208,027	420,086	—	1,652,714	—	
Total Liabilities - Insurance	3,504,123	—	—	—	207,634	312,585	1,372	4,025,714	—	
<b>Total</b>	<b>\$ 3,550,463</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 208,262</b>	<b>\$ 316,527</b>	<b>\$ 1,372</b>	<b>\$ 4,076,624</b>	<b>\$ 3,942</b>

Three Months Ended September 30, 2020

	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Sales/Settlements/Issuances	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period	Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date
<b>Liabilities</b>									
<i>Asset Management</i>									
Unfunded Revolver Commitments	\$ 70,148	\$ —	\$ —	\$ —	\$ —	\$ (14,063)	\$ —	\$ 56,085	\$ (14,063)
Total Liabilities - Asset Management	\$ 70,148	\$ —	\$ —	\$ —	\$ —	\$ (14,063)	\$ —	\$ 56,085	\$ (14,063)

Notes to Financial Statements (Continued)

Nine Months Ended September 30, 2020

	Balance, Beg. of Period	Transfers In / (Out) - Changes in Consolidation	Transfers In	Transfers Out	Net Purchases/Sales/Settlements/Issuances	Net Unrealized and Realized Gains (Losses)	Change in OCI	Balance, End of Period	Changes in Net Unrealized Gains (Losses) Included in Earnings related to Level III Assets and Liabilities still held as of the Reporting Date
<b>Liabilities</b>									
<i>Asset Management</i>									
Unfunded Revolver Commitments	\$ 75,842	\$ —	\$ —	\$ —	\$ —	(2,464)	(17,293)	\$ 56,085	(17,293)
Total Liabilities - Asset Management	\$ 75,842	\$ —	\$ —	\$ —	\$ —	(2,464)	(17,293)	\$ 56,085	(17,293)

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021			
	Issuances	Settlements	Net settlements/Issuances	Issuances	Settlements	Net settlements/Issuances	
<b>Liabilities</b>							
<i>Asset Management</i>							
Unfunded Revolver Commitments	\$ 11,319	\$ (11,319)	\$ —	\$ 12,486	\$ (11,858)	\$ 628	
Total Liabilities - Asset Management	11,319	(11,319)	—	12,486	(11,858)	628	
<i>Insurance</i>							
Embedded derivative – indexed universal life products		4,775	(4,667)	108	14,853	(15,246)	(393)
Embedded derivative – annuity products		81,926	—	81,926	208,027	—	208,027
Total Liabilities - Insurance		86,701	(4,667)	82,034	222,880	(15,246)	207,634
<b>Total</b>	\$ 98,020	\$ (15,986)	\$ 82,034	\$ 235,366	\$ (27,104)	\$ 208,262	

	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	Issuances	Settlements	Net settlements/Issuances	Issuances	Settlements	Net settlements/Issuances
<b>Liabilities</b>						
<i>Asset Management</i>						
Unfunded Revolver Commitments	\$ —	\$ —	\$ —	\$ —	\$ (2,464)	\$ (2,464)
Total Liabilities - Asset Management	\$ —	\$ —	\$ —	\$ —	\$ (2,464)	\$ (2,464)

**Notes to Financial Statements (Continued)**

Total realized and unrealized gains and losses recorded for Asset Management - Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations while Insurance - Level III assets and liabilities are reported in Net Investment Gains and Policy Benefits and Claims in the accompanying consolidated statements of operations.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for financial assets and liabilities that are measured and reported at fair value and categorized within Level III as of September 30, 2021. Because input information includes only those items for which information is reasonably available, balances shown below may not equal total amounts reported for such Level III assets and liabilities:

Level III Assets	Fair Value September 30, 2021	Valuation Methodologies	Unobservable Input(s) <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Range	Impact to Valuation from an Increase in Input <sup>(3)</sup>	
<b>ASSET MANAGEMENT</b>							
<b>Private Equity</b>	<b>\$ 21,744,949</b>						
<i>Private Equity</i>	<b>\$ 18,865,051</b>	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	6.8%	5.0% - 15.0%	Decrease	
			Weight Ascribed to Market Comparables	25.7%	0.0% - 75.0%	(4)	
			Weight Ascribed to Discounted Cash Flow	54.8%	0.0% - 100.0%	(5)	
			Weight Ascribed to Transaction Price	19.5%	0.0% - 100.0%	(6)	
			Market comparables	Enterprise Value/LTM EBITDA Multiple	17.6x	9.5x - 26.8x	Increase
				Enterprise Value/Forward EBITDA Multiple	14.9x	8.0x - 20.0x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	9.4%	3.5% - 15.2%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	13.4x	6.0x - 18.0x	Increase
<i>Growth Equity</i>	<b>\$ 2,879,898</b>		Inputs to market comparables, discounted cash flow and milestones	Illiquidity Discount	9.7%	5.0% - 25.0%	Decrease
		Weight Ascribed to Market Comparables		31.2%	0.0% - 100.0%	(4)	
		Weight Ascribed to Discounted Cash Flow		2.0%	0.0% - 50.0%	(5)	
		Weight Ascribed to Milestones		66.8%	0.0% - 100.0%	(6)	
		Scenario Weighting		Base	73.9%	50.0% - 75.0%	Increase
				Downside	7.5%	1.0% - 25.0%	Decrease
			Upside	18.6%	0.0% - 35.0%	Increase	
<b>Credit</b>	<b>\$ 10,200,611</b>	Yield Analysis	Yield	5.3%	4.3% - 25.7%	Decrease	
			Net Leverage	5.1x	0.3x - 15.2x	Decrease	
			EBITDA Multiple	11.5x	1.1x - 37.8x	Increase	
<b>Real Assets</b>	<b>\$ 11,633,184</b>						
<i>Energy</i>	<b>\$ 2,623,066</b>	Inputs to market comparables and discounted cash flow	Weight Ascribed to Market Comparables	46.1%	0.0% - 50.0%	(4)	
			Weight Ascribed to Discounted Cash Flow	53.9%	50.0% - 100.0%	(5)	
			Market comparables	Enterprise Value/LTM EBITDA Multiple	6.1x	5.9x - 6.2x	Increase
				Enterprise Value/Forward EBITDA Multiple	4.5x	4.1x - 8.0x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	11.4%	10.3% - 14.7%	Decrease
				Average Price Per BOE (8)	\$41.71	\$39.43 - \$44.74	Increase
<i>Infrastructure</i>	<b>\$ 3,083,444</b>	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	5.0%	5.0% - 5.0%	Decrease	
			Weight Ascribed to Market Comparables	1.8%	0.0% - 25.0%	(4)	
			Weight Ascribed to Discounted Cash Flow	48.7%	0.0% - 100.0%	(5)	
			Weight Ascribed to Transaction Price	49.5%	0.0% - 100.0%	(6)	
			Market comparables	Enterprise Value/Forward EBITDA Multiple	11.0x	11.0x - 11.0x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	6.3%	4.8% - 8.3%	Decrease
		Enterprise Value/LTM EBITDA Exit Multiple		12.2x	10.0x - 13.0x	Increase	
<i>Real Estate</i>	<b>\$ 5,926,674</b>	Inputs to direct income capitalization, discounted cash flow and transaction price	Weight Ascribed to Direct Income Capitalization	22.8%	0.0% - 100.0%	(7)	
			Weight Ascribed to Discounted Cash Flow	70.2%	0.0% - 100.0%	(5)	
			Weight Ascribed to Transaction Price	7.0%	0.0% - 100.0%	(6)	
			Direct income capitalization	Current Capitalization Rate	5.1%	3.5% - 8.1%	Decrease
				Discounted cash flow	Unlevered Discount Rate	6.6%	5.3% - 18.0%

Notes to Financial Statements (Continued)

Level III Assets	Fair Value September 30, 2021	Valuation Methodologies	Unobservable Input(s) <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Range	Impact to Valuation from an Increase in Input <sup>(3)</sup>
<b>Equity Method - Other</b>	\$ 1,008,868	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	8.1%	5.0% - 10.0%	Decrease
			Weight Ascribed to Market Comparables	34.1%	0.0% - 75.0%	(4)
			Weight Ascribed to Discounted Cash Flow	26.5%	0.0% - 50.0%	(5)
			Weight Ascribed to Transaction Price	39.4%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	11.5x	11.0x - 26.9x	Increase
			Enterprise Value/Forward EBITDA Multiple	11.8x	4.1x - 19.5x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	10.5%	5.8% - 16.0%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	11.0x	6.0x - 15.0x	Increase
<b>Other Investments</b>	\$ 3,168,917 <sup>(9)</sup>	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	9.7%	6.3% - 20.0%	Decrease
			Weight Ascribed to Market Comparables	22.5%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	39.5%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	38.0%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	13.7x	1.1x - 30.5x	Increase
			Enterprise Value/Forward EBITDA Multiple	13.2x	0.9x - 17.1x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	11.8%	7.6% - 25.0%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.0x	5.1x - 11.0x	Increase
<b>INSURANCE</b>						
<b>Corporate fixed maturity securities</b>	\$ 1,627,371	Discounted cash flow	Discount Spread	2.11%	—% - 4.83%	Decrease
<b>Structured securities</b>	\$ 159,372	Discounted cash flow	Discount Spread	2.85%	2.20% - 6.15%	Decrease
			Constant Prepayment Rate	7.32%	5.00% - 15.00%	Increase/Decrease
			Constant Default Rate	1.16%	1.00% - 2.50%	Decrease
			Loss Severity		100%	Decrease
<b>Other investments</b>	\$ 455,387	Direct capitalization	Current Capitalization Rate	5.52%	4.95% - 6.09%	Decrease
			Vacancy rate		5.00%	Decrease
		Discounted cash flow	Yield		8.00%	Decrease
<b>Funds withheld receivable at interest</b>	\$ 80,493	Discounted cash flow	Duration/Weighted Average Life	10.43 years	0.0 years - 23.2 years	Increase
			Contractholder Persistency	6.13%	3.50% - 16.20%	Increase
			Nonperformance Risk		0.26% - 1.11%	Decrease
<b>Reinsurance recoverable</b>	\$ 1,325,487	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	Expense assumption		The average expense assumption is between \$10.40 and \$78.00 per policy, increased by inflation.	Increase
			Expense risk margin		9.42%	Decrease
		Discounted cash flow	Cost of capital		3.69% - 13.85%	Increase
			Mortality Rate		2.55%	Increase
			Surrender Rate		5.33%	Increase

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest, taxes, depreciation and amortization.

(2) Inputs were weighted based on the fair value of the investments included in the range.

**Notes to Financial Statements (Continued)**

- (3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.
- (4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.
- (5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach, transaction price and direct income capitalization approach.
- (6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price or milestones results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price or milestones results in a lower valuation than the market comparables approach and discounted cash flow approach.
- (7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.
- (8) The total energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent ("BOE"), is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 85% liquids and 15% natural gas.
- (9) Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit, equity method - other or investments of consolidated CFEs.

Level III Liabilities	Fair Value September 30, 2021	Valuation Methodologies	Unobservable Input(s) <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Range	Impact to Valuation from an Increase in Input <sup>(3)</sup>	
<b>ASSET MANAGEMENT</b>							
<b>Unfunded Revolver Commitments</b>	\$ 50,910	Yield Analysis	Yield	5.2%	3.9% - 6.9%	Decrease	
<b>INSURANCE</b>							
<b>Policy liabilities</b>	\$ 544,829	Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the variability of the cash flows.  Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Risk Margin Rate		0.26% - 1.45%	Decrease	
			Surrender Rate		3.15% - 6.92%	Increase	
			Mortality Rate		3.75% - 8.29%	Increase	
<b>Closed block policy liabilities</b>	\$ 1,374,913	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.  Nonperformance Risk Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense assumption		The average expense assumption is between \$10.40 and \$78.00 per policy, increased by inflation.	Increase	
			Expense Risk Margin		0.26% - 1.11%	Decrease	
					9.42%	Decrease	
				Cost of Capital		3.69% - 13.85%	Increase
			Discounted cash flow	Mortality Rate		2.55%	Increase
			Surrender Rate		5.33%	Increase	

**Notes to Financial Statements (Continued)**

Level III Liabilities	Fair Value September 30, 2021	Valuation Methodologies	Unobservable Input(s) <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Range	Impact to Valuation from an Increase in Input <sup>(3)</sup>
<b>Funds withheld payable at interest</b>	\$ (36,755)	Discounted cash flow	Duration/Weighted Average Life	10.60 years	0.0 years - 20.1 years	Decrease
			Contractholder Persistency	6.13%	3.50% - 16.20%	Decrease
			Nonperformance Risk		0.26% - 1.11%	Decrease
<b>Embedded derivative – indexed universal life products</b>	\$ 490,013	Policy persistency is a significant unobservable input.	Lapse Rate		3.71%	Decrease
			Mortality Rate		0.68%	Decrease
			Option Budge Assumption		3.60%	Increase
			Nonperformance Risk		0.26% - 1.11%	Decrease
<b>Embedded derivative – annuity products</b>	\$ 1,652,714	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization:			
			Fixed-indexed annuity	3.70%		Decrease
			Variable annuity	4.19%	2.27% - 32.56%	Decrease
			Surrender Rate:			
			Fixed-indexed annuity	9.85%		Decrease
			Variable annuity		3.63% - 41.90%	Decrease
			Mortality Rate			
			Fixed-indexed annuity	1.95%		Decrease
			Variable annuity		1.33% - 7.57%	Decrease
			Option Budge Assumption:			
			Retail RIA	1.60%		Increase
			Fixed-indexed annuity	2.10%		Increase
			Variable annuity	n/a		Increase
Nonperformance Risk		0.26% - 1.11%	Decrease			

- (1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months, and EBITDA means earnings before interest, taxes, depreciation and amortization.
- (2) Inputs were weighted based on the fair value of the investments included in the range.
- (3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.



**Notes to Financial Statements (Continued)**
**Financial Instruments Not Carried At Fair Value**

Asset management financial instruments are primarily measured at fair value on a recurring basis, except as disclosed in Note 16 "Debt Obligations."

The following tables present carrying amounts and fair values of Global Atlantic's financial instruments which are not carried at fair value as of September 30, 2021.

As of September 30, 2021	Carrying Value	Fair Value Hierarchy			Fair Value
		Level I	Level II	Level III	
<i>(\$ in thousands)</i>					
<b>Financial assets:</b>					
<i>Insurance</i>					
Mortgage and other loan receivables	\$ 24,078,587	\$ —	\$ —	\$ 24,826,227	\$ 24,826,227
Policy loans	765,931	—	—	751,674	751,674
FHLB common stock and other investments	833,519	—	—	833,519	833,519
Funds withheld receivables at interest	2,985,988	—	2,985,988	—	2,985,988
Cash and cash equivalents	4,717,240	4,717,240	—	—	4,717,240
Restricted cash and cash equivalents	398,572	398,572	—	—	398,572
<b>Total financial assets</b>	<b>\$ 33,779,837</b>	<b>\$ 5,115,812</b>	<b>\$ 2,985,988</b>	<b>\$ 26,411,420</b>	<b>\$ 34,513,220</b>
<b>Financial liabilities:</b>					
<i>Insurance</i>					
Other contractholder deposit funds	\$ 29,989,672	\$ —	\$ 28,063,998	\$ —	\$ 28,063,998
Supplementary contracts without life contingencies	30,513	—	—	30,704	30,704
Funding agreements	2,571,298	—	—	2,563,810	2,563,810
Funds withheld payables at interest	23,651,565	—	23,651,565	—	23,651,565
Debt obligations	2,162,591	—	—	2,244,861	2,244,861
Securities sold under agreements to repurchase	317,938	—	317,938	—	317,938
<b>Total financial liabilities</b>	<b>\$ 58,723,577</b>	<b>\$ —</b>	<b>\$ 52,033,501</b>	<b>\$ 4,839,375</b>	<b>\$ 56,872,876</b>

## Notes to Financial Statements (Continued)

## 10. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<i>Asset Management</i>		
Credit	\$ 6,986,251	\$ 5,958,958
Investments of Consolidated CFEs	20,696,676	17,706,976
Real Assets	185,117	177,240
Equity Method - Other	1,314,982	1,507,620
Other Investments	197,797	201,563
Total Asset Management	\$ 29,380,823	\$ 25,552,357
<i>Insurance</i>		
Mortgage and other loan receivables	\$ 1,288,478	\$ —
Other investments	476,768	—
Reinsurance recoverable	1,325,487	—
Total Insurance	\$ 3,090,733	\$ —
<b>Total Assets</b>	<b>\$ 32,471,556</b>	<b>\$ 25,552,357</b>
<b>Liabilities</b>		
<i>Asset Management</i>		
Debt Obligations of Consolidated CFEs	\$ 19,969,156	\$ 17,372,740
Total Asset Management	\$ 19,969,156	\$ 17,372,740
<i>Insurance</i>		
Policy liabilities	\$ 1,919,742	\$ —
Total Insurance	\$ 1,919,742	\$ —
<b>Total Liabilities</b>	<b>\$ 21,888,898</b>	<b>\$ 17,372,740</b>

**Notes to Financial Statements (Continued)**

The following table presents the net realized and unrealized gains (losses) on financial instruments for which the fair value option was elected:

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
<b>Assets</b>						
<i>Asset Management</i>						
Credit	\$ 19,414	\$ 7,639	\$ 27,053	\$ 6,105	\$ 93,955	\$ 100,060
Investments of Consolidated CFEs	23,198	(15,013)	8,185	(33,373)	425,660	\$ 392,287
Real Assets	391	7,591	7,982	—	6,423	\$ 6,423
Equity Method - Other	293,819	(263,841)	29,978	(26,079)	344,316	\$ 318,237
Other Investments	11,175	1,062	12,237	49	7,924	\$ 7,973
Total Asset Management	\$ 347,997	\$ (262,562)	\$ 85,435	\$ (53,298)	\$ 878,278	\$ 824,980
<i>Insurance</i>						
Mortgage and other loan receivables	\$ —	\$ 3,613	\$ 3,613	\$ —	\$ —	\$ —
Other investments	—	317,542	317,542	—	—	—
Total Insurance	\$ —	\$ 321,155	\$ 321,155	\$ —	\$ —	\$ —
<b>Total Assets</b>	<b>\$ 347,997</b>	<b>\$ 58,593</b>	<b>\$ 406,590</b>	<b>\$ (53,298)</b>	<b>\$ 878,278</b>	<b>\$ 824,980</b>
<b>Liabilities</b>						
<i>Asset Management</i>						
Debt Obligations of Consolidated CFEs	\$ 10,278	\$ (10,437)	\$ (159)	\$ —	\$ (317,299)	\$ (317,299)
Total Asset Management	\$ 10,278	\$ (10,437)	\$ (159)	\$ —	\$ (317,299)	\$ (317,299)
<i>Insurance</i>						
Policy liabilities	\$ —	\$ (3,463)	\$ (3,463)	\$ —	\$ —	\$ —
Total Insurance	\$ —	\$ (3,463)	\$ (3,463)	\$ —	\$ —	\$ —
<b>Total Liabilities</b>	<b>\$ 10,278</b>	<b>\$ (13,900)</b>	<b>\$ (3,622)</b>	<b>\$ —</b>	<b>\$ (317,299)</b>	<b>\$ (317,299)</b>
	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
<b>Assets</b>						
<i>Asset Management</i>						
Credit	\$ 1,573	\$ 15,543	\$ 17,116	\$ (42,878)	\$ 5,458	\$ (37,420)
Investments of Consolidated CFEs	44,954	173,775	218,729	(127,175)	(424,918)	(552,093)
Real Assets	566	18,448	19,014	153	(17,882)	(17,729)
Equity Method - Other	368,931	(71,179)	297,752	(82,671)	271,243	188,572
Other Investments	16,581	17,627	34,208	(60,241)	52,755	(7,486)
Total Asset Management	\$ 432,605	\$ 154,214	\$ 586,819	\$ (312,812)	\$ (113,344)	\$ (426,156)
<i>Insurance</i>						
Mortgage and other loan receivables	\$ —	\$ 9,443	\$ 9,443	\$ —	\$ —	\$ —
Other investments	—	353,112	353,112	—	—	—
Total Insurance	\$ —	\$ 362,555	\$ 362,555	\$ —	\$ —	\$ —
<b>Total Assets</b>	<b>\$ 432,605</b>	<b>\$ 516,769</b>	<b>\$ 949,374</b>	<b>\$ (312,812)</b>	<b>\$ (113,344)</b>	<b>\$ (426,156)</b>
<b>Liabilities</b>						
<i>Asset Management</i>						
Debt Obligations of Consolidated CFEs	\$ 9,740	\$ (82,107)	\$ (72,367)	\$ —	\$ 337,634	\$ 337,634
Total Asset Management	\$ 9,740	\$ (82,107)	\$ (72,367)	\$ —	\$ 337,634	\$ 337,634
<i>Insurance</i>						
Policy liabilities	\$ —	\$ (89,184)	\$ (89,184)	\$ —	\$ —	\$ —
Total Insurance	\$ —	\$ (89,184)	\$ (89,184)	\$ —	\$ —	\$ —
<b>Total Liabilities</b>	<b>\$ 9,740</b>	<b>\$ (171,291)</b>	<b>\$ (161,551)</b>	<b>\$ —</b>	<b>\$ 337,634</b>	<b>\$ 337,634</b>

**11. INSURANCE INTANGIBLES, UNEARNED REVENUE RESERVES AND UNEARNED FRONT-END LOADS**

The following reflects the changes to the deferred policy acquisition costs ("DAC") asset:

	<b>Nine Months Ended September 30, 2021</b>
<b>Balance, as of GA Acquisition Date</b>	<b>\$ —</b>
Acquisition/reinsurance	51,322
Deferrals	259,203
Amortized to expense during the period <sup>(1)</sup>	(13,016)
Adjustment for unrealized investment losses (gains) during the period	4,907
<b>Balance, as of end of period</b>	<b>\$ 302,416</b>

(1) These amounts are reported within amortization of policy acquisition costs in the consolidated statements of operations.

The following reflects the changes to the value of business acquired ("VOBA") asset:

	<b>Nine Months Ended September 30, 2021</b>
<b>Balance, as of GA Acquisition Date</b>	<b>\$ 1,024,520</b>
Amortized to expense during the period <sup>(1)</sup>	(47,866)
<b>Balance, as of end of period</b>	<b>\$ 976,654</b>

(1) These amounts are reported within amortization of policy acquisition costs in the consolidated statements of operations.

The following reflects the changes to the negative VOBA liability:

	<b>Nine Months Ended September 30, 2021</b>
<b>Balance, as of Acquisition Date</b>	<b>\$ 1,273,414</b>
Amortized to expense during the period <sup>(1)</sup>	(118,291)
<b>Balance, as of end of period</b>	<b>\$ 1,155,123</b>

(1) These amounts are reported within amortization of policy acquisition costs in the consolidated statements of operations.

The following reflects the changes to the unearned revenue reserve ("URR") and unearned front-end load ("UFEL"):

	<b>Nine Months Ended September 30, 2021</b>
<b>Balance, as of GA Acquisition Date</b>	<b>\$</b>
Deferrals	41,0
Amortized to expense during the period <sup>(1)</sup>	(1,3
Adjustment for unrealized investment losses during the period	(4,1
<b>Balance, as of end of period</b>	<b>\$ 35,4</b>

(1) These amounts are reported within policy fees in the consolidated statements of operations.

**12. REINSURANCE**

Global Atlantic maintains a number of reinsurance treaties with third parties whereby Global Atlantic assumes fixed annuity, variable annuity, payout annuity, universal life, variable universal life and term life insurance policies on a coinsurance, modified coinsurance and funds withheld basis. Global Atlantic also maintains other reinsurance treaties including the cession of certain fixed annuity, variable annuity, payout annuity, universal life policies, individual disability income policies and discontinued accident and health insurance.

**Notes to Financial Statements (Continued)**

The effects of all reinsurance agreements on the consolidated statement of financial condition were as follows:

	<b>September 30, 2021</b>
<b>Policy liabilities:</b>	
Direct	\$ 65,847,071
Assumed	58,764,838
<b>Total policy liabilities</b>	<b>124,611,909</b>
Ceded <sup>(1)</sup>	(25,248,798)
<b>Net policy liabilities</b>	<b>\$ 99,363,111</b>

(1) Reported within reinsurance recoverable within the consolidated statement of financial condition.

A key credit quality indicator is a counterparty's A.M. Best financial strength rating. A.M. Best ratings are an independent opinion of a reinsurer's ability to meet ongoing obligations to policyholders. Global Atlantic mitigates counterparty credit risk by requiring collateral and credit enhancements in various forms including engaging in funds withheld at interest and modified coinsurance transactions. The following shows the amortized cost basis of Global Atlantic's reinsurance recoverable and funds withheld receivable at interest by credit quality indicator and any associated credit enhancements Global Atlantic has obtained to mitigate counterparty credit risk:

A.M. Best Rating <sup>(1)</sup>	As of September 30, 2021		
	Reinsurance recoverable and funds withheld receivable at interest <sup>(2)</sup>	Credit enhancements <sup>(3)</sup>	Net reinsurance credit exposure
A++	\$ 7,267	\$ —	\$ 7,267
A+	1,937,673	—	1,937,673
A	2,777,536	—	2,777,536
A-	5,740,269	5,304,491	435,778
B++	33,421	—	33,421
B+	2,307	—	2,307
B	10,425	—	10,425
B-	4,213	—	4,213
Not rated <sup>(4)</sup>	17,717,883	18,320,143	—
<b>Total</b>	<b>\$ 28,230,994</b>	<b>\$ 23,624,634</b>	<b>\$ 5,208,620</b>

(1) Ratings are periodically updated (at least annually) as A.M. Best issues new ratings.

(2) At amortized cost, excluding any associated embedded derivative assets and liabilities

(3) Includes funds withheld payable at interest and deferred intangible reinsurance assets and liabilities.

(4) Includes \$17.7 billion associated with cessions to Ivy Re Limited, a Bermuda insurance company and a subsidiary of an unaffiliated investment vehicle that participates in qualifying reinsurance transactions sourced by Global Atlantic.

As of September 30, 2021, Global Atlantic had \$3.1 billion of funds withheld receivable at interest, with six counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were held in trusts and not part of the respective counterparty's general accounts.

**Notes to Financial Statements (Continued)**

The effects of reinsurance on the consolidated statements of operations were as follows:

	<b>Three Months Ended</b>	<b>Nine Months Ended</b>
	<b>September 30, 2021</b>	<b>September 30, 2021</b>
<b>Premiums:</b>		
Direct	\$ 28,509	\$ 74,959
Assumed <sup>(1)</sup>	1,908,614	3,778,810
Ceded	(962,220)	(2,154,857)
<b>Net premiums</b>	<b>\$ 974,903</b>	<b>\$ 1,698,912</b>

(1) Includes related party balances of \$0 thousand and \$8.7 million for the three and nine months ended September 30, 2021, respectively.

	<b>Three Months Ended</b>	<b>Nine Months Ended</b>
	<b>September 30, 2021</b>	<b>September 30, 2021</b>
<b>Policy fees:</b>		
Direct	\$ 233,029	\$ 614,910
Assumed <sup>(1)</sup>	77,694	210,411
Ceded	(342)	(995)
<b>Net policy fees</b>	<b>\$ 310,381</b>	<b>\$ 824,326</b>

(1) Includes related party balances of \$0 thousand and \$6.2 million for the three and nine months ended September 30, 2021, respectively.

	<b>Three Months Ended</b>	<b>Nine Months Ended</b>
	<b>September 30, 2021</b>	<b>September 30, 2021</b>
<b>Policy benefits and claims:</b>		
Direct	\$ 554,134	\$ 1,996,642
Assumed <sup>(1)</sup>	2,254,670	3,987,189
Ceded	(1,111,758)	(2,390,268)
<b>Net policy benefits and claims</b>	<b>\$ 1,697,046</b>	<b>\$ 3,593,563</b>

(1) Includes related party balances of \$0 thousand and \$76.2 million for the three and nine months ended September 30, 2021, respectively.

Global Atlantic holds collateral for and provides collateral to our reinsurance clients. Global Atlantic held \$23.4 billion of collateral on behalf of our reinsurers as of September 30, 2021. As of September 30, 2021, reinsurers held collateral of \$1.3 billion on behalf of Global Atlantic. A significant portion of the collateral that Global Atlantic provides to its reinsurance clients is provided in the form of assets held in a trust for the benefit of the counterparty. As of September 30, 2021, these trusts were required to hold, and held in excess of, \$54.4 billion of assets to support reserves of \$55.2 billion. Of the cash held in trust, Global Atlantic classified \$201.7 million as restricted as of September 30, 2021.

**Notes to Financial Statements (Continued)**
**13. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. INC. PER SHARE OF COMMON STOCK**

For the three and nine months ended September 30, 2021 and 2020, basic and diluted Net Income (Loss) attributable to KKR & Co. Inc. per share of common stock were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net Income (Loss) Available to KKR &amp; Co. Inc. Common Stockholders - Basic</b>	\$ 1,131,354	\$ 1,047,685	\$ 4,053,271	\$ 457,448
(+) Series C Mandatory Convertible Preferred Dividend (if dilutive)	17,250	8,817	51,750	—
<b>Net Income (Loss) Available to KKR &amp; Co. Inc. Common Stockholders - Diluted</b>	<u>\$ 1,148,604</u>	<u>\$ 1,056,502</u>	<u>\$ 4,105,021</u>	<u>\$ 457,448</u>
<b>Basic Net Income (Loss) Per Share of Common Stock</b>				
Weighted Average Shares of Common Stock Outstanding - Basic	583,030,506	562,425,576	580,742,033	560,124,947
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Common Stock - Basic</b>	\$ 1.94	\$ 1.86	\$ 6.98	\$ 0.82
<b>Diluted Net Income (Loss) Per Share of Common Stock</b>				
Weighted Average Shares of Common Stock Outstanding - Basic	583,030,506	562,425,576	580,742,033	560,124,947
Incremental Common Shares:				
Assumed vesting of dilutive equity awards	27,562,994	9,954,502	22,055,422	9,786,034
Assumed conversion of Series C Mandatory Convertible Preferred Stock	26,822,600	16,736,309	26,822,600	—
Weighted Average Shares of Common Stock Outstanding - Diluted	<u>637,416,100</u>	<u>589,116,387</u>	<u>629,620,055</u>	<u>569,910,981</u>
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Common Stock - Diluted</b>	\$ 1.80	\$ 1.79	\$ 6.52	\$ 0.80

For the three and nine months ended September 30, 2021, Weighted Average Shares of Common Stock Outstanding - Diluted includes the following:

(i) Unvested equity awards, including certain equity awards that have met their market-price vesting condition but have not satisfied their service-based condition, which have been granted under the Equity Incentive Plans. Vesting of these equity interests dilute equityholders of KKR Group Partnership, including KKR & Co. Inc. and KKR Holdings pro rata in accordance with their respective ownership interests in KKR Group Partnership.

(ii) For the three and nine months ended September 30, 2021, the impact of Series C Mandatory Convertible Preferred Stock calculated under the if-converted method was dilutive, and as such (i) 26.8 million shares of common stock (assuming a conversion ratio based on the average volume weighted average price per share of common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately prior to September 30, 2021) were included in the Weighted Average Shares of Common Stock Outstanding - Diluted and (ii) \$17.3 million and \$51.8 million, respectively, of Series C Mandatory Convertible Preferred dividends were excluded from Net Income (Loss) Available to KKR & Co. Inc. Common Stockholders - Diluted.

**KKR Holdings Units**

For the three and nine months ended September 30, 2021 and 2020, KKR Holdings units have been excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Common Stock - Diluted since the exchange of these units would not dilute KKR & Co. Inc.'s respective ownership interests in KKR Group Partnership.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Weighted Average KKR Holdings Units	<u>271,027,751</u>	<u>282,692,900</u>	<u>272,674,225</u>	<u>285,757,397</u>

*Market Condition Awards*

As of September 30, 2021, 2.0 million of unvested equity awards that are subject to market-price and service-based vesting conditions were excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Common Stock - Diluted since the market-price vesting condition was not satisfied. See Note 18 "Equity Based Compensation."



**14. OTHER ASSETS AND ACCRUED EXPENSES AND OTHER LIABILITIES**

Other Assets consist of the following:

	September 30, 2021	December 31, 2020
<i>Asset Management</i>		
Unsettled Investment Sales <sup>(1)</sup>	\$ 500,507	\$ 197,635
Receivables	39,789	75,697
Due from Broker <sup>(2)</sup>	291,775	644,028
Deferred Tax Assets, net (See Note 17)	91,959	83,822
Interest Receivable	191,085	145,532
Fixed Assets, net <sup>(3)</sup>	813,488	760,606
Foreign Exchange Contracts and Options <sup>(4)</sup>	427,929	250,398
Goodwill <sup>(5)</sup>	83,500	83,500
Derivative Assets	1,747	7,839
Prepaid Taxes	91,295	77,041
Prepaid Expenses	33,720	26,366
Operating Lease Right of Use Assets <sup>(6)</sup>	224,855	190,758
Deferred Financing Costs	18,243	22,810
Other	144,438	99,304
<b>Total Asset Management</b>	<b>\$ 2,954,330</b>	<b>\$ 2,665,336</b>
<i>Insurance</i>		
Unsettled Investment Sales <sup>(1)</sup>	\$ 2,272,772	\$ —
Deferred Tax Assets, net	779,889	—
Derivative Assets	1,117,953	—
Accrued Investment Income	825,124	—
Goodwill	497,053	—
Intangible Assets and Deferred Sales Inducements <sup>(7)</sup>	298,235	—
Operating Lease Right of Use Assets <sup>(6)</sup>	162,435	—
Other	123,431	—
Premiums and Other Account Receivables	66,328	—
Current Income Tax Recoverable	5,151	—
<b>Total Insurance</b>	<b>\$ 6,148,371</b>	<b>\$ —</b>
<b>Total Other Assets</b>	<b>\$ 9,102,701</b>	<b>\$ 2,665,336</b>

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) Represents amounts held at clearing brokers resulting from securities transactions.

(3) Net of accumulated depreciation and amortization of \$130.1 million and \$151.3 million as of September 30, 2021 and December 31, 2020, respectively. Depreciation and amortization expense of \$11.3 million and \$4.6 million for the three months ended September 30, 2021 and 2020, respectively, and \$33.6 million and \$14.2 million for the nine months ended September 30, 2021 and 2020, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 4 "Net Gains (Losses) from Investment Activities - Asset Management" for the net changes in fair value associated with these instruments.

(5) As of September 30, 2021, the carrying value of goodwill is recorded and assessed for impairment at the reporting unit.

(6) For Asset Management, non-cancelable operating leases consist of leases for office space in North America, Europe, Asia and Australia. KKR is the lessee under the terms of the operating leases. The operating lease cost was \$11.9 million and \$13.9 million for the three months ended September 30, 2021 and 2020, respectively, and \$37.1 million and \$39.7 million for the nine months ended September 30, 2021 and 2020, respectively. For Insurance, non-cancelable operating leases consist of leases for office space and renewable energy forward power purchase agreements in the U.S. For the three and nine months ended September 30, 2021 the operating lease costs were \$3.9 million and \$10.5 million, respectively. Insurance lease right-of-use assets are reported net of \$21.1 million in deferred rent and lease incentives.

(7) The definite life intangible assets are amortized by using the straight-line method over the useful life of the assets which is an average of 17 years. The indefinite life intangible assets are not subject to amortization. The amortization expense of definite life intangible assets was \$4.4 million and \$11.8 million for the three and nine months ended September 30, 2021, respectively.

**Notes to Financial Statements (Continued)**

Accrued Expenses and Other Liabilities consist of the following:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<i>Asset Management</i>		
Amounts Payable to Carry Pool <sup>(1)</sup>	\$ 3,562,686	\$ 1,916,669
Unsettled Investment Purchases <sup>(2)</sup>	1,382,929	850,714
Securities Sold Short <sup>(3)</sup>	262,151	281,826
Derivative Liabilities	37,798	126,950
Accrued Compensation and Benefits	847,283	150,883
Interest Payable	159,129	182,044
Foreign Exchange Contracts and Options <sup>(4)</sup>	444,713	551,728
Accounts Payable and Accrued Expenses	161,952	130,661
Taxes Payable	28,979	88,040
Uncertain Tax Positions	76,643	76,643
Unfunded Revolver Commitments	50,910	46,340
Operating Lease Liabilities <sup>(5)</sup>	227,624	191,564
Deferred Tax Liabilities, net (See Note 17)	1,091,098	199,425
Other Liabilities	580,844	464,326
<b>Total Asset Management</b>	<b>\$ 8,914,739</b>	<b>\$ 5,257,813</b>
<i>Insurance</i>		
Unsettled Investment Purchases <sup>(2)</sup>	\$ 1,930,044	\$ —
Collateral on Derivative Instruments	967,632	—
Accrued Expenses	542,510	—
Securities Sold Under Agreements to Repurchase	317,938	—
Derivative Liabilities	174,786	—
Operating Lease Liabilities <sup>(5)</sup>	181,302	—
Accrued Employee Related Expenses	189,471	—
Tax Payable to Former Parent Company	73,608	—
Interest Payable	36,086	—
Accounts and Commissions Payable	19,798	—
Other Tax Related Liabilities	9,787	—
<b>Total Insurance</b>	<b>\$ 4,442,962</b>	<b>\$ —</b>
<b>Total Accrued Expenses and Other Liabilities</b>	<b>\$ 13,357,701</b>	<b>\$ 5,257,813</b>

- (1) Represents the amount of carried interest payable to current and former KKR employees with respect to KKR's investment funds and co-investment vehicles that provide for carried interest.
- (2) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.
- (3) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 4 "Net Gains (Losses) from Investment Activities - Asset Management" for the net changes in fair value associated with these instruments.
- (4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 4 "Net Gains (Losses) from Investment Activities- Asset Management" for the net changes in fair value associated with these instruments.
- (5) For Asset Management, operating leases have remaining lease terms that range from approximately 1 year to 14 years, some of which include options to extend the leases for up to 3 years. The weighted average remaining lease terms were 9.1 years and 9.8 years as of September 30, 2021 and December 31, 2020, respectively. The weighted average discount rates were 1.2% and 1.2% as of September 30, 2021 and December 31, 2020, respectively. For Insurance, operating leases for office space have remaining lease terms that range from approximately 1 year to 12 years, some of which include options to extend the leases for up to 10 years. The weighted average remaining lease terms was 8.0 years as of September 30, 2021. The weighted average discount rates was 2.9% as of September 30, 2021.

**15. VARIABLE INTEREST ENTITIES*****Consolidated VIEs***

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies." The consolidated VIEs are predominately CFEs and certain investment funds sponsored by KKR.

The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn investment gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies differ for these VIEs; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

Furthermore, KKR consolidates certain VIEs, which are created by Global Atlantic to hold investments, including investments in transportation, renewable energy, consumer and other loans and fixed maturity securities.

***Unconsolidated VIEs***

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated predominantly include certain investment funds sponsored by KKR as well as certain investment partnerships where Global Atlantic retains an economic interest.

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest. Accordingly, disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of September 30, 2021, KKR's commitments to these unconsolidated investment funds were \$3.9 billion. KKR has not provided any financial support other than its obligated amount as of September 30, 2021. Global Atlantic also has unfunded commitments of \$25.3 million in relation to other limited partnership interests as of September 30, 2021.

As of September 30, 2021 and December 31, 2020, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Investments - Asset Management	\$ 11,091,844	\$ 6,460,430
Due from (to) Affiliates, net	830,982	586,595
Maximum Exposure to Loss - Asset Management	<b>\$ 11,922,826</b>	<b>\$ 7,047,025</b>
Other Investment in Partnership - Insurance	\$ 184,492	\$ —
Investment in Renewable Partnerships - Insurance	365,443	—
Maximum Exposure to Loss- Insurance	<b>\$ 549,935</b>	<b>\$ —</b>
Total Maximum Exposure to Loss	<b>\$ 12,472,761</b>	<b>\$ 7,047,025</b>

**Notes to Financial Statements (Continued)**
**16. DEBT OBLIGATIONS**
**Asset Management Debt Obligations**

In Asset Management, KKR enters into credit agreements and issues debt for its general operating and investment purposes. KKR consolidates and reports debt obligations of KKR Financial Holdings LLC, a KKR subsidiary ("KFN"), which are non-recourse to KKR beyond the assets of KFN.

Certain of KKR's consolidated investment funds have entered into financing arrangements with financial institutions, generally to provide liquidity to such investment funds. These financing arrangements are generally not direct obligations of the general partners of KKR's investment funds (beyond KKR's capital interest) or its management companies. Such borrowings have varying maturities and bear interest at floating rates. Borrowings are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. When an investment vehicle borrows, the proceeds are available only for use by that investment vehicle and are not available for the benefit of other investment vehicles or KKR. Collateral within each investment vehicle is also available only against borrowings by that investment vehicle and not against the borrowings of other investment vehicles or KKR.

In certain other cases, investments and other assets held directly by majority-owned consolidated investment vehicles have been funded with borrowings that are collateralized by the investments and assets they own. These borrowings are non-recourse to KKR beyond the investments or assets serving as collateral or the capital that KKR has committed to fund such investment vehicles. Such borrowings have varying maturities and generally bear interest at fixed rates.

In addition, consolidated CFEs issue debt securities to third-party investors which are collateralized by assets held by the CFE. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's Asset Management debt obligations consisted of the following:

	September 30, 2021			December 31, 2020		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
<b>Revolving Credit Facilities:</b>						
Corporate Credit Agreement	\$ 1,000,000	\$ —	\$ —	\$ 1,000,000	\$ —	\$ —
KCM Credit Agreement	728,593	—	—	705,014	—	—
KCM 364-Day Revolving Credit Agreement	750,000	—	—	750,000	—	—
<b>Notes Issued: <sup>(1)</sup></b>						
KKR ¥25 billion (or \$224.0 million) 0.509% Notes Due 2023	<sup>(4)</sup> —	223,556	223,384	—	241,331	241,580
KKR ¥5 billion (or \$44.8 million) 0.764% Notes Due 2025	<sup>(4)</sup> —	44,404	44,789	—	47,919	48,554
KKR €650 million (or \$756.7 million) 1.625% Notes Due 2029	<sup>(5)</sup> —	749,389	809,635	—	790,157	870,647
KKR \$750 million 3.750% Notes Due 2029	<sup>(4)</sup> —	743,111	832,290	—	742,196	874,658
KKR ¥10.3 billion (or \$92.3 million) 1.595% Notes Due 2038	<sup>(4)</sup> —	91,270	95,229	—	98,640	104,004
KKR \$500 million <sup>(6)</sup> 5.500% Notes Due 2043	<sup>(4)</sup> —	491,065	659,885	—	492,513	666,885
KKR \$1 billion <sup>(6)</sup> 5.125% Notes Due 2044	<sup>(4)</sup> —	951,301	1,249,501	—	991,471	1,307,220
KKR \$500 million 3.625% Notes Due 2050	<sup>(4)</sup> —	492,419	536,120	—	492,123	556,095
KKR \$750 million <sup>(6)</sup> 3.500% Notes Due 2050	<sup>(4)</sup> —	735,783	787,515	—	735,161	830,280
KKR \$500 million 4.625% Notes Due 2061	<sup>(5)</sup> —	485,955	518,000	—	—	—
KFN \$500 million 5.500% Notes Due 2032	<sup>(2)</sup> —	494,903	490,670	—	494,540	502,992
KFN \$120 million 5.200% Notes Due 2033	<sup>(2)</sup> —	118,623	115,341	—	118,533	118,300
KFN \$70 million 5.400% Notes Due 2033	<sup>(2)</sup> —	68,934	68,455	—	68,866	70,267
KFN Issued Junior Subordinated Notes <sup>(3)</sup>	<sup>(2)</sup> —	235,802	180,732	—	234,808	165,627
	2,478,593	5,926,515	6,611,546	2,455,014	5,548,258	6,357,109
<b>Other Debt Obligations<sup>(6)</sup></b>	8,787,351	33,062,029	33,097,029	5,621,883	27,875,338	27,889,438
	<b>\$ 11,265,944</b>	<b>\$ 38,988,544</b>	<b>\$ 39,708,575</b>	<b>\$ 8,076,897</b>	<b>\$ 33,423,596</b>	<b>\$ 34,246,547</b>



**Notes to Financial Statements (Continued)**

- (1) Borrowing outstanding includes: (i) unamortized note discount (net of premium), as applicable and (ii) unamortized debt issuance costs, as applicable. Financing costs related to the issuance of the notes have been deducted from the note liability and are being amortized over the life of the notes.
- (2) These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (3) KKR consolidates KFN and reports KFN's outstanding \$258.5 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 2.6% and 2.7% and the weighted average years to maturity is 15.0 years and 15.8 years as of September 30, 2021 and December 31, 2020, respectively.
- (4) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.
- (5) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.
- (6) As of September 30, 2021, the borrowing outstanding reflects the elimination for the portion of these debt obligations that are held by Global Atlantic.

***Asset Management Revolving Credit Facilities******Corporate Credit Agreement***

On August 4, 2021, KKR Group Partnership L.P. and Kohlberg Kravis Roberts & Co. L.P. (the "Borrowers") amended and restated their Amended and Restated Credit Agreement, dated as of December 7, 2018 (the "Prior Corporate Credit Agreement"), by and among the Borrowers, the guarantors from time to time party thereto, the lending institutions from time to time party thereto, and HSBC Bank USA, National Association, as administrative agent with the Second Amended and Restated Credit Agreement (the "New Corporate Credit Agreement"), by and among the Borrowers, the guarantors from time to time party thereto, the lending institutions from time to time party thereto, and HSBC Bank USA, National Association, as administrative agent, which (1) provides for up to \$1.0 billion of revolving borrowings (with the option to request an increase of up to an additional \$500 million), (2) has a maturity of August 2026, (3) contains customary events of default, representations and warranties and covenants that are substantially similar to those that were in the Prior Corporate Credit Agreement and (4) includes updated financial covenants based on the total indebtedness to fee and yield EBITDA and fee paying assets under management covenants. Interest on any funded balances accrues at LIBOR plus a spread ranging from 0.565% to 1.10% based on corporate credit ratings. The Borrowers must pay a facility fee on the total commitments ranging from 0.06% to 0.15% based on corporate credit ratings.

***KCM Short-Term Credit Agreement***

On April 9, 2021, KKR Capital Markets Holdings L.P. and certain other capital markets subsidiaries (the "KCM Borrowers") entered into a 364-day revolving credit agreement (the "KCM Short-Term Credit Agreement") with the same administrative agent, and one or more lenders party to the KCM Credit Agreement. The KCM Short-Term Credit Agreement replaces the prior 364-day revolving credit agreement, dated as of April 10, 2020, between the KCM Borrowers and the administrative agent, and one or more lenders party to the KCM Short-Term Agreement, which was terminated according to its terms on April 9, 2021. The KCM Short-Term Credit Agreement provides for revolving borrowings up to \$750 million, expires on April 8, 2022, and ranks pari passu with the KCM Credit Agreement.

If a borrowing is made under the KCM Short-Term Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the borrowing is a Eurocurrency loan, it will be based on a LIBOR rate plus an applicable margin initially ranging between 1.50% and 2.75%, depending on the duration of the loan. If the borrowing is an ABR loan, it will be based on the prime rate plus an applicable margin ranging between 0.50% and 1.75%, depending on the amount and nature of the loan. Borrowings under the KCM Short-Term Credit Agreement may only be used to facilitate the settlement of debt transactions syndicated by KKR's capital markets business. Obligations under the KCM Short-Term Credit Agreement are limited to the KCM Borrowers, which are solely entities involved in KKR's capital markets business, and liabilities under the KCM Short-Term Credit Agreement are non-recourse to other parts of KKR.

The KCM Short-Term Credit Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including a financial covenant providing for a maximum debt to equity ratio for the KCM Borrowers. The KCM Borrowers' obligations under the KCM Short-Term Credit Agreement are secured by certain assets of the KCM Borrowers, including a pledge of equity interests of certain subsidiaries of the KCM Borrowers.

**Notes to Financial Statements (Continued)**
**Asset Management Notes Issuance and Redemptions**
**KKR Issued 4.625% Subordinated Notes Due 2061**

On March 31, 2021, KKR Group Finance Co. IX LLC, an indirect subsidiary of KKR & Co. Inc., issued \$500 million aggregate principal amount of its 4.625% Subordinated Notes due 2061 (the "KKR 2061 Subordinated Notes"). The KKR 2061 Subordinated Notes are guaranteed by KKR & Co. Inc. and KKR Group Partnership.

The KKR 2061 Subordinated Notes bear interest at a rate of 4.625% per annum and will mature on April 1, 2061, unless earlier redeemed. Interest on the KKR 2061 Subordinated Notes accrues from March 31, 2021 and is payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2021 and ending on the applicable maturity date. The KKR 2061 Subordinated Notes are unsecured and subordinated obligations of the issuer. The KKR 2061 Subordinated Notes are fully and unconditionally guaranteed, jointly and severally, on a subordinated basis, by each of the guarantors. The guarantees are unsecured obligations of the guarantors.

The indenture includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or convey all or substantially all of their assets. The indenture also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding KKR 2061 Subordinated Notes may declare the KKR 2061 Subordinated Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the KKR 2061 Subordinated Notes and any accrued and unpaid interest on the KKR 2061 Subordinated Notes automatically become due and payable. On or after April 1, 2026, the issuer may redeem the KKR 2061 Subordinated Notes at its option, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the KKR 2061 Subordinated Notes to be redeemed, together with accrued and unpaid interest to, but excluding, the date of redemption, provided that if the KKR 2061 Subordinated Notes are not redeemed in whole, at least \$25 million aggregate principal amount of the KKR 2061 Subordinated Notes must remain outstanding after giving effect to such redemption. If a "tax redemption event" occurs, the KKR 2061 Subordinated Notes may be redeemed, in whole, but not in part, within 120 days of the occurrence of such tax redemption event at a redemption price equal to their principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, the KKR 2061 Subordinated Notes may be redeemed, in whole, but not in part, at any time prior to April 1, 2026, within 90 days of the occurrence of a "rating agency event", at a redemption price equal to 102% of their principal amount plus any accrued and unpaid interest to, but excluding, the date of redemption.

**Other Asset Management Debt Obligations**

As of September 30, 2021, other debt obligations consisted of the following:

	Financing Available	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Financing Facilities of Consolidated Funds and Other <sup>(1)</sup>	\$ 8,787,351	\$ 13,092,873	\$ 13,127,873	2.8%	4.0
Debt Obligations of Consolidated CLOs	—	19,969,156	19,969,156	<sup>(2)</sup>	10.5
	<b>\$ 8,787,351</b>	<b>\$ 33,062,029</b>	<b>\$ 33,097,029</b>		

(1) Includes borrowings collateralized by fund investments, fund co-investments and other assets held by levered investment vehicles of \$1.7 billion.

(2) The senior notes of the consolidated CLOs had a weighted average interest rate of 1.7%. The subordinated notes of the consolidated CLOs do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CLOs are collateralized by assets held by each respective CLO vehicle and assets of one CLO vehicle may not be used to satisfy the liabilities of another. As of September 30, 2021, the fair value of the consolidated CLO assets was \$22.1 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

**Notes to Financial Statements (Continued)**
**Insurance Debt Obligations**

Global Atlantic's debt obligations consisted of the following:

	September 30, 2021		
	Financing Available	Borrowing Outstanding	Fair Value <sup>(3)</sup>
<b>Revolving Credit Facilities:</b>			
Global Atlantic revolving credit facility, due May 2023	\$ 1,000,000	\$ —	\$ —
<b>Notes Issued and Others:</b>			
Global Atlantic senior notes, due October 2029		500,000	548,600
Global Atlantic senior notes, due June 2031		650,000	658,320
Global Atlantic subordinated debentures, due October 2046 <sup>(1)</sup>		250,000	250,000
Global Atlantic subordinated debentures, due July 2051		750,000	775,350
		<u>2,150,000</u>	<u>\$ 2,232,270</u>
Purchase accounting adjustments <sup>(2)</sup>		51,875	
Debt issuance costs, net of accumulated amortization		(18,934)	
Fair value loss (gain) of hedged debt obligations, recognized in earnings		(20,350)	
		<u>\$ 2,162,591</u>	

- (1) On October 1, 2021, subsequent to the end of the quarter, GA FinCo redeemed the full principal amount of its then outstanding \$250 million GA 2046 Subordinated Debentures.
- (2) The amortization of the purchase accounting adjustments was \$825 thousand and \$4.0 million for the three and nine months ended September 30, 2021, respectively.
- (3) These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

*Global Atlantic Credit Agreement*

GA FinCo is the borrower and GAFL is the guarantor under a revolving credit facility ("GA Credit Agreement"). On May 21, 2018, GAFL amended and restated the GA Credit Agreement to, among other things: (1) upsize the facility size from \$650 million to \$1 billion; (2) increase the aggregate letters of credit GAFL may issue from \$350 million to \$500 million; (3) extend the maturity of the GA Credit Agreement from December 2021 to May 2023; and (4) remove certain restrictive covenants.

Interest on any funded balances accrues at LIBOR plus a spread ranging from 1.125% to 2.00% based on GAFL's long-term issuer credit ratings. The borrower must pay a commitment fee on any unfunded committed balance under the GA Credit Agreement ranging from 0.15% to 0.35% based on the long-term issuer credit rating. The commitment fee on unfunded balances is paid quarterly in arrears. The GA Credit Agreement contains customary events of default, representations and warranties and covenants, including, among other things, covenants that GAFL's consolidated debt to total capitalization, as defined in the GA Credit Agreement, cannot be more than 35% and that GAFL's consolidated net worth determined in accordance with GAAP cannot be less than 70% of the value of GAFL's consolidated net worth as of March 31, 2018, plus 50% of net income since March 31, 2018.

On November 6, 2020, GA FinCo entered into an amendment of the GA Credit Agreement, whereby the definition of Change of Control was amended to permit the GA Acquisition. If an event of default occurs, the lenders under the GA Credit Agreement will be entitled to take various actions, including the termination of their commitments and the acceleration of amounts due thereunder.

On June 18, 2021, GA FinCo repaid approximately \$420 million outstanding indebtedness under the GA Credit Agreement along with accrued and unpaid interest, from the proceeds from the 2031 Senior Notes (as discussed below). As of September 30, 2021, there were no revolving borrowings outstanding and no letters of credit outstanding under the GA Credit Agreement.

On August 4, 2021, GA FinCo terminated the existing GA Credit Agreement and replaced it with a new credit agreement (the "New GA Credit Agreement"), with GA FinCo as borrower, and GAFL, as guarantor, and Wells Fargo Bank, N.A., as administrative agent, that (1) provides for up to \$1.0 billion of revolving borrowings (with the option to request an increase of up to an additional \$250 million), including up to \$500 million of letters of credit, (2) has a maturity of August 2026, and (3) contains customary events of default, representations and warranties and covenants that are substantially similar to those that were in the terminated GA Credit Agreement, including the consolidated debt to capitalization and net worth covenants. Interest on any funded balances accrues at LIBOR plus a spread ranging from 1.125% to 2.00% based on GAFL's long-term issuer



**Notes to Financial Statements (Continued)**

credit ratings. The borrower must pay a commitment fee on any unfunded committed balance under the New GA Credit Agreement ranging from 0.125% to 0.325% based on long-term issuer credit ratings.

*Global Atlantic Senior Notes due 2029*

On October 7, 2019, GA FinCo issued \$500 million aggregate principal amount of 4.400% senior unsecured notes due 2029 ("GA 2029 Senior Notes"). The GA 2029 Senior Notes were issued pursuant to an Indenture, dated as of October 7, 2019, among GA FinCo, as issuer, GAFL, as guarantor, and U.S. Bank National Association, as trustee as supplemented by the First Supplemental Indenture, dated as of October 7, 2019, among GA FinCo, GAFL and the trustee. The GA 2029 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by GAFL.

The GA 2029 Senior Notes bear interest at a rate of 4.400% per year. Interest on the GA 2029 Senior Notes is payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2020. The GA 2029 Senior Notes will mature on October 15, 2029.

The indenture includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or convey all or substantially all of their assets. The indenture also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding GA 2029 Senior Notes may declare the GA 2029 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, rehabilitation or reorganization, the principal amount of the GA 2029 Senior Notes and any accrued and unpaid interest on the GA 2029 Senior Notes automatically become due and payable. GA FinCo may, at its option, redeem some or all of the GA 2029 Senior Notes at any time: (i) prior to July 15, 2029 at a redemption price equal to 100% of the principal amount of the GA 2029 Senior Notes to be redeemed plus a "make-whole" premium and accrued and unpaid interest, if any, to the date of redemption; and (ii) on or after July 15, 2029 at a redemption price equal to 100% of the principal amount of the GA 2029 Senior Notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

*Global Atlantic Subordinated Debentures due 2046*

On October 5, 2016, GA FinCo, as issuer, and GAFL, as guarantor, entered into an issuing and paying agency agreement pursuant to which GA FinCo issued \$250 million of the subordinated debentures unconditionally guaranteed on a subordinated basis by GAFL in a private placement ("GA 2046 Subordinated Debentures").

Interest on the GA 2046 Subordinated Debentures was payable semi-annually in arrears on April 1 and October 1 of each year and accrued at 9.5% per annum from and including October 5, 2016 to, but excluding, October 1, 2021. On October 1, 2021 and on each fifth anniversary of such date thereafter, each, a "reset date," the interest rate would be recomputed based on the yield (rounded to two decimal places) reported as of two business days prior to the reset date for the most recently issued actively traded on the run U.S. Treasury securities having a maturity of five years from the reset date, plus 8.38% per annum.

Subsequent to the end of the quarter, on October 1, 2021 GA FinCo redeemed the full principal amount of its then outstanding \$250 million GA 2046 Subordinated Debentures and completed the final interest payment. Upon completion of the redemption, GA FinCo is no longer subject to the debt covenants associated with the GA 2046 Subordinated Debentures.

*Global Atlantic Senior Notes due 2031*

On June 17, 2021, GA FinCo issued \$650 million aggregate principal amount of 3.125% senior unsecured notes due 2031 (the "GA 2031 Senior Notes"). The GA 2031 Senior Notes were issued pursuant to an indenture, dated as of June 17, 2021, among GA FinCo, as issuer, GAFL, as guarantor, and U.S. Bank National Association, as trustee, and supplemented by the Second Supplemental Indenture, dated as of June 17, 2021, among GA FinCo, GAFL and the trustee. The GA 2031 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by GAFL.

The GA 2031 Senior Notes bear interest at a rate of 3.125% per year. Interest on the GA 2031 Senior Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 17, 2021. The GA 2031 Senior Notes will mature on June 15, 2031. GA FinCo may, at its option, redeem some or all of the GA 2031 Senior Notes at any time: (i) prior to March 15, 2031 at a redemption price equal to 100% of the principal amount of the GA 2031 Senior Notes to be redeemed plus a "make-whole" premium and accrued and unpaid interest, if any, to the date of redemption; and (ii) on or after March 15, 2031 at a redemption price equal to 100% of the principal amount of the GA 2031 Senior Notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

*Global Atlantic Subordinated Debentures due 2051*

On July 6, 2021, GA FinCo issued \$750 million of 4.70% fixed-to-fixed rate subordinated debentures maturing on October 15, 2051 (the "GA 2051 Subordinated Debentures.") The GA 2051 subordinated debentures were issued pursuant to the Subordinated Indenture, dated as of July 6, 2021 among GA FinCo, as issuer, GAFL, as guarantor, and U.S. Bank National Association, as trustee, as supplemented by the First Supplemental Indenture thereto, dated as of July 6, 2021.

The GA 2051 subordinated debentures will bear interest (i) from, and including, July 6, 2021 to, but not including, the initial interest reset date of October 15, 2026 at an annual rate of 4.70% and (ii) from and including October 15, 2026, during each interest reset period, at an annual rate equal to the five-year Treasury rate as of the most recent reset interest determination date, plus 3.796%. Interest on the subordinated debentures is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2021, and on the maturity date.

GA FinCo has the right on one or more occasions to defer the payment of interest on the GA 2051 subordinated debentures for up to five consecutive years. During an optional deferral period, interest will continue to accrue at the interest rate on the GA 2051 subordinated debentures, compounded semi-annually as of each interest payment date.

If GA FinCo has exercised its right to defer interest payments on the GA 2051 subordinated debentures, GA FinCo and GAFL generally may not (1) make payments on or redeem or purchase (A) GA FinCo or GAFL common stock, or (B) with respect to GA FinCo, any indebtedness ranking on parity with or junior to the GA 2051 subordinated debentures, and with respect to GAFL, any indebtedness ranking on parity with or junior to the guarantee or (2) make any guarantee payments with respect to any guarantee by GA FinCo or GAFL of any securities or any of their respective subsidiaries if such guarantee ranks equally with or junior to the debentures.

GA FinCo may elect to redeem the GA 2051 subordinated debentures either (1) in whole at any time or in part from time to time during the three-month period prior to, and including, October 15, 2026, or the three month period prior to, and including, each subsequent interest reset date, in each case at 100% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date; (2) in whole, but not in part, at any time within 90 days after the occurrence of a tax event at 100% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date; (3) in whole, but not in part, at any time within 90 days after the occurrence of a rating agency event at 102% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date; or (4) in whole, but not in part, at any time within 90 days after the occurrence of a regulatory capital event at 100% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date.

**Debt Covenants**

Borrowings of KKR (including Global Atlantic) contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies as of September 30, 2021. KKR (including Global Atlantic) was in compliance with such debt covenants in all material respects as of September 30, 2021.

**17. INCOME TAXES**

KKR & Co. Inc. is a domestic corporation for U.S. federal income tax purposes and is subject to U.S. federal, state and local income taxes at the entity level on its share of taxable income. In addition, KKR Group Partnership and certain of its subsidiaries operate as partnerships for U.S. federal tax purposes but as taxable entities for certain state, local or non-U.S. tax purposes. Moreover, certain corporate subsidiaries of KKR, including certain Global Atlantic subsidiaries, are domestic corporations for U.S. federal income tax purposes and are subject to U.S. federal, state, and local income taxes. Income taxes reported in these consolidated financial statements include the taxes described in this paragraph.

The effective tax rates were 10.4% and 10.8% for the three months ended September 30, 2021 and 2020, respectively and 9.2% and 22.7% for the nine months ended September 30, 2021 and 2020, respectively. The effective tax rate differs from the statutory rate primarily because a substantial portion of the reported net income (loss) before taxes is not attributable to KKR but rather is attributable to noncontrolling interests held in KKR's consolidated entities by KKR's principals or by third parties.

**Notes to Financial Statements (Continued)**

Future realization of deferred tax assets is dependent on KKR generating sufficient taxable income before the tax benefits are expected to expire. KKR considers projections of taxable income in evaluating its ability to utilize those deferred tax assets. In projecting its taxable income, KKR begins with historical results and incorporates assumptions concerning the amount and timing of future pretax operating income. Those assumptions require significant judgment and are consistent with the plans and estimates that KKR uses to manage its business. As of September 30, 2021, \$22.7 million of deferred tax assets are not considered to be more likely than not to be realized prior to the expiration of the related loss carryforwards. For that portion of the total deferred tax asset, a valuation allowance has been recorded.

During the three and nine months ended September 30, 2021, there were no material changes to KKR's uncertain tax positions and KKR believes there will be no significant increase or decrease to the uncertain tax positions within 12 months of the reporting date.

**18. EQUITY BASED COMPENSATION*****Equity Based Compensation - Asset Management***

The following table summarizes the expense associated with equity-based compensation for the three and nine months ended September 30, 2021 and 2020, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
KKR Equity Incentive Plan Awards <sup>(1)</sup>	\$ 73,363	\$ 42,488	\$ 199,646	\$ 133,424
KKR Holdings Awards	8,713	21,759	35,238	63,358
<b>Total</b>	<b>\$ 82,076</b>	<b>\$ 64,247</b>	<b>\$ 234,884</b>	<b>\$ 196,782</b>

(1) Includes \$10.9 million and \$11.4 million of equity based compensation related to our insurance business for the three and nine months ended September 30, 2021.

**KKR Equity Incentive Plan Awards**

Under KKR's Equity Incentive Plans, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. Inc. common stock. On March 29, 2019, the 2019 Equity Incentive Plan became effective. Following the effectiveness of the 2019 Equity Incentive Plan, KKR no longer makes further grants under the 2010 Equity Incentive Plan, and the 2019 Equity Incentive Plan became KKR's only plan for providing new equity-based awards by KKR & Co. Inc. Outstanding awards under the 2010 Equity Incentive Plan will remain outstanding, unchanged and subject to the terms of the 2010 Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms. The total number of equity awards representing shares of common stock that may be issued under the 2019 Equity Incentive Plan is equivalent to 15% of the aggregate number of the shares of common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries), subject to annual adjustment. Equity awards granted pursuant to the Equity Plans generally consist of (i) restricted stock units ("RSUs") that convert to shares of common stock of KKR & Co. Inc. (or cash equivalent) upon vesting and (ii) restricted holdings units ("RHUs") that are exchangeable into shares of common stock of KKR & Co. Inc. upon vesting and certain other conditions. Vested awards under the Equity Incentive Plans dilute KKR & Co. Inc. common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in KKR Group Partnership.

***Service-Vesting Awards***

Under the Equity Incentive Plans, KKR grants equity awards that are subject to service-based vesting, typically over a three to five-year period from the date of grant (referred to hereafter as "Service-Vesting Awards"). In certain cases, these Service-Vesting Awards may have a percentage of the award that vests immediately upon grant. Additionally, some but not all Service-Vesting Awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, some but not all of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold shares of common stock equivalents equal to at least 15% of their cumulatively vested awards that have or had the minimum retained ownership requirement. Holders of the Service-Vesting Awards do not participate in dividends until such awards have met their vesting requirements.

Expense associated with the vesting of these Service-Vesting Awards is based on the closing price of KKR & Co. Inc. common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested equity awards. Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based upon expected turnover by class of recipient.

**Notes to Financial Statements (Continued)**

As of September 30, 2021, there was approximately \$381.9 million of total estimated unrecognized expense related to unvested Service-Vesting Awards. That cost is expected to be recognized as follows:

<b>Year</b>	<b>Unrecognized Expense (in millions)</b>	
Remainder of 2021	\$	31.6
2022		118.5
2023		91.6
2024		68.3
2025		58.1
2026		13.8
<b>Total</b>	<b>\$</b>	<b>381.9</b>

A summary of the status of unvested Service-Vesting Awards granted under the Equity Incentive Plans from January 1, 2021 through September 30, 2021 is presented below:

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Balance, January 1, 2021	23,866,696	\$ 28.28
Granted	862,206	46.14
Vested	(5,826,257)	23.05
Forfeitures	(393,731)	29.12
Balance, September 30, 2021	<b>18,508,914</b>	<b>\$ 30.75</b>

The weighted average remaining vesting period over which unvested Service-Vesting Awards are expected to vest is 1.7 years.

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plans is presented below:

<b>Vesting Date</b>	<b>Shares</b>
October 1, 2021	3,084,758
April 1, 2022	3,755,974
October 1, 2022	1,731,067
April 1, 2023	3,051,901
October 1, 2023	472,249
April 1, 2024	2,448,822
October 1, 2024	204,313
April 1, 2025	1,879,243
October 1, 2025	158,430
April 1, 2026	1,722,157
	<b>18,508,914</b>

*Market Condition Awards*

Under KKR's Equity Incentive Plans, KKR also grants equity awards that are subject to a market price-based vesting condition (referred to hereafter as "Market Condition Awards").

**Notes to Financial Statements (Continued)**

KKR has granted 19.5 million of Market Condition Awards, subject to both stock price target requirements and service requirements. The number of Market Condition awards that will vest will depend upon the market price of KKR common stock reaching and maintaining a 20 day average closing price based on the vesting schedules provided below on or prior to May 1, 2026, subject to the employee's continued service to May 1, 2026, subject to exceptions. For any price targets not achieved, that portion of the unvested awards will be automatically canceled and forfeited. These awards are subject to additional transfer restrictions and minimum retained ownership requirements after vesting. Each recipient received awards with market price-based vesting conditions based on either Type 1 or Type 2, not both.

Vesting Condition Type 1				Vesting Condition Type 2			
	Stock Price	Vesting %			Stock Price	Vesting %	
	\$ 45.00	25.0	%		\$ 45.00	16.7	%
	\$ 50.00	50.0	%		\$ 50.00	33.4	%
	\$ 55.00	75.0	%		\$ 55.00	50.0	%
	\$ 60.00	100.0	%		\$ 60.00	66.8	%
					\$ 65.00	83.5	%
					\$ 70.00	100.0	%

Due to the existence of the service requirement, the vesting period for these Market Condition Awards is explicit, and as such, compensation expense will be recognized on a straight-line basis over the period from the date of grant through May 1, 2026 and assumes a forfeiture rate of up to 4% annually based upon expected turnover. The fair value of the awards granted are based on a Monte-Carlo simulation valuation model. In addition, the grant date fair value assumes that holders of the Market Condition Awards will not participate in dividends or distributions until such awards have met all of their vesting requirements.

Below is a summary of the grant date fair value based on the Monte-Carlo simulation valuation model.

Vesting Condition	Weighted Average	Range
Type 1	22.56	\$22.56 - \$22.56
Type 2	23.16	\$19.87 - \$40.09

Below is a summary of the significant assumptions used to estimate the grant date fair value of these Market Condition Awards:

Significant Assumptions	Weighted Average	Range
Closing KKR share price as of valuation date	\$39.22	\$37.93 - \$50.35
Risk Free Rate	0.44%	0.41% - 0.92%
Volatility	28.04%	28.00% - 30.00%
Dividend Yield	1.49%	1.15% - 1.53%
Expected Cost of Equity	10.67%	9.13% - 10.76%

**Notes to Financial Statements (Continued)**

As of September 30, 2021, there was approximately \$321.5 million of total estimated unrecognized expense related to these unvested Market Condition awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
Remainder of 2021	\$ 15.1
2022	62.5
2023	67.2
2024	72.4
2025	77.4
2026	26.9
<b>Total</b>	<b>\$ 321.5</b>

A summary of the status of unvested Market Condition awards granted under the Equity Incentive Plans from January 1, 2021 through September 30, 2021 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2021	16,875,000	\$ 21.07
Granted	2,600,000	35.02
Vested	—	—
Forfeitures	—	—
Balance, September 30, 2021	<b>19,475,000</b>	<b>\$ 22.93</b>

As of September 30, 2021, 17.5 million of these Market Condition awards met their market-price based vesting condition.

**KKR Holdings Awards**

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into common stock of KKR & Co. Inc. on a one-for-one basis. As of September 30, 2021 and 2020, KKR Holdings owned approximately 31.7% or 271,027,751 units and 33.0% or 278,781,478 units, respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service-based vesting, typically over a three to five-year period from the date of grant. They are also generally subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested. As of September 30, 2021, all of the KKR Holdings units (except for less than 1.3% of the outstanding KKR Holdings units) have been granted, and certain Holdings units remain subject to vesting. See Note 24 "Subsequent Events" - Reorganization Agreement.

The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co. Inc. common stock on the date of grant discounted for the lack of participation rights in the expected distributions on unvested units. KKR determined this to be the best evidence of fair value as KKR & Co. Inc. common stock is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of KKR & Co. Inc. common stock. Specifically, units in KKR Holdings and shares of KKR & Co. Inc. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a share of KKR & Co. Inc. common stock on a one-for-one basis.

KKR Holdings awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. This discount is consistent with that noted above for shares issued under the Equity Incentive Plans. Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based on expected turnover by class of recipient.

**Notes to Financial Statements (Continued)**

As of September 30, 2021, there was approximately \$34.6 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
Remainder of 2021	\$ 8.7
2022	25.9
<b>Total</b>	<b>\$ 34.6</b>

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2021 through September 30, 2021 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2021	10,240,000	\$ 14.33
Granted	—	—
Vested	(2,905,000)	11.16
Forfeitures	—	—
Balance, September 30, 2021	<b>7,335,000</b>	<b>\$ 15.58</b>

The weighted average remaining vesting period over which unvested awards are expected to vest is 0.5 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

Vesting Date	Units
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	<b>7,335,000</b>

**Equity Based Compensation - Insurance**

The following table summarizes the expense associated with Global Atlantic equity-based compensation for the three and nine months ended September 30, 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Global Atlantic Book Value and Other Awards	\$ 16,999	\$ —	\$ 35,672	\$ —
KKR Equity Incentive Plan Awards	10,854	—	11,378	—
<b>Total</b>	<b>\$ 27,853</b>	<b>\$ —</b>	<b>\$ 47,050</b>	<b>\$ —</b>

No equity-based compensation costs were capitalized during the three and nine months ended September 30, 2021.

On February 1, 2021, in connection with the GA Acquisition, employees of Global Atlantic were awarded a one-time grant of RSUs under the 2019 Equity Incentive Plan. These awards (i) are subject to service-based vesting conditions and (ii) expense associated with the vesting of these awards is based on the closing price of KKR & Co. Inc. common stock on the date of grant, consistent with other awards granted under the 2019 Equity Incentive Plan as described above.

On July 1, 2021, a grant of a Market Condition Award was made under the 2019 Equity Incentive Plan. This award is subject to meeting certain stock price target requirements of KKR & Co. Inc. common stock but has no service vesting condition. Expense associated with the grant date fair value of this award of \$10.5 million was fully recognized in the three months ended September 30, 2021.



## Notes to Financial Statements (Continued)

**Liability Classified Awards - Book Value Awards**

The following table presents Global Atlantic's unrecognized compensation expense and the expected weighted average period over which these expenses will be recognized as of September 30, 2021:

	September 30, 2021	
	Expense	Weighted average period (years)
GA Book Value Awards	\$ 80,130	
<b>Unrecognized compensation expense, as of end of period</b>	<b>\$ 80,130</b>	

On February 1, 2021, Global Atlantic adopted the Global Atlantic Financial Company Book Value Award Plan ("GA Book Value Plan") to enhance the ability of Global Atlantic to attract, motivate and retain its employees and to promote the success of the Global Atlantic business.

The GA Book Value Plan authorizes the grant of cash-settled awards ("book value awards") representing the right to receive one or more payments upon vesting equal to the product of an initial dollar value set by the award multiplied by a pre-determined formula as of each applicable vesting date. The predetermined formula is equal to the quotient determined by dividing the book value of one share of TGAFG on the applicable vesting date by the book value of a share on the original grant date, subject to adjustments. Book value awards generally vest in three equal, annual installments, subject to continued employment.

On February 1, 2021, under the terms of the GA Merger Agreement and in accordance with applicable plan documentation, former Global Atlantic restricted share awards that were unvested immediately prior to the closing of the GA Acquisition converted into the right to receive a number of book value awards under the GA Book Value Plan having the same value and the same vesting schedule as the former Global Atlantic restricted share awards immediately prior to the closing of the GA Acquisition.

An aggregate of 3,020,017 unvested former Global Atlantic restricted share awards having a fair value of \$29.47 per share were converted to book value awards at an aggregate grant-date value of \$89 million. On February 28, 2021, book value awards having an aggregate value of approximately \$28 million vested as set forth in the former Global Atlantic grant agreements and resulted in a cash payment of \$17 million to participants, net of applicable tax withholding.

Also in connection with the GA Acquisition, on February 1, 2021, Global Atlantic employees were issued a one-time grant of book value awards having an aggregate initial value of \$23 million. These one-time book value awards vest over five (5) years, with the first 25% vesting on April 1, 2023 and the remainder vesting 25% annually on April 1 each subsequent year until fully vested, subject to continued employment. Global Atlantic is recording compensation expense over the vesting schedule of the awards, net of an estimated forfeiture rate of 4%.

On March 1, 2021, pursuant to the GA Book Value Plan, book value awards having an aggregate initial value of approximately \$32 million were granted. Such book value awards generally vest annually over three years in equal increments, subject to continued employment. Global Atlantic is recording compensation expense over the vesting schedule of the awards, net of an estimated forfeiture rate of 4%.

**Notes to Financial Statements (Continued)**

Global Atlantic began recognizing long-term incentive expense for the book value awards described above at the grant dates, based on their initial value. The table below presents the activity related to book value awards for the nine months ended September 30, 2021:

	<b>Book value awards (\$ in thousands)</b>
Outstanding amount as of beginning of period	\$ —
Pre-acquisition awards converted to book-value awards on February 1, 2021	89,000
Granted	57,213
Forfeited	(5,508)
Impact of change in book value on outstanding awards	6,597
Vested and issued	(31,086)
<b>Outstanding amount as of end of period</b>	<b>\$ 116,216</b>

**GA Equity Incentive Plan Awards**

On June 24, 2021, Global Atlantic issued 1,000 non-voting incentive shares to a Bermuda exempted partnership owned by certain Global Atlantic employees, who are eligible to receive incentive units under Global Atlantic's Senior Management Equity Incentive Plan ("GA Equity Incentive Plan"). These incentive units represent an interest in the receipt of certain amounts based on Global Atlantic's book value, market value, and AUM, in each case as derived in part from the value of TGAFG's fully-diluted equity shares.

On June 24, 2021, Global Atlantic granted approximately 808 incentive units under the GA Equity Incentive Plan. The book value component of the incentive units vests 20% per year on each anniversary of the GA Acquisition Date, as long as the grantee remains then employed, and will be settled in cash. The market value and AUM components of the incentive units cliff vest upon the earlier to occur of (i) the fifth (5th) anniversary of the GA Acquisition Date, or (ii) a change of control, and will be settled in a variable number of TGAFG's non-voting common shares. Except in the event of termination due to death or disability, generally, unvested market value and AUM amounts are forfeited upon a termination of employment.

The GA Equity Incentive Plan is accounted for as a hybrid compensation plan, consisting of components most closely aligned with a profit-sharing plan under ASC 710, *Compensation - General*, as well as components within scope of ASC 718, *Compensation - Stock Compensation*, in all cases with obligations liability-classified. Accordingly, with regard to awards within scope of ASC 710, Global Atlantic records expense based on payouts deemed to be probable and reasonably estimable based on the book value growth of Global Atlantic at the grant date and at each reporting period. For award components subject to liability-classification under ASC 718, Global Atlantic records expense, net of an estimated forfeiture rate, based on the fair value of awards granted, with periodic adjustments to expense for changes in fair value, over the requisite 5-year service period.

The aggregate value of the GA Equity Incentive Plan awards at the date of grant was \$197 million, based on the intrinsic value of the book value component at the date of grant (\$5 million) and the fair value of the market value and AUM components at the date of grant (\$192 million, collectively), based on the projected growth in value of each component over the 5-year vesting schedule and applying a forfeiture rate of 0%. Expense will be remeasured at each reporting period and adjusted as needed until the awards are forfeited or settled.

Global Atlantic recorded compensation expense of \$20.5 million and \$25.3 million for the three and nine months ended September 30, 2021, respectively, related to the GA Units granted under the GA Equity Incentive Plan, with a corresponding offset to other liabilities.

**19. RELATED PARTY TRANSACTIONS****Due from Affiliates consists of:**

	September 30, 2021	December 31, 2020
Amounts due from portfolio companies	\$ 208,320	\$ 164,113
Amounts due from unconsolidated investment funds	892,860	707,758
Amounts due from related entities	1,694	1,123
<b>Due from Affiliates</b>	<b>\$ 1,102,874</b>	<b>\$ 872,994</b>

**Due to Affiliates consists of:**

	September 30, 2021	December 31, 2020
Amounts due to KKR Holdings - tax receivable agreement	\$ 237,825	\$ 204,014
Amounts due to unconsolidated investment funds	61,878	121,163
<b>Due to Affiliates</b>	<b>\$ 299,703</b>	<b>\$ 325,177</b>

**20. SEGMENT REPORTING**

KKR operates through two reportable segments which are presented below and reflect how its chief operating decision-makers allocate resources and assess performance:

- Asset Management - the asset management business offers a broad range of investment management services to investment funds, vehicles and accounts (including Global Atlantic) and provides capital markets services to portfolio companies and third parties. This reportable segment also reflects how its business lines operate collaboratively with predominantly a single expense pool.
- Insurance - the insurance business is operated by Global Atlantic, which is a leading U.S. annuity and life insurance company that provides a broad suite of protection, legacy and savings products and reinsurance solutions to clients across individual and institutional markets. Global Atlantic primarily generates income by earning a spread between its investment income and the cost of policyholder benefits.

KKR's segment profitability measure used to make operating decisions and assess performance across KKR's reportable segments is presented prior to giving effect to the allocation of income (loss) among KKR & Co. Inc., KKR Holdings and holders of other exchangeable securities, and the consolidation of the investment funds, vehicles and accounts that KKR advises, manages or sponsors (including CFEs). KKR's segment profitability measure excludes: (i) equity-based compensation charges, (ii) amortization of acquired intangibles, (iii) strategic transaction-related charges and (iv) non-recurring items, if any. Strategic transaction-related items arise from corporate actions and consist primarily of (i) impairments, (ii) non-monetary gains or losses on divestitures, (iii) transaction costs from strategic acquisitions, and (iv) depreciation on real estate that KKR owns and occupies. Inter-segment transactions are not eliminated from segment results when management considers those transactions in assessing the results of the respective segments. These transactions include (i) management fees earned by KKR as the investment adviser for Global Atlantic insurance companies and (ii) interest income and expense based on lending arrangements where one or more KKR subsidiaries borrow from a Global Atlantic insurance subsidiary. Inter-segment transactions are recorded by each segment based on the definitive documents that contain arms' length terms and comply with applicable regulatory requirements. Segment operating earnings for the Asset Management and Insurance segments is further defined as follows:

- Asset Management Segment Operating Earnings is the profitability measure used to make operating decisions and to assess the performance of the Asset Management segment and is comprised of: (i) Fee Related Earnings, (ii) Realized Performance Income, (iii) Realized Performance Income Compensation, (iv) Realized Investment Income (Loss), and (v) Realized Investment Income Compensation. Asset Management Segment Operating Earnings excludes (i) unrealized carried interest, (ii) net unrealized gains (losses) on investments, and (iii) related unrealized performance income compensation expense. Management fees earned by KKR as the adviser, manager, or sponsor for its investment funds, vehicles and accounts, including management fees paid to KKR by Global Atlantic's insurance

**Notes to Financial Statements (Continued)**

companies and management fees paid to Global Atlantic by reinsurance investment vehicles, are included in Asset Management Segment Operating Earnings.

- Insurance Segment Operating Earnings is the profitability measure used to make operating decisions and to assess the performance of the Insurance segment and is comprised of: (i) Net Investment Income, (ii) Net Cost of Insurance, (iii) General, Administrative, and Other Expenses, (iv) Income Taxes, and (v) Net income Attributable to Noncontrolling Interests. The non-operating adjustments made to derive Insurance Segment Operating Earnings eliminate the impact of: (i) realized (gains) losses related to asset/liability matching investments strategies, (ii) unrealized investment (gains) losses, (iii) changes in the fair value of derivatives, embedded derivatives, and fair value liabilities for fixed-indexed annuities, indexed universal life contracts and variable annuities, and (iv) the associated income tax effects of all exclusions from Insurance Segment Operating Earnings except for equity-based compensation expense. Insurance Segment Operating Earnings includes (i) realized gains and losses not related to asset/liability matching investments strategies and (ii) the investment management fee expenses that are earned by KKR as the investment adviser of Global Atlantic's insurance companies.

***Modification of Segment Information***

In connection with the acquisition of Global Atlantic on February 1, 2021, KKR reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of KKR's business. Effective with the three months ended March 31, 2021, the items detailed below have changed with respect to the preparation of the reports used by KKR's chief operating decision makers. As a result, KKR has modified the presentation of its segment financial information with retrospective application to all prior periods presented.

The most significant changes between KKR's current segment presentation and its previous segment presentation reported prior to the three months ended March 31, 2021, are as follows:

- Two Reportable Segments - KKR operates through two reportable segment due to the acquisition of Global Atlantic, which represents a separate reportable segment. The Asset Management segment represents KKR's business separate from its insurance operations and what previously was identified as one operating and reportable segment. The Asset Management segment continues to reflect how the chief operating decision makers allocate resources and assess performance in the asset management business, which includes operating collaboratively across asset management business lines, with predominantly a single expense pool.
- Segment Operating Earnings - Segment Operating Earnings is the performance measure for KKR's segment profitability and is used by management in making operational and resource deployment decisions. Previously, due to the conclusion that KKR operated under one reportable segment, no measure of segment profit or loss was disclosed.

In connection with these modifications, segment information as of and for the three and nine months ended September 30, 2020 has been presented in this Quarterly Report on Form 10-Q to conform to KKR's current segment presentation for comparability purposes. Consequently, this information will be different from the historical segment financial results previously reported by KKR in its reports filed with the SEC.

**Notes to Financial Statements (Continued)**
**Segment Presentation**

The following tables set forth information regarding KKR's segment results:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Management Fees <sup>(1)</sup>	\$ 559,066	369,442	1,478,878	1,042,634
Transaction and Monitoring Fees, Net	249,670	201,086	645,108	380,415
Fee Related Performance Revenues	9,897	10,181	34,760	27,869
Fee Related Compensation	(184,224)	(170,220)	(485,760)	(342,417)
Other Operating Expenses	(104,772)	(86,472)	(309,483)	(247,046)
Fee Related Earnings	529,587	324,017	1,363,503	861,455
Realized Performance Income	432,784	224,020	1,222,403	934,018
Realized Performance Income Compensation	(274,955)	(157,885)	(797,965)	(599,753)
Realized Investment Income <sup>(2)</sup>	447,565	260,415	1,277,701	495,904
Realized Investment Income Compensation	(67,142)	(56,803)	(191,663)	(85,646)
<b>Asset Management Segment Operating Earnings</b>	<b>1,067,839</b>	<b>593,764</b>	<b>2,873,979</b>	<b>1,605,978</b>
Net Investment Income <sup>(1)(2)</sup>	771,982	—	1,977,383	—
Net Cost of Insurance	(436,415)	—	(1,076,566)	—
General, Administrative and Other	(139,489)	—	(338,325)	—
Pre-tax Insurance Operating Earnings	196,078	—	562,492	—
Income Taxes	(9,046)	—	(63,148)	—
Net Income Attributable to Noncontrolling Interest	(72,043)	—	(193,570)	—
<b>Insurance Segment Operating Earnings</b>	<b>114,989</b>	<b>—</b>	<b>305,774</b>	<b>—</b>
<b>Total Segment Operating Earnings</b>	<b>\$ 1,182,828</b>	<b>593,764</b>	<b>3,179,753</b>	<b>1,605,978</b>

includes intersegment management fees of \$46.7 million and \$108.5 million for the three and nine months ended September 30, 2021.

includes intersegment interest expense and income of \$10.8 million and \$11.9 million for the three and nine months ended September 30, 2021.

	As of	
	September 30, 2021	September 30, 2020
<b>Segment Assets:</b>		
Asset Management	\$ 31,853,573	25,249,013
Insurance	164,436,876	—
<b>Total Segment Assets</b>	<b>\$ 196,290,449</b>	<b>25,249,013</b>

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>cash expenses excluded from Segment Operating Earnings</b>				
<i>Equity Based Compensation and Other</i>				
Asset Management	\$ 62,580	42,488	188,269	133,424
Insurance	40,086	—	64,061	—
<b>Total Non-cash expenses</b>	<b>\$ 102,666</b>	<b>42,488</b>	<b>252,330</b>	<b>133,424</b>

**Reconciliations of Total Segment Amounts**

The following tables reconcile the Segment Revenues, Segment Operating Earnings, and Segment Assets to their equivalent GAAP measure:

**Notes to Financial Statements (Continued)**

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Total GAAP Revenues</b>	\$ 4,483,365	\$ 1,895,238	\$ 12,182,552	\$ 2,225,727
Impact of Consolidation and Other	134,524	85,393	392,883	278,898
<i>Asset Management Adjustments:</i>				
Capital Allocation-Based Income (GAAP)	(1,526,667)	(1,331,898)	(5,736,707)	(888,342)
Realized Carried Interest	413,114	217,978	1,183,826	924,974
Realized Investment Income	447,565	260,415	1,277,701	495,904
Capstone Fees	(25,178)	(17,429)	(66,286)	(55,542)
Expense Reimbursements	(34,857)	(44,553)	(122,642)	(100,779)
<i>Insurance Adjustments:</i>				
Premiums	(974,903)	—	(1,698,912)	—
Policy Fees	(310,381)	—	(824,326)	—
Other Income	(31,938)	—	(82,160)	—
Investment Gains and Losses	(156,909)	—	83,153	—
Derivative Gains and Losses	53,179	—	47,151	—
<b>Total Segment Revenues <sup>(1)</sup></b>	<b>\$ 2,470,914</b>	<b>\$ 1,065,144</b>	<b>\$ 6,636,233</b>	<b>\$ 2,880,840</b>

(1) Total Segment Revenues is comprised of (i) Management Fees, (ii) Transaction and Monitoring Fees, Net, (iii) Fee Related Performance Revenues, (iv) Realized Performance Income, (v) Realized Investment Income, and (vi) Net Investment Income.

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Income (Loss) Before Tax (GAAP)</b>	\$ 3,660,927	\$ 3,333,676	\$ 12,621,574	\$ 902,473
Impact of Consolidation and Other	(1,472,312)	(1,203,808)	(4,985,859)	196,297
Interest Expense	63,446	54,458	185,100	152,676
Equity-based compensation - KKR Holdings	8,764	21,802	35,734	63,596
<i>Asset Management Adjustments:</i>				
Unrealized Carried Interest	(911,156)	(995,376)	(3,872,150)	186,537
Net Unrealized Gains (Losses)	(598,304)	(1,088,901)	(2,890,326)	18,049
Unrealized Carried Interest Compensation	397,449	418,728	1,667,447	(57,771)
Strategic Corporate Transaction-Related Charges	7,362	10,697	17,497	10,697
Equity-based compensation	44,488	40,801	138,196	128,399
Equity-based compensation - Performance based	18,022	1,687	50,073	5,025
<i>Insurance Adjustments:</i>				
Net (Gains) Losses from Investments and Derivatives	(75,241)	—	183,842	—
Strategic Corporate Transaction-Related Charges	3,931	—	15,947	—
Equity-based and Other Compensation	40,086	—	64,061	—
Amortization of Acquired Intangibles	4,412	—	11,765	—
Income Taxes	(9,046)	—	(63,148)	—
<b>Total Segment Operating Earnings</b>	<b>\$ 1,182,828</b>	<b>\$ 593,764</b>	<b>\$ 3,179,753</b>	<b>\$ 1,605,978</b>

## Notes to Financial Statements (Continued)

	As of	
	September 30, 2021	September 30, 2020
<b>Total GAAP Assets</b>	<b>\$ 265,799,650</b>	<b>\$ 70,655,</b>
Impact of Consolidation and Other	(65,502,921)	(43,250,
Carry Pool Reclassifications	(3,562,686)	(1,393,
Other Reclassifications	(443,594)	(762,
<b>Total Segment Assets</b>	<b>\$ 196,290,449</b>	<b>\$ 25,249,</b>

**21. EQUITY****Stockholders' Equity***Common Stock*

The common stock of KKR & Co. Inc. is entitled to vote as provided by its certificate of incorporation, Delaware General Corporation Law and the rules of the NYSE. Subject to preferences that apply to shares of Series C Mandatory Convertible Preferred Stock and any other shares of preferred stock outstanding at the time on which dividends are payable, the holders of common stock are entitled to receive dividends out of funds legally available if the board of directors, in its discretion, determines to declare dividends and then only at the times and in the amounts that the board of directors may determine. The common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

*Series I and Series II Preferred Stock*

Except for any distribution required by Delaware law to be made upon a dissolution event, the holders of Series I preferred stock and Series II preferred stock do not have any economic rights to receive dividends. Series I preferred stock is entitled to vote on various matters that may be submitted to vote of the stockholders and the other matters as set forth in the certificate of incorporation. For matters on which common stock is entitled to vote, so long as the ratio at which KKR Group Partnership Units are exchangeable for shares of common stock remains on a one-for-one basis, Series II preferred stock will vote together with common stock as a single class and on an equivalent basis, except Series II preferred stock will vote separately as a class on any amendment to the certificate of incorporation that changes certain terms, rights or preferences of Series II preferred stock. Upon a dissolution event, each holder of Series I preferred stock will be entitled to a payment equal to \$0.01 per share of Series I preferred stock and each holder of Series II preferred stock will be entitled to a payment equal to \$0.000000001 per share of Series II preferred stock. For details on the Reorganization Agreement and a discussion of the elimination of these classes of preferred stock in connection with the Reorganization Agreement, see Note 24 "Subsequent Events."

*Series A and Series B Preferred Stock*

The board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers (including voting powers), preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by the stockholders (except as may be required by the terms of any preferred stock then outstanding).

KKR & Co. Inc. had outstanding 13,800,000 shares of Series A Preferred Stock. Series A Preferred Stock had traded on the NYSE under the symbol "KKR PR A" and was originally issued on March 17, 2016. On June 15, 2021, KKR redeemed all of its Series A Preferred Stock at a redemption price per share equal to the \$25.00 liquidation preference plus declared and unpaid dividends, which amounted to \$350.8 million. The series of preferred units with economic terms that mirror those of the Series A Preferred Stock that was issued by KKR Group Partnership for the benefit of KKR & Co. Inc. were concurrently extinguished. Net income available to KKR was impacted by a charge of \$12.0 million for the redemption of the Series A Preferred Stock. This charge is based on the excess of the redemption value over the carrying value of the Series A Preferred Stock.

KKR & Co. Inc. had outstanding 6,200,000 shares of Series B Preferred Stock. Series B Preferred Stock had traded on the NYSE under the symbol "KKR PR B" and was originally issued on June 20, 2016. On September 15, 2021, KKR redeemed all of its Series B Preferred Stock at a redemption price per share equal to the \$25.00 liquidation preference plus declared and

unpaid dividends, which amounted to \$157.5 million. The series of preferred units with economic terms that mirror those of the Series B Preferred Stock that was issued by KKR Group Partnership for the benefit of KKR & Co. Inc. were concurrently extinguished. Net income available to KKR was impacted by a charge of \$5.4 million for the redemption of the Series B Preferred Stock. This charge is based on the excess of the redemption value over the carrying value of the Series B Preferred Stock.

#### *Series C Mandatory Convertible Preferred Stock*

On August 14, 2020, KKR & Co. Inc. issued 23,000,000 shares, or \$1.15 billion aggregate liquidation preference, of its 6.00% Series C Mandatory Convertible Preferred Stock (the "Series C Mandatory Convertible Preferred Stock").

Unless converted or redeemed earlier in accordance with the terms of the Series C Mandatory Convertible Preferred Stock, each share of Series C Mandatory Convertible Preferred Stock will automatically convert on the mandatory conversion date, which is expected to be September 15, 2023, into between 1.1662 shares and 1.4285 shares of common stock, in each case, subject to customary anti-dilution adjustments described in the certificate of designations related to the Series C Mandatory Convertible Preferred Stock. The number of shares of common stock issuable upon conversion will be determined based on the average volume weighted average price per share of common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately prior to September 15, 2023.

Dividends on the Series C Mandatory Convertible Preferred Stock will be payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee thereof, at an annual rate of 6.00% on the liquidation preference of \$50.00 per share of Series C Mandatory Convertible Preferred Stock, and may be paid in cash or, subject to certain limitations, in shares of common stock or, subject to certain limitations, any combination of cash and shares of common stock. If declared, dividends on the Series C Mandatory Convertible Preferred Stock will be payable quarterly on March 15, June 15, September 15 and December 15 of each year to, and including, September 15, 2023, commencing on December 15, 2020.

Upon KKR & Co. Inc.'s voluntary or involuntary liquidation, winding-up or dissolution, each holder of the Series C Mandatory Convertible Preferred Stock would be entitled to receive a liquidation preference in the amount of \$50.00 per share of Series C Mandatory Convertible Preferred Stock, plus an amount equal to accumulated and unpaid dividends on such shares, whether or not declared, to, but excluding, the date fixed for liquidation, winding-up or dissolution, to be paid out of KKR & Co. Inc.'s assets legally available for distribution to its stockholders after satisfaction of debt and other liabilities owed to KKR & Co. Inc.'s creditors and holders of shares of its stock ranking senior to the Series C Mandatory Convertible Preferred Stock and before any payment or distribution is made to holders of any stock ranking junior to the Series C Mandatory Convertible Preferred Stock, including, without limitation, common stock.

In connection with the issuance of the Series C Mandatory Convertible Preferred Stock, the limited partnership agreement of KKR Group Partnership was amended to provide for preferred units with economic terms designed to mirror those of the Series C Mandatory Convertible Preferred Stock.

#### *Share Repurchase Program*

Under KKR's repurchase program, shares of common stock of KKR & Co. Inc. may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. In addition to the repurchases of common stock, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards granted pursuant to our Equity Incentive Plans representing the right to receive common stock. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase or retire any specific number of shares of common stock or equity awards, respectively, and the program may be suspended, extended, modified or discontinued at any time. As of October 29, 2021, the remaining amount available under the repurchase program was \$160 million. The repurchase program will be automatically renewed if the remaining amount available for repurchases reaches a specific threshold.



**Notes to Financial Statements (Continued)**

The following table presents KKR & Co. Inc. common stock that has been repurchased or equity awards retired under the repurchase program:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Shares of common stock repurchased	—	—	2,667,995	10,209,673
Equity awards for common stock retired	—	—	2,366,447	1,728,914

**Noncontrolling Interests**

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

***Noncontrolling Interests in Consolidated Entities and Other***

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

- (i) third party fund investors in KKR's consolidated funds and certain other entities;
- (ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds that have made investments on or prior to December 31, 2015;
- (iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;
- (iv) certain current and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon;
- (v) third parties in KKR's Capital Markets business line;
- (vi) holders of other exchangeable securities, which consist of vested restricted holdings units granted under the 2019 Equity Plan that are exchangeable into shares of common stock of KKR & Co. Inc.; and
- (vii) third parties in KKR's insurance business including GA Rollover Investors, GA Co-Investors and third party investors in Global Atlantic's consolidated renewable energy entities.

**Notes to Financial Statements (Continued)**
**Noncontrolling Interests held by KKR Holdings**

Noncontrolling interests held by KKR Holdings consist of economic interests held by principals indirectly in KKR Group Partnership Units. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. Inc. and are borne by KKR Holdings.

The following tables present the calculation of total noncontrolling interests:

	<b>Three Months Ended September 30, 2021</b>		
	<b>Noncontrolling Interests in Consolidated Entities and Other</b>	<b>Noncontrolling Interests Held by KKR Holdings</b>	<b>Total Noncontrolling Interests</b>
<b>Balance at the beginning of the period</b>	\$ 28,402,888	\$ 7,935,515	\$ 36,338,403
Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	1,452,730	670,839	2,123,569
Other comprehensive income (loss), net of tax <sup>(2)</sup>	(54,640)	(31,904)	(86,544)
Exchange of KKR Holdings Units to Common Stock <sup>(3)</sup>	—	—	—
Equity-based and other non-cash compensation	32,255	8,764	41,019
Capital contributions	3,658,497	—	3,658,497
Capital distributions	(1,981,504)	(49,844)	(2,031,348)
Changes in consolidation	(12,352)	—	(12,352)
<b>Balance at the end of the period</b>	<b>\$ 31,497,874</b>	<b>\$ 8,533,370</b>	<b>\$ 40,031,244</b>

	<b>Nine Months Ended September 30, 2021</b>		
	<b>Noncontrolling Interests in Consolidated Entities and Other</b>	<b>Noncontrolling Interests Held by KKR Holdings</b>	<b>Total Noncontrolling Interests</b>
<b>Balance at the beginning of the period</b>	\$ 20,570,716	\$ 6,512,382	\$ 27,083,098
Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	4,889,401	2,425,961	7,315,362
Other comprehensive income (loss), net of tax <sup>(2)</sup>	(132,351)	(77,377)	(209,728)
Exchange of KKR Holdings Units to Common Stock <sup>(3)</sup>	—	(122,065)	(122,065)
Equity-based and other non-cash compensation	71,993	35,734	107,727
Capital contributions	9,721,024	25	9,721,049
Capital distributions	(3,734,474)	(241,290)	(3,975,764)
Impact of Acquisition <sup>(4)</sup>	190,405	—	190,405
Changes in consolidation	(78,840)	—	(78,840)
<b>Balance at the end of the period</b>	<b>\$ 31,497,874</b>	<b>\$ 8,533,370</b>	<b>\$ 40,031,244</b>

	<b>Three Months Ended September 30, 2020</b>		
	<b>Noncontrolling Interests in Consolidated Entities and Other</b>	<b>Noncontrolling Interests Held by KKR Holdings</b>	<b>Total Noncontrolling Interests</b>
<b>Balance at the beginning of the period</b>	\$ 14,217,950	\$ 5,221,844	\$ 19,439,794
Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	1,217,728	691,730	1,909,458
Other comprehensive income (loss), net of tax <sup>(2)</sup>	2,121	7,121	9,242
Exchange of KKR Holdings Units to Common Stock <sup>(3)</sup>	—	(140,794)	(140,794)
Equity-based and other non-cash compensation	—	21,802	21,802
Capital contributions	3,486,352	25	3,486,377
Capital distributions	(2,531,637)	(85,652)	(2,617,289)
Transfer of Oil and Gas Interests (See Note 2)	—	(23,358)	(23,358)
Changes in consolidation	(239,258)	—	(239,258)
<b>Balance at the end of the period</b>	<b>\$ 16,153,256</b>	<b>\$ 5,692,718</b>	<b>\$ 21,845,974</b>

**Notes to Financial Statements (Continued)**

	Nine Months Ended September 30, 2020		
	Noncontrolling Interests in Consolidated Entities and Other	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
<b>Balance at the beginning of the period</b>	\$ 13,966,250	\$ 5,728,634	\$ 19,694,884
Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(95,721)	301,946	206,225
Other comprehensive income (loss), net of tax <sup>(2)</sup>	(5,053)	249	(4,804)
Exchange of KKR Holdings Units to Common Stock <sup>(3)</sup>	—	(221,548)	(221,548)
Equity-based and other non-cash compensation	—	63,596	63,596
Capital contributions	5,796,607	73	5,796,680
Capital distributions	(3,247,739)	(164,319)	(3,412,058)
Transfer of interests under common control <sup>(5)</sup>	(21,830)	7,445	(14,385)
Transfer of Oil and Gas Interests (See Note 2)	—	(23,358)	(23,358)
Changes in consolidation	(239,258)	—	(239,258)
<b>Balance at the end of the period</b>	<b>\$ 16,153,256</b>	<b>\$ 5,692,718</b>	<b>\$ 21,845,974</b>

- (1) Refer to the table below for calculation of net income (loss) attributable to noncontrolling interests held by KKR Holdings.
- (2) With respect to noncontrolling interests held by KKR Holdings, calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.
- (3) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. Inc. common stock. The exchange agreement with KKR Holdings provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. Inc. common stock.
- (4) Represents other noncontrolling interests at the GA Acquisition Date. See Note 3.
- (5) KKR acquired KKR Capstone on January 1, 2020. KKR Capstone was consolidated prior to January 1, 2020 and consequently, this transaction was accounted for as an equity transaction. This transaction resulted in an increase to KKR Group Partnership's equity. Accordingly, both KKR's equity and noncontrolling interests held by KKR Holdings increased for their proportionate share of the KKR Capstone equity based on their ownership in KKR Group Partnership on January 1, 2020.

Net income (loss) attributable to each of KKR & Co. Inc. common stockholders, KKR Holdings and holders of other exchangeable securities, with the exception of certain tax assets and liabilities that are directly allocable to KKR & Co. Inc., is attributed based on the percentage of the weighted average KKR Group Partnership Units directly or indirectly held by them. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings and holders of other exchangeable securities, (ii) the periodic exchange of KKR Holdings units and other exchangeable securities for KKR & Co. Inc. common stock pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the Equity Incentive Plans, equity allocations shown in the consolidated statement of changes in equity differ from their respective pro rata ownership interests in KKR's net assets.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ 3,281,645	\$ 2,974,301	\$ 11,459,886	\$ 697,513
(-) Net income (loss) attributable to Redeemable Noncontrolling Interests	1,519	—	2,856	—
(-) Net income (loss) attributable to Noncontrolling Interests in consolidated entities and other	1,452,730	1,217,728	4,889,401	(95,721)
(-) Series A and B Preferred Stock Dividends	7,953	8,341	36,647	25,023
(-) Series C Mandatory Convertible Preferred Stock Dividends	17,250	—	51,750	—
(+) Income tax expense (benefit) attributable to KKR & Co. Inc.	311,745	319,717	1,104,628	159,855
<b>Net income (loss) attributable to KKR &amp; Co. Inc. Common Stockholders and KKR Holdings</b>	<b>\$ 2,113,938</b>	<b>\$ 2,067,949</b>	<b>\$ 7,583,860</b>	<b>\$ 928,066</b>
<b>Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings</b>	<b>\$ 670,839</b>	<b>\$ 691,730</b>	<b>\$ 2,425,961</b>	<b>\$ 301,946</b>

## 22. REDEEMABLE NONCONTROLLING INTERESTS

Global Atlantic has redeemable non-controlling interests related to renewable energy entities of approximately \$93.3 million as of September 30, 2021 as determined by the HLBV method. The estimated redemption value of redeemable non-controlling interests is calculated as the discounted cash flows subsequent to the expected flip date of the respective renewable energy entity. The flip date represents the date at which the allocation of income and cash flows among the investors in the entity is adjusted, pursuant to the redeemable non-controlling interest investors having achieved an agreed-upon return. The flip date of renewable energy partnerships determines when the redeemable non-controlling interests are eligible to be redeemed. Eligible redemption dates range from 2022 to 2027. For the redeemable non-controlling interests outstanding as of September 30, 2021, the estimated redemption value that would be due at the respective redemption dates is \$6.7 million.

## 23. COMMITMENTS AND CONTINGENCIES

### *Funding Commitments and Others*

As of September 30, 2021, KKR had unfunded commitments consisting of \$10,949.0 million to its investment funds. KKR has also agreed for certain of its investment vehicles to fund or otherwise be liable for a portion of their investment losses (up to a maximum of approximately \$116 million) and/or to provide them with liquidity upon certain termination events (the maximum amount of which is unknown until the scheduled termination date of the investment vehicle). In addition to these uncalled commitments and funding obligations to KKR's investment funds and vehicles, KKR has entered into contractual commitments primarily with respect to underwriting transactions, debt financing, revolving credit facilities, and syndications in KKR's Capital Markets business line. As of September 30, 2021, these commitments amounted to \$1.2 billion.

Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. KKR's capital markets business has arrangements with third parties, which reduce its risk when underwriting certain debt transactions, and thus our unfunded commitments as of September 30, 2021 have been reduced to reflect the amount to be funded by such third parties. In the case of purchases of investments or assets in KKR's Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

Global Atlantic has commitments to purchase or fund investments of \$1.6 billion as of September 30, 2021. These commitments include those related to commercial mortgage loans, other lending facilities and other investments. For those commitments that represent a contractual obligation to extend credit, Global Atlantic has recorded a liability of \$15.4 million for current expected credit losses as of September 30, 2021.

In addition, Global Atlantic has entered into certain forward flow agreements to purchase loans. Global Atlantic's obligations under these agreements are subject to change, curtailment, and cancellation based on various provisions including repricing mechanics, due diligence reviews, and performance or pool quality, among other factors.

### *Non-cancelable Operating Leases*

KKR's non-cancelable operating leases consist of leases of office space around the world. There are no material rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of these property leases. In addition to base rentals, certain lease agreements are subject to escalation provisions and rent expense is recognized on a straight-line basis over the term of the lease agreement.

Global Atlantic also enters into land leases for its consolidated investments in renewable energy.

**Contingent Repayment Guarantees**

The partnership documents governing KKR's carry-paying investment funds and vehicles generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds.

As of September 30, 2021, approximately \$78.0 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds and their alternative investment vehicles were liquidated at their September 30, 2021 fair values. Although KKR would be required to remit the entire amount to fund investors that are entitled to receive the clawback payment, KKR would be entitled to seek reimbursement of approximately \$32.0 million of that amount from KKR Associates Holdings L.P., which is not a KKR subsidiary. As of September 30, 2021, KKR Associates Holdings L.P. had access to cash reserves sufficient to reimburse the full \$32.0 million that would be due to KKR. If the investments in all carry-paying funds were to be liquidated at zero value the clawback obligation would have been approximately \$2.4 billion, and KKR would be entitled to seek reimbursement of approximately \$1.0 billion of that amount from KKR Associates Holdings L.P.

Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

**Indemnifications and Other Guarantees**

KKR may incur contingent liabilities for claims that may be made against it in the future. KKR enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, KKR (including KFN) and certain of KKR's investment funds have provided and provide certain indemnities relating to environmental and other matters and have provided and provide non-recourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of KKR's corporate real estate and certain real estate investments and for certain investment vehicles that KKR manages. KKR's maximum exposure under these arrangements is currently unknown and KKR's liabilities for these matters would require a claim to be made against KKR in the future.

KKR provides credit support to certain of its subsidiaries' obligations in connection with a limited number of investment vehicles that KKR manages. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions. KKR also (i) provides credit support regarding repayment and funding obligations to third-party lenders to certain of its employees, excluding its executive officers, in connection with their personal investments in KKR investment funds and in an investment vehicle that includes third party investors and invests in KKR funds and alongside KKR funds and (ii) provides credit support to a hedge fund partnership. KKR is not a guarantor for any borrowings, credit facilities or debt securities of its Indian debt financing company.

KKR may also become liable for certain fees payable to sellers of businesses or assets if a transaction does not close, subject to certain conditions, if any, specified in the acquisition agreements for such businesses or assets.

The Global Atlantic business was formerly owned by The Goldman Sachs Group, Inc. (together with its subsidiaries, "Goldman Sachs"). In connection with the separation of Global Atlantic from Goldman Sachs in 2013, Global Atlantic entered into a tax benefit payment agreement with Goldman Sachs. Under the tax benefit payment agreement, GA FinCo is obligated to make annual payments out of available cash, guaranteed by GAFG, to Goldman Sachs over an approximately 25-year period totaling \$214 million. As of September 30, 2021, the present value of the remaining amount to be paid is \$74 million. Although these payments are subordinated and deferrable, deferral of these payments would result in restrictions on distributions by GA FinCo and GAFG.

**Notes to Financial Statements (Continued)**

In lieu of funding certain investments in loan facilities to third party borrowers in cash, Global Atlantic has arranged for third-party banks to issue letters of credit on behalf of the borrowers in the amount of \$31.4 million, as of September 30, 2021, with expiration dates between September 2021 to October 2022. Global Atlantic has available lines of credit that would allow for additional letters of credit to be issued on behalf of the borrowers, up to \$218.6 million, as of September 30, 2021. For accounting purposes, these letters of credit are considered guarantees of certain obligations of the borrowers. If a letter of credit were drawn, Global Atlantic would be obligated to repay the issuing third-party bank, and Global Atlantic would recognize a loan receivable from the borrowers on the consolidated statements of financial condition. Global Atlantic monitors the likelihood of these letters of credit being drawn, and any related contingent obligation. As of September 30, 2021, the expected credit loss on the contingent liability associated with these letters of credit was not material.

***Litigation***

From time to time, KKR (including Global Atlantic) is involved in various legal proceedings, lawsuits, arbitration and claims incidental to the conduct of KKR's businesses. KKR's asset management and insurance businesses are also subject to extensive regulation, which may result in regulatory proceedings against them.

In December 2017, KKR & Co. L.P. (which is now KKR & Co. Inc.) and its Co-Chief Executive Officers were named as defendants in a lawsuit filed in Kentucky state court alleging, among other things, the violation of fiduciary and other duties in connection with certain separately managed accounts that Prisma Capital Partners LP, a former subsidiary of KKR, manages for the Kentucky Retirement Systems. Also named as defendants in the lawsuit are certain current and former trustees and officers of the Kentucky Retirement Systems, Prisma Capital Partners LP, and various other service providers to the Kentucky Retirement Systems and their related persons. KKR and other defendants' motions to dismiss were denied by the trial court in November 2018, but in April 2019 the Kentucky Court of Appeals vacated the trial court's opinion and order denying the motions to dismiss the case for lack of standing. The decision of the Court of Appeals was appealed by plaintiffs to the Supreme Court of Kentucky. On July 9, 2020, the Supreme Court of Kentucky reversed the trial court's order and remanded the case to the trial court with direction to dismiss the complaint for lack of constitutional standing. On July 20, 2020, the Office of the Attorney General, on behalf of the Commonwealth of Kentucky, filed a motion to intervene as a plaintiff in the lawsuit and on July 21, 2020 filed a new lawsuit in the same Kentucky trial court making essentially the same allegations against the defendants, including KKR & Co. Inc. and Messrs. Kravis and Roberts. On July 29, 2020, certain private plaintiffs in the original lawsuit filed a motion to further amend their original complaint and to add new plaintiffs. On July 30, 2020, KKR and other defendants filed objections to the Attorney General's motion to intervene. On December 28, 2020, the trial court dismissed the complaint filed by the original plaintiffs and denied their motion to amend their original complaint and add new plaintiffs, but granted the Office of the Attorney General's motion to intervene. In January 2021, some of the attorneys for the private plaintiffs in the original lawsuit filed a new lawsuit, and a motion to intervene in the original lawsuit, on behalf of a new set of plaintiffs, who claim to be "Tier 3" members of Kentucky Retirement Systems, alleging substantially the same allegations as in the original lawsuit. The motion to intervene in the original lawsuit was denied. In addition, the Kentucky Retirement Systems had commissioned an investigation into certain matters alleged in the Attorney General's complaint. The trial court ordered that this investigation be completed by May 17, 2021, and the Attorney General was permitted to amend its complaint after reviewing the investigation's report within ten days of the Attorney General's receipt of it. On May 24, 2021, the Attorney General filed a First Amended Complaint on behalf of the Commonwealth of Kentucky. This complaint continues to name KKR & Co. L.P. and its Co-Chief Executive Officers, as defendants, and makes similar allegations against them. KKR and the other defendants moved to dismiss the First Amended Complaint on July 30, 2021. On July 9, 2021, the individual plaintiffs served an amended complaint, which purports to assert, on behalf of a class of beneficiaries of Kentucky Retirement Systems, direct claims for breach of fiduciary duty and civil violations under the Racketeer Influenced and Corrupt Organizations Act ("RICO"). This complaint was removed to the U.S. District Court for the Eastern District of Kentucky. On August 20, 2021, the same and other individual plaintiffs filed a second complaint in Kentucky state court, purportedly on behalf of Kentucky Retirement Systems' funds, alleging the same claims against KKR & Co. Inc. and Messrs. Kravis and Roberts as in the July 9<sup>th</sup> amended complaint but without the RICO allegations.

KKR (including Global Atlantic) currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to the SEC, Department of Justice, U.S. state attorney generals, Financial Industry Regulatory Authority ("FINRA"), the U.K. Financial Conduct Authority, Central Bank of Ireland, Monetary Authority of Singapore, U.S. state insurance regulatory authorities, and the Bermuda Monetary Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings or fines against KKR or its personnel.

Moreover, in the ordinary course of business, KKR (including Global Atlantic) is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other events. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR's funds and Global Atlantic's insurance companies.

**Notes to Financial Statements (Continued)**

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others: (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupported, unexplained or uncertain; (iii) discovery may not have been started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss. KKR has included in its financial statements the reserve for regulatory, litigation and related matters that Global Atlantic includes in its financial statements, including with respect to matters arising from the conversion of life insurance policies from systems previously managed by Athene Holdings Limited to the platform of one of Global Atlantic's third party service providers, Alliance-One, a subsidiary of DXC Technology Company.

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. Based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR's financial results in any particular period.

***Other Financing Arrangements***

Global Atlantic has financing arrangements with unaffiliated third parties to support the reserves of its affiliated captive reinsurers. Total fees expensed associated with these financing arrangements were \$3.5 million and \$11.9 million for the three and nine months ended September 30, 2021, respectively, and are included in insurance expenses in the consolidated statements of operations. As of September 30, 2021, the total capacity of the financing arrangements with third parties was \$2.0 billion.

Other than the matters disclosed above, there were no outstanding or unpaid balances from the financing arrangements with unaffiliated third parties as of September 30, 2021.

**24. SUBSEQUENT EVENTS*****Common Stock Dividend***

A dividend of \$0.145 per share of common stock of KKR & Co. Inc. was announced on November 2, 2021, and will be paid on November 30, 2021 to common stockholders of record as of the close of business on November 15, 2021. KKR Holdings will receive its pro rata share of the distribution from KKR Group Partnership.

***Preferred Stock Dividends***

A dividend of \$0.75 per share of Series C Mandatory Convertible Preferred Stock has been declared as announced on November 2, 2021 and set aside for payment on December 15, 2021 to holders of record of Series C Mandatory Convertible Preferred Stock as of the close of business on December 1, 2021.

***Reorganization Agreement***

On October 11, 2021, KKR announced a series of integrated transactions that provide for: (i) a simplifying reorganization of KKR's current corporate structure whereby all holders of common stock of KKR & Co. Inc. immediately prior to such reorganization and all holders of interests in KKR Holdings immediately prior to such reorganization will receive the same common stock in a new parent company of KKR ("New KKR Parent"), (ii) the future elimination of control of New KKR Parent by KKR Management LLP ("KKR Management"), an entity owned by senior KKR employees that is the sole holder of KKR & Co. Inc.'s controlling Series I Preferred Stock, by having all voting power vested in the common stock of New KKR Parent on a one vote per share basis on the Sunset Date (as defined below), which will be no later than December 31, 2026, (iii) also on the Sunset Date, the future acquisition of control by KKR of KKR Associates Holdings L.P. ("KKR Associates Holdings"), the entity providing for the allocation of carry proceeds to KKR employees, also known as the carry pool, (iv) the termination of KKR's tax receivable agreement with KKR Holdings other than with respect to exchanges prior to the Final Exchange (as defined below), and (v) in the merger of KKR Holdings with a subsidiary of New KKR Parent (the "Holdings Merger"), the issuance to limited partners of KKR Holdings of 8.5 million shares (as adjusted for any stock splits or similar

**Notes to Financial Statements (Continued)**

adjustments) of common stock of New KKR Parent (the “Reorganization Shares”), which will not be transferrable (except in the case of death or for estate planning purposes) prior to the Sunset Date. The “Sunset Date” will be the earlier of (i) December 31, 2026 and (ii) the six-month anniversary of the first date on which the death or permanent disability of both Mr. Henry Kravis and Mr. George Roberts (collectively, “Co-Founders”) has occurred (or any earlier date consented to by KKR Management in its sole discretion).

The terms of these transactions are reflected in the Reorganization Agreement, dated as of October 8, 2021, by and among KKR & Co. Inc., KKR Group Holdings Corp., KKR Group Partnership L.P., KKR Holdings, KKR Holdings GP Limited, KKR Associates Holdings, KKR Associates Holdings GP Limited and KKR Management (the “Reorganization Agreement”). The transactions contemplated to occur under the Reorganization Agreement (including the establishment of New KKR Parent, the Holdings Merger, the termination of the tax receivable agreement except with respect to exchanges of Holdings units made prior thereto, and the changes to occur effective on the Sunset Date) are all required to be consummated together as integrated transactions under the Reorganization Agreement. While the Sunset Date itself is expected to occur after, and is conditioned upon, the completion of the merger transactions, the changes to occur effective on the Sunset Date will be unconditional commitments upon the completion of the merger transactions.

Immediately prior to the closing of the mergers contemplated by the Reorganization Agreement, the vesting of 500,000 outstanding units of KKR Holdings (“KKR Holdings Units”) held by each of KKR’s Co-Executive Chairmen and of 1,455,000 outstanding KKR Holdings Units held by each of KKR’s Co-Executive Chairmen, each of which are currently scheduled to vest on October 1, 2022, will be accelerated, and such Holdings Units will become vested and receive their allocable share of the common stock and Reorganization Shares in the Holdings Merger. The customary one- and two-year transfer restrictions applicable to such KKR Holdings Units will continue to apply to the shares of New KKR Parent to be received in exchange therefor pursuant to the Reorganization Agreement until October 1, 2023 and October 1, 2024. The 500,000 KKR Holdings Units held by each of KKR’s Co-Executive Chairmen are already considered fully vested given their age and years of service at KKR. In the case of KKR’s Co-Chief Executive Officers only, each of their 1,455,000 KKR Holdings Units (or shares of common stock of New KKR Parent received in respect thereof) will be subject to forfeiture if such executive is not employed by KKR on October 1, 2022 (except in the case of death or permanent disability).

KKR Holdings has allocated 1,150,000 KKR Holdings Units to each of KKR’s Co-Chief Executive Officers, of which 30% is subject to forfeiture if such executive is not employed by KKR on October 1, 2022 (except in the case of death or permanent disability). These shares are subject to customary one- and two-year transfer restrictions that apply, as applicable, until October 1, 2023 and October 1, 2024. KKR’s Co-Founders are authorized to allocate the balance of any outstanding and unallocated KKR Holdings Units, in their sole discretion, to themselves or others, on such terms as they determine, prior to the closing of the mergers contemplated by the Reorganization Agreement.

All of the KKR Holdings Units described in the prior two paragraphs are already outstanding, and therefore their vesting and allocations do not represent any incremental dilution to KKR.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of KKR & Co. Inc., together with its consolidated subsidiaries, and the related notes included elsewhere in this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 19, 2021 (our "Annual Report"), including the audited consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Business Environment" in this report and our Annual Report and "Risk Factors" in our Annual Report, and our other filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements.*

*The unaudited condensed consolidated financial statements and the related notes included elsewhere in this report are hereafter referred to as the "financial statements." Additionally, the condensed consolidated statements of financial condition are referred to herein as the "consolidated statements of financial condition"; the condensed consolidated statements of operations are referred to herein as the "consolidated statements of operations"; the condensed consolidated statements of comprehensive income (loss) are referred to herein as the "consolidated statements of comprehensive income (loss)"; the condensed consolidated statements of changes in equity are referred to herein as the "consolidated statements of changes in equity"; and the condensed consolidated statements of cash flows are referred to herein as the "consolidated statements of cash flows."*

*References herein to "KKR," "we," "us" and "our" refer to KKR & Co. Inc. and its subsidiaries, including The Global Atlantic Financial Group LLC ("TGAFG" and, together with its subsidiaries, "Global Atlantic"), unless the context requires otherwise.*

### Overview

We are a leading global investment firm that offers alternative asset management and capital markets and insurance solutions. We aim to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and supporting growth in our portfolio companies and communities. We sponsor investment funds that invest in private equity, credit and real assets and have strategic partners that manage hedge funds. Our insurance subsidiaries offer retirement, life and reinsurance products under the management of Global Atlantic.

Our asset management business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our funds, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 400 private equity investments in portfolio companies with a total transaction value in excess of \$650 billion as of September 30, 2021. We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, capital markets, infrastructure, energy, real estate, growth equity, core and impact investments. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. Building on these efforts and leveraging our industry expertise and intellectual capital have allowed us to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We seek to work proactively and collaboratively as one firm across business lines, departments, and geographies, as appropriate, to achieve what we believe are the best results for our funds and other clients and the firm. Through our offices around the world, we have a pre-eminent global integrated platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As an asset management firm, we earn management, monitoring, transaction and incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income by investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and other investment vehicles. A carried interest entitles the sponsor of a

fund to a specified percentage of investment gains that are generated on third-party capital that is invested. Beginning in the first quarter of 2021, we also earn our share of income generated by Global Atlantic.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base; an integrated global investment platform; the expertise of operating professionals, senior advisors and other advisors; and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration. As of September 30, 2021, 89% of our capital is not subject to redemption for at least 8 years from inception and 45% of our capital is from strategic investor partnerships and investment funds and vehicles that have an indefinite term and for which there is no immediate requirement to return invested capital to investors upon realization of investments. This capital provides us with significant flexibility to increase the value of the investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

Our insurance business is operated by Global Atlantic, in which we acquired a majority controlling interest on February 1, 2021. In connection with the acquisition, KKR also became the investment manager for Global Atlantic's insurance companies. Global Atlantic is a leading U.S. annuity and life insurance company that provides a broad suite of protection, legacy and savings products and reinsurance solutions to clients across individual and institutional markets. Global Atlantic primarily offers individuals fixed-rate annuities, fixed-indexed annuities and targeted life products through a network of banks, broker dealers and independent marketing organizations. Global Atlantic provides its institutional clients customized reinsurance solutions, including block, flow and pension risk transfer reinsurance, as well as funding agreements. Global Atlantic primarily generates income by earning a spread between its investment income and the cost of policyholder benefits. As of September 30, 2021, Global Atlantic served over three million policyholders. As a result of this acquisition, Global Atlantic's assets and operations have been consolidated with our operating results from and after February 1, 2021. Comparability of KKR's results for periods prior and subsequent to the Global Atlantic acquisition may accordingly be limited.

## **Our Business**

In connection with the acquisition of Global Atlantic on February 1, 2021, we organized our business into two segments: Asset Management and Insurance. The Asset Management segment reflects KKR's historical operations, and the Insurance segment represents Global Atlantic's operations. We operate our asset management business in four business lines: (1) Private Markets, (2) Public Markets, (3) Capital Markets and (4) Principal Activities. Our insurance business is operated by Global Atlantic. Information about our asset management business lines below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. KKR became the investment adviser for Global Atlantic's insurance companies on February 1, 2021.

### ***Asset Management - Private Markets***

Through our Private Markets business line, we manage and sponsor a group of private equity funds that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to our traditional private equity funds, we sponsor investment funds that invest in growth equity (including impact) and core investments. We also manage and sponsor investment funds that invest capital in real assets, such as real estate, infrastructure and energy. Our Private Markets business line includes separately managed accounts that invest in multiple strategies, which include our credit strategies as well as our private equity and real assets strategies. These funds and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC-registered investment adviser. As of September 30, 2021, our Private Markets business line had \$247.6 billion of AUM, consisting of \$147.6 billion in private equity (including growth equity, impact and core investments), \$79.5 billion in real assets (including real estate, infrastructure and energy) and \$20.5 billion in other related strategies.

The table below presents information as of September 30, 2021, relating to our investment vehicles in our Private Markets business line for which we have the ability to earn carried interest. This data does not reflect additional capital raised, acquisitions or disposals of investments, changes in investment values, or distributions occurring after September 30, 2021.

	Investment Period <sup>(1)</sup>		Amount (\$ in millions)							
	Start Date	End Date	Commitment <sup>(2)</sup>	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost <sup>(3)</sup>	Remaining Fair Value	Gross Accrued Carried Interest
<b>Private Equity and Growth Equity Funds</b>										
North America Fund XIII	6/2021	6/2027	\$ 16,788	\$ 16,788	7%	\$ —	\$ —	\$ —	\$ —	\$ —
Americas Fund XII	1/2017	6/2021	13,500	3,959	6%	10,016	3,432	8,910	21,859	2,240
North America Fund XI	9/2012	1/2017	8,718	432	3%	9,733	15,529	3,747	8,373	842
2006 Fund <sup>(4)</sup>	9/2006	9/2012	17,642	247	2%	17,309	34,287	1,825	3,280	290
Millennium Fund <sup>(4)</sup>	12/2002	12/2008	6,000	—	3%	6,000	14,123	—	6	1
European Fund V	3/2019	7/2025	6,398	2,695	2%	3,772	350	3,585	5,054	230
European Fund IV	12/2014	3/2019	3,517	67	6%	3,577	3,407	2,279	4,257	362
European Fund III <sup>(4)</sup>	3/2008	3/2014	5,513	153	5%	5,360	10,602	253	235	(12)
European Fund II <sup>(4)</sup>	11/2005	10/2008	5,751	—	2%	5,751	8,507	—	34	—
Asian Fund IV	7/2020	7/2026	14,735	12,630	7%	2,105	—	2,105	2,382	11
Asian Fund III	4/2017	7/2020	9,000	2,332	6%	7,059	1,778	6,586	14,565	1,415
Asian Fund II	4/2013	4/2017	5,825	34	1%	6,839	5,680	3,184	5,017	352
Asian Fund <sup>(4)</sup>	7/2007	4/2013	3,983	—	3%	3,974	8,723	17	30	5
China Growth Fund <sup>(4)</sup>	11/2010	11/2016	1,010	—	1%	1,010	1,056	330	242	(4)
Next Generation Technology Growth Fund II	12/2019	12/2025	2,088	898	7%	1,272	82	1,242	2,262	172
Next Generation Technology Growth Fund	3/2016	12/2019	659	4	22%	663	652	375	1,854	161
Health Care Strategic Growth Fund II	5/2021	5/2027	3,744	3,744	7%	—	—	—	—	—
Health Care Strategic Growth Fund	12/2016	5/2021	1,331	565	11%	896	196	791	1,352	83
Global Impact Fund	2/2019	2/2025	1,242	416	8%	904	77	851	1,263	72
<b>Private Equity and Growth Equity Funds</b>			<b>127,444</b>	<b>44,964</b>		<b>86,240</b>	<b>108,481</b>	<b>36,080</b>	<b>72,065</b>	<b>6,220</b>
Co-Investment Vehicles and Other	Various	Various	12,470	3,874	Various	8,979	6,791	5,865	8,951	1,504
Core Investment Vehicles	Various	Various	23,384	12,865	32%	10,519	31	10,519	16,944	274
<b>Total Private Equity, Growth Equity and Core Funds</b>			<b>163,298</b>	<b>61,703</b>		<b>105,738</b>	<b>115,303</b>	<b>52,464</b>	<b>97,960</b>	<b>7,998</b>
<b>Real Assets</b>										
Energy Income and Growth Fund II	6/2018	8/2022	994	577	20%	598	181	444	621	12
Energy Income and Growth Fund	9/2013	6/2018	1,974	—	13%	1,971	876	1,203	1,137	—
Natural Resources Fund <sup>(4)</sup>	Various	Various	887	—	Various	887	123	193	84	—
Global Energy Opportunities	Various	Various	915	64	Various	519	163	327	204	—
Global Infrastructure Investors IV	6/2021	6/2027	14,998	14,998	3%	—	—	—	—	—
Global Infrastructure Investors III	6/2018	6/2021	7,186	3,348	4%	4,073	336	3,964	4,314	—
Global Infrastructure Investors II	10/2014	6/2018	3,040	123	4%	3,163	3,394	1,748	2,619	85
Global Infrastructure Investors	9/2011	10/2014	1,040	—	5%	1,050	2,228	—	—	—
Asia Pacific Infrastructure Investors	1/2020	1/2026	3,792	2,954	7%	880	43	853	1,121	41
Diversified Core Infrastructure Fund	12/2020	(5)	6,783	6,073	7%	711	13	711	794	—
Real Estate Partners Americas III	12/2020	1/2025	4,339	4,339	7%	—	—	—	—	—
Real Estate Partners Americas II	5/2017	12/2020	1,921	271	8%	1,886	807	1,449	2,116	123
Real Estate Partners Americas	5/2013	5/2017	1,229	143	16%	1,016	1,397	183	80	3
Real Estate Partners Europe II	12/2019	4/2024	2,106	1,498	9%	608	—	608	746	11
Real Estate Partners Europe	9/2015	12/2019	713	160	10%	632	519	302	405	21
Asia Real Estate Partners	6/2019	6/2023	1,682	1,423	15%	259	—	259	319	1
Real Estate Credit Opportunity Partners II	4/2019	6/2022	950	507	5%	443	56	443	464	6
Real Estate Credit Opportunity Partners	2/2017	4/2019	1,130	122	4%	1,008	301	1,008	974	—
Property Partners Americas	12/2019	(5)	2,413	795	21%	1,618	44	1,618	1,930	13
Co-Investment Vehicles and Other	Various	Various	4,619	494	Various	3,840	1,524	3,401	3,709	12
<b>Total Real Assets</b>			<b>62,711</b>	<b>37,889</b>		<b>25,162</b>	<b>12,005</b>	<b>18,714</b>	<b>21,637</b>	<b>328</b>
<b>Other</b>										
Unallocated Commitments <sup>(6)</sup>			1,460	1,460	Various	—	—	—	—	—
<b>Private Markets Total</b>			<b>\$ 227,469</b>	<b>\$ 101,052</b>		<b>\$ 130,900</b>	<b>\$ 127,308</b>	<b>\$ 71,178</b>	<b>\$ 119,597</b>	<b>\$ 8,326</b>

- (1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors, and (ii) the date on which the last investment was made.
- (2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on September 30, 2021, in the case of uncalled commitments.
- (3) The remaining cost represents the initial investment of the general partner and limited partners, reduced for returns of capital, with the limited partners' investment further reduced for any realized gains from which the general partner did not receive a carried interest.
- (4) The "Invested" and "Realized" columns do not include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.
- (5) Open ended fund.
- (6) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

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The table below presents information as of September 30, 2021, relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. This data does not reflect additional capital raised since September 30, 2021, or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of future results.

Private Markets Investment Funds	Amount		Fair Value of Investments		Total Value	Gross IRR <sup>(5)</sup>	Net IRR <sup>(5)</sup>	Gross Multiple of Invested Capital <sup>(5)</sup>
	Commitment	Invested	Realized <sup>(4)</sup>	Unrealized				
	(\$ in millions)							
<i>Legacy Funds <sup>(1)</sup></i>								
1976 Fund	\$ 31	\$ 31	\$ 537	\$ —	\$ 537	39.5 %	35.5 %	17.1
1980 Fund	357	357	1,828	—	1,828	29.0 %	25.8 %	5.1
1982 Fund	328	328	1,291	—	1,291	48.1 %	39.2 %	3.9
1984 Fund	1,000	1,000	5,964	—	5,964	34.5 %	28.9 %	6.0
1986 Fund	672	672	9,081	—	9,081	34.4 %	28.9 %	13.5
1987 Fund	6,130	6,130	14,949	—	14,949	12.1 %	8.9 %	2.4
1993 Fund	1,946	1,946	4,143	—	4,143	23.6 %	16.8 %	2.1
1996 Fund	6,012	6,012	12,477	—	12,477	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,475	16,475	50,269	—	50,269	26.1 %	19.9 %	3.1
<i>Included Funds</i>								
European Fund (1999) <sup>(2)</sup>	3,085	3,085	8,758	—	8,758	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000	6,000	14,123	6	14,129	22.0 %	16.1 %	2.4
European Fund II (2005) <sup>(2)</sup>	5,751	5,751	8,507	34	8,541	6.1 %	4.5 %	1.5
2006 Fund (2006)	17,642	17,309	34,287	3,280	37,567	12.0 %	9.4 %	2.2
Asian Fund (2007)	3,983	3,974	8,723	30	8,753	18.9 %	13.7 %	2.2
European Fund III (2008) <sup>(2)</sup>	5,513	5,360	10,602	235	10,837	16.6 %	11.5 %	2.0
E2 Investors (Annex Fund) (2009) <sup>(2)</sup>	196	196	200	—	200	0.6 %	0.5 %	1.0
China Growth Fund (2010)	1,010	1,010	1,056	242	1,298	6.3 %	2.1 %	1.3
Natural Resources Fund (2010)	887	887	123	84	207	(22.8)%	(24.4)%	0.2
Global Infrastructure Investors (2011) <sup>(2)</sup>	1,040	1,050	2,228	—	2,228	17.6 %	15.6 %	2.1
North America Fund XI (2012)	8,718	9,733	15,529	8,373	23,902	24.0 %	19.4 %	2.5
Asian Fund II (2013)	5,825	6,839	5,680	5,017	10,697	12.8 %	9.4 %	1.6
Real Estate Partners Americas (2013)	1,229	1,016	1,397	80	1,477	16.8 %	12.0 %	1.5
Energy Income and Growth Fund (2013)	1,974	1,971	876	1,137	2,013	0.5 %	(1.8)%	1.0
Global Infrastructure Investors II (2014) <sup>(2)</sup>	3,040	3,163	3,394	2,619	6,013	20.8 %	18.1 %	1.9
European Fund IV (2015) <sup>(2)</sup>	3,517	3,577	3,407	4,257	7,664	26.5 %	20.9 %	2.1
Real Estate Partners Europe (2015) <sup>(2)</sup>	713	632	519	405	924	15.7 %	10.9 %	1.5
Next Generation Technology Growth Fund (2016)	659	663	652	1,854	2,506	49.8 %	43.3 %	3.8
Health Care Strategic Growth Fund (2016)	1,331	896	196	1,352	1,548	43.8 %	28.7 %	1.7
Americas Fund XII (2017)	13,500	10,016	3,432	21,859	25,291	48.1 %	39.8 %	2.5
Real Estate Credit Opportunity Partners (2017)	1,130	1,008	301	974	1,275	8.2 %	7.2 %	1.3
Core Investment Vehicles (2017)	23,384	10,519	31	16,944	16,975	27.9 %	26.9 %	1.6
Asian Fund III (2017)	9,000	7,059	1,778	14,565	16,343	53.0 %	42.5 %	2.3
Real Estate Partners Americas II (2017)	1,921	1,886	807	2,116	2,923	30.6 %	25.1 %	1.5
Global Infrastructure Investors III (2018) <sup>(2)</sup>	7,186	4,073	336	4,314	4,650	9.2 %	6.0 %	1.1
Global Impact Fund (2019)	1,242	904	77	1,263	1,340	59.8 %	42.5 %	1.5
European Fund V (2019) <sup>(2)</sup>	6,398	3,772	350	5,054	5,404	41.9 %	32.7 %	1.4
Energy Income and Growth Fund II (2019)	994	598	181	621	802	20.3 %	17.7 %	1.3
Asia Real Estate Partners (2019)	1,682	259	—	319	319	25.9 %	7.2 %	1.2
Next Generation Technology Growth Fund II (2019) <sup>(3)</sup>	2,088	1,272	82	2,262	2,344	—	—	—
Asia Pacific Infrastructure Investors (2019) <sup>(3)</sup>	3,792	880	43	1,121	1,164	—	—	—
Real Estate Credit Opportunity Partners II (2019) <sup>(3)</sup>	950	443	56	464	520	—	—	—
Asian Fund IV (2020) <sup>(3)</sup>	14,735	2,105	—	2,382	2,382	—	—	—
Real Estate Partners Americas III (2021) <sup>(3)</sup>	4,339	—	—	—	—	—	—	—
Real Estate Partners Europe II (2021) <sup>(2)(3)</sup>	2,106	608	—	746	746	—	—	—
Health Care Strategic Growth Fund II (2021) <sup>(3)</sup>	3,744	—	—	—	—	—	—	—
Global Infrastructure Investors IV (2021) <sup>(3)</sup>	14,998	—	—	—	—	—	—	—
North America Fund XIII (2021) <sup>(3)</sup>	16,788	—	—	—	—	—	—	—
Subtotal - Included Funds	202,090	118,514	127,730	104,009	231,739	17.2 %	13.3 %	2.0
<i>All Funds</i>	\$ 218,565	\$ 134,989	\$ 178,000	\$ 104,009	\$ 282,009	25.6 %	18.9 %	2.1

- (1) These funds were not contributed to KKR as part of the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the "KPE Transaction").
- (2) The following table presents information regarding investment funds with euro-denominated commitments. Such amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on September 30, 2021, in the case of unfunded commitments.

Private Markets Investment Funds	Commitment (€ in millions)
European Fund	€ 197
European Fund II	€ 2,598
European Fund III	€ 2,883
E2 Investors (Annex Fund)	€ 56
Global Infrastructure Investors	€ 30
Global Infrastructure Investors II	€ 244
European Fund IV	€ 1,626
Real Estate Partners Europe	€ 277
Global Infrastructure Investors III	€ 987
European Fund V	€ 2,144
Real Estate Partners Europe II	€ 768

- (3) The gross IRR, net IRR and gross multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to September 30, 2021. None of the Next Generation Technology Growth Fund II, Asia Pacific Infrastructure Investors, Real Estate Credit Opportunities Partners II, Asian Fund IV, Real Estate Partners Americas III, Real Estate Partners Europe II, Health Care Strategic Growth Fund II, Global Infrastructure Investors IV, North America Fund XIII, Diversified Core Infrastructure Fund, or Property Partners Americas, has invested for at least 24 months as of September 30, 2021. We therefore have not calculated gross IRRs, net IRRs and gross multiples of invested capital with respect to those funds.
- (4) An investment is considered realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest.
- (5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses. Gross IRRs are calculated before giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses.

The gross multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or organizational expenses.

KKR's Private Markets funds may utilize third-party financing facilities to provide liquidity to such funds. The above net and gross IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of time that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. KKR's Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5% and would reduce the composite multiple of invested capital of Included Funds by less than 0.1 and the composite multiple of invested capital of Legacy Funds by 0.4.

### ***Asset Management - Public Markets***

Through our Public Markets business line, we operate our credit and hedge funds platforms on a combined basis. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, including special situations or dislocation strategies and private credit strategies such as direct lending and private opportunistic credit (including mezzanine and asset-based finance) investment strategies. The funds, CLOs, separately managed accounts, investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act") and alternative investment funds ("AIFs") in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, KKR Credit Advisors (Ireland) Unlimited Company, which is regulated by the Central Bank of Ireland ("CBI"), and KKR Credit Advisors (Singapore) Pte. Ltd., which is regulated by the Monetary Authority of Singapore and also registered with the SEC. Our business development company ("BDC") platform consists of a BDC advised by FS/KKR Advisor, LLC ("FS/KKR Advisor"), which is an investment adviser jointly owned by KKR and Franklin Square Holdings, L.P. ("FS Investments"). Our

Public Markets business line also includes our hedge funds platform, which consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). Our hedge fund partnerships offer a variety of investment strategies, including equity hedge funds, hedge fund-of-funds and credit hedge funds.

As of September 30, 2021, our Public Markets business line had \$211.5 billion of AUM, comprised of \$110.3 billion of assets managed in our leveraged credit strategies (which include \$6.2 billion of assets managed in our opportunistic credit strategy and \$1.9 billion of assets managed in our revolving credit strategy), \$7.8 billion of assets managed in our special situations or dislocation strategies, \$65.4 billion of assets managed in our private credit strategies, \$26.5 billion of assets managed through our hedge fund platform, and \$1.5 billion of assets managed in other strategies. Our private credit strategies include \$24.6 billion of assets managed in our direct lending strategy, \$30.9 billion of assets managed in our private opportunistic credit strategy and \$9.9 billion of assets managed in other private credit strategies. Our BDC has approximately \$16.6 billion in combined assets under management, which are reflected in the AUM of our leveraged credit strategies and alternative credit strategies above. We report all of the assets under management of the BDC. We report only a pro rata portion of the AUM in our strategic partnership with third-party hedge fund managers based on KKR's percentage ownership in them.

## Credit

### Performance

We generally review our performance in our credit business by investment strategy.

Our leveraged credit strategies principally invest through separately managed accounts, a BDC, CLOs and investment funds. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to September 30, 2021. The information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

*Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy*

Leveraged Credit Strategy	Inception Date	Gross Returns	Net Returns	Benchmark <sup>(1)</sup>	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	7.45 %	6.85 %	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index <sup>(2)</sup>	5.98 %
Opportunistic Credit <sup>(3)</sup>	May 2008	11.47 %	9.71 %	50% S&P/LSTA Loan Index, 50% BoAML HY Master II Index <sup>(3)</sup>	6.27 %
Bank Loans	Apr 2011	5.34 %	4.76 %	S&P/LSTA Loan Index <sup>(4)</sup>	4.30 %
High-Yield	Apr 2011	7.07 %	6.49 %	BoAML HY Master II Index <sup>(5)</sup>	6.37 %
Bank Loans Conservative	Apr 2011	4.52 %	3.94 %	S&P/LSTA BB-B Loan Index <sup>(6)</sup>	4.27 %
European Leveraged Loans <sup>(7)</sup>	Sep 2009	4.69 %	4.17 %	CS Inst West European Leveraged Loan Index <sup>(8)</sup>	3.66 %
High-Yield Conservative	Apr 2011	6.32 %	5.74 %	BoAML HY BB-B Constrained <sup>(9)</sup>	6.32 %
European Credit Opportunities <sup>(7)</sup>	Sept 2007	6.01 %	5.12 %	S&P European Leveraged Loans (All Loans) <sup>(10)</sup>	4.18 %
Revolving Credit <sup>(11)</sup>	May 2015	N/A	N/A	N/A	N/A

- (1) The benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged Loan Index (the "CS Inst West European Leveraged Loan Index"), and S&P European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high-yield corporate bonds. It is designed to measure the broad high-yield market, including lower-rated securities. The BoAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst West European Leveraged Loan Index contains only institutional loan facilities priced above 90, excluding TL and TLA facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of our leveraged credit strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations, or expenses.
- (2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.
- (3) The Opportunistic Credit strategy invests in high-yield securities and corporate loans with no preset allocation. The benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on 50% S&P/LSTA Loan Index and 50% BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts

drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.

- (4) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.
- (5) Performance is based on a composite of portfolios that primarily invest in high-yield securities. The benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.
- (6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans Conservative strategy is based on the S&P/LSTA BB-B Loan Index.
- (7) The returns presented are calculated based on local currency.
- (8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The benchmark used for purposes of comparison for the European Leveraged Loans strategy is based on the CS Inst West European Leveraged Loan Index.
- (9) Performance is based on a composite of portfolios that primarily invest in high-yield securities rated B or higher. The benchmark used for purposes of comparison for the High-Yield Conservative strategy is based on the BoAML HY BB-B Constrained Index.
- (10) Performance is based on a composite of portfolios that primarily invest in European institutional leveraged loans. The benchmark used for purposes of comparison for the European Credit Opportunities strategy is based on the S&P European Leveraged Loans (All Loans) Index.
- (11) This strategy has not called any capital as of September 30, 2021. As a result, the gross and net return performance measures are not meaningful and are not included above.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDC and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to September 30, 2021. Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. In addition, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

*Alternative Credit Strategies: Fund Performance*

Public Markets Investment Funds	Inception Date	Amount		Fair Value of Investments			Total Value	Gross IRR <sup>(2)</sup>	Net IRR <sup>(2)</sup>	Multiple of Invested Capital <sup>(3)</sup>	Gross Accrued Carried Interest
		Commitment	Invested <sup>(1)</sup>	Realized <sup>(1)</sup>	Unrealized						
(\$ in Millions)											
Dislocation Opportunities Fund	May 2020	\$ 2,910	\$ 1,515	\$ 119	\$ 1,704	\$ 1,823	N/A	N/A	N/A	\$ 37	
Special Situations Fund II	Dec 2014	3,525	3,241	1,333	2,690	4,023	6.9 %	4.9 %	1.2	—	
Special Situations Fund	Dec 2012	2,274	2,273	1,598	606	2,204	(0.7)%	(2.6)%	1.0	—	
Mezzanine Partners	Mar 2010	1,023	990	1,097	245	1,342	10.0 %	6.9 %	1.4	(20)	
Private Credit Opportunities Partners II	Dec 2015	2,245	1,483	546	1,295	1,841	8.2 %	6.6 %	1.2	—	
Lending Partners III	Apr 2017	1,498	741	264	810	1,074	16.3 %	13.5 %	1.4	26	
Lending Partners II	Jun 2014	1,336	1,179	1,143	179	1,322	4.3 %	3.0 %	1.1	—	
Lending Partners	Dec 2011	460	419	451	21	472	3.6 %	2.0 %	1.1	—	
Lending Partners Europe II	Jun 2019	837	346	34	383	417	29.6 %	22.9 %	1.2	2	
Lending Partners Europe	Mar 2015	848	664	354	302	656	(0.4)%	(3.0)%	1.0	—	
Other Alternative Credit Vehicles	Various	11,744	6,147	4,292	4,097	8,389	N/A	N/A	N/A	120	
<b>All Funds</b>		<b>\$ 28,700</b>	<b>\$ 18,998</b>	<b>\$ 11,231</b>	<b>\$ 12,332</b>	<b>\$ 23,563</b>				<b>\$ 165</b>	

- (1) Recycled capital is excluded from the amounts invested and realized.
- (2) These credit funds utilize third-party financing facilities to provide liquidity to such funds, and in such event, IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.
- (3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

### Public Markets AUM and Vehicle Structures

The table below presents information as of September 30, 2021, based on the investment funds, vehicles or accounts offered by our Public Markets business line. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which are permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

(\$ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
<b>Leveraged Credit:</b>						
Leveraged Credit SMAs/Funds	\$ 87,607	\$ 86,017	0.15% - 1.10%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	Subject to redemptions
CLOs	21,020	21,020	0.40% - 0.50%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	10-14 Years <sup>(2)</sup>
<b>Total Leveraged Credit</b>	<b>108,627</b>	<b>107,037</b>				
<b>Alternative Credit: <sup>(3)</sup></b>						
Special Situations	8,101	4,529	0.50% - 1.75% <sup>(4)</sup>	10.00 - 20.00%	7.00 - 12.00%	7-15 Years <sup>(2)</sup>
Private Credit	51,666	46,348	0.25% - 1.50%	10.00 - 20.00%	5.00 - 8.00%	8-15 Years <sup>(2)</sup>
<b>Total Alternative Credit</b>	<b>59,767</b>	<b>50,877</b>				
<b>Hedge Funds <sup>(5)</sup></b>						
Hedge Funds <sup>(5)</sup>	26,544	26,544	0.50% - 2.00%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	Subject to redemptions
BDCs <sup>(6)</sup>	16,561	16,561	0.60%	8.00%	7.00%	Indefinite
<b>Total</b>	<b>\$ 211,499</b>	<b>\$ 201,019</b>				

- (1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share up to 20% of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.
- (2) Duration of capital is measured from inception. Inception dates for CLOs were between 2013 and 2021 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2021.
- (3) Our alternative credit funds generally have investment periods of three to five years and our newer alternative credit funds generally earn fees on invested capital during the investment period.
- (4) Lower fees on uninvested capital in certain vehicles.
- (5) Hedge Funds represent KKR's pro rata portion of AUM and FPAUM of our hedge fund partnerships.
- (6) Consists of our BDC advised by FS/KKR Advisor. We report all of the AUM of our BDC in our AUM and FPAUM.

### Asset Management - Capital Markets

Our Capital Markets business line is comprised of our global capital markets business, which is integrated with KKR's asset management business lines, and serves our firm, our funds, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings, and providing other types of capital markets services that may result in the firm receiving fees, including underwriting, placement, transaction and syndication fees, commissions, underwriting discounts, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above.

Our capital markets business underwrites credit facilities and arranges loan syndications and participations. When we are sole arrangers of a credit facility, we may advance amounts to the borrower on behalf of other lenders, subject to repayment. When we underwrite an offering of securities on a firm commitment basis, we commit to buy and sell an issue of securities and generate revenue by purchasing the securities at a discount or for a fee. When we act in an agency capacity or best efforts basis, we generate revenue for arranging financing or placing securities with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. Our capital markets business also provides syndication services in



respect of co-investments in transactions participated in by KKR funds or third-party clients, which may entitle the firm to receive syndication fees, management fees and/or a carried interest.

The capital markets business has a global footprint, with local presence and licenses to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our flagship capital markets subsidiary is KKR Capital Markets LLC, an SEC-registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA").

**Asset Management - Principal Activities**

Through our Principal Activities business line, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our asset management business lines. Typically, the funds in our Private Markets and Public Markets business lines contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe making general partner commitments assists us in raising new funds from limited partners by demonstrating our conviction in a given fund's strategy. We also use our balance sheet to bridge investment activity during fundraising by seeding investments for new funds and also to acquire investments in order to help establish a track record for fundraising in new strategies. We also use our own capital to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or hedge fund partnership may be reported in our other business lines.

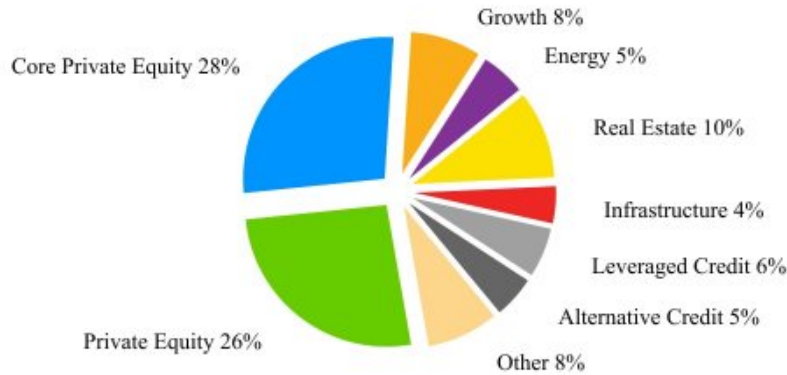
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities business line also holds assets that are utilized to satisfy regulatory requirements for our Capital Markets business line and risk retention requirements for our CLOs.

We also make opportunistic investments through our Principal Activities business line, which include co-investments alongside our Private Markets and Public Markets funds as well as Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties, in compliance with applicable laws, and consistent with our one-firm approach.

The chart below presents the holdings of our Principal Activities business line by asset class as of September 30, 2021:

**Holdings by Asset Class <sup>(1)</sup>**



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities business line but are reported in the financial results of our other business lines. Private Equity includes KKR private equity funds, co-investments alongside such KKR-sponsored private equity funds, certain core equity investments, and other opportunistic investments. Equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes. Other Credit consists of certain leveraged credit and specialty finance strategies.

## Insurance - Global Atlantic

Our insurance business is operated by Global Atlantic, which we acquired on February 1, 2021. KKR owns all of the voting interests in Global Atlantic and a 61.1% economic interest in Global Atlantic as of the closing of the acquisition, which economic interest increased to 61.5% following certain post-closing purchase price adjustments in June 2021. The balance of Global Atlantic is owned by third-party investors and Global Atlantic employees. Following the Global Atlantic acquisition, Global Atlantic continues to operate as a separate business with its existing brands and management team. Beginning with the first quarter of 2021, we present Global Atlantic's financial results as a separate reportable segment.

Global Atlantic is a leading U.S. annuity and life insurance company that provides a broad suite of protection, legacy and savings products and reinsurance solutions to clients across individual and institutional markets. Global Atlantic has made the strategic decision to focus on target markets that it believes supports issuing products that have attractive risk and return characteristics. These markets allow Global Atlantic to leverage its strength in distribution and to deploy capital opportunistically across market conditions.

Global Atlantic primarily offers individuals fixed-rate annuities, fixed-indexed annuities, and targeted life products through a network of banks, broker-dealers, and insurance agencies. Global Atlantic provides its institutional clients customized reinsurance solutions, including block, flow and pension risk transfer, as well as funding agreements. Global Atlantic primarily generates income by earning a spread between its investment income and the cost of policyholder benefits. As of September 30, 2021, Global Atlantic served over three million policyholders.

## Business Environment

### *Economic and Market Conditions*

**Impact of COVID-19.** The outbreak of COVID-19 continues to impact the United States and other countries throughout the world. For a description of the impact that COVID-19 had and may in the future have on our business, see "Risk Factors—Risks Related to Our Business—COVID-19 continues to impact the United States and other countries throughout the world, and it has caused and may further cause disruptions to our business and adversely affect our financial results" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" in our Annual Report.

**Economic Conditions.** As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions, including those caused by the COVID-19 pandemic, have substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, our ability to raise capital from investors, and our ability to make new investments. Financial and economic conditions in the United States, European Union, Japan, China, and other major economies are significant contributors to the global economy.

During the period ended September 30, 2021, the United States continued to show signs of economic improvement, primarily driven by substantial government fiscal and monetary support and its vaccine rollout program. Inflation, however, is on the rise, as dislocations in supply chains and pandemic-related labor shortages both contribute to scarcity of some goods and services. In the United States, real GDP is estimated to have expanded by 3.4% at a seasonally adjusted annualized rate in the quarter ended September 30, 2021, compared to an expansion of 6.7% at a seasonally adjusted annualized rate in the quarter ended June 30, 2021; the U.S. unemployment rate was 4.8% as of September 30, 2021, down from 5.9% as of June 30, 2021; the U.S. core consumer price index was 4.0% on a year-over-year basis as of September 30, 2021, down from 4.5% on a year-over-year basis as of June 30, 2021; and the effective federal funds rate set by the U.S. Federal Reserve was 0.1% as of September 30, 2021, flat from 0.1% as of June 30, 2021.

During the period ended September 30, 2021, the Euro Area maintained a second consecutive quarter of expansion, as real GDP is estimated to have risen by 2.2% on a seasonally adjusted quarter-over-quarter basis in the quarter ended September 30, 2021 compared to growth of 2.1% on a seasonally adjusted quarter-over-quarter basis in the quarter ended June 30, 2021; the Euro Area unemployment is estimated to have been 7.5% as of September 30, 2021, down from 7.8% as of June 30, 2021; Euro Area core inflation was 1.9% on a year-over-year basis as of September 30, 2021, up from 0.9% on a year-over-year basis as of June 30, 2021; and the short-term benchmark interest rate set by the European Central Bank was 0.0% as of September 30, 2021, unchanged from June 30, 2021.

During the period ended September 30, 2021, in Asia, Japan's economy continued to struggle with post-pandemic economic recovery. In Japan, real GDP growth for the quarter ended September 30, 2021 is estimated to be 1.0% on a seasonally adjusted quarter-over-quarter basis, down from 1.9% as of June 30, 2021 on a seasonally adjusted quarter-over-quarter basis. Core inflation in Japan remained negative at -0.5% as of September 30, 2021, up slightly from -0.9% as of June 30, 2021. In Japan, the short-term benchmark interest rate set by the Bank of Japan was -0.1% as of September 30, 2021, unchanged from June 30, 2021. In China, policymakers introduced a campaign for "common prosperity" focused on promoting a balance among growth, inclusion, and national security considerations, which could weigh on the outlook for economic growth over the medium term. Reported real GDP in China rose by a modest 0.2% on a seasonally adjusted quarter-over-quarter basis in the quarter ended September 30, 2021, compared to growth of 1.2% reported for the quarter ended June 30, 2021. Reported core inflation in China was 1.2% as of September 30, 2021, up from 0.9% as of June 30, 2021.

These and other key issues could have repercussions across regional and global financial markets, which could adversely affect the valuations of our investments. In particular, in response to persistent inflationary pressure, short- and medium-term interest rates may rise, which may adversely impact equity and credit markets and in turn slow economic growth. In addition, commodity prices are generally expected to rise in inflationary environments, and foreign exchange rates may be affected by countries' monetary and fiscal responses to inflationary trends. Other key issues include (i) further developments regarding COVID-19, including the spread of variants like the Delta variant, which may prolong the adverse economic impact of the pandemic on the U.S. and global economies, including supply chain disruptions that promote cost inflation for critical goods and labor shortages, (ii) geopolitical uncertainty such as U.S.-China relations, (iii) political uncertainty caused by, among other things, economic nationalist sentiments, tensions surrounding socioeconomic inequality issues, and the at-times partisan nature of U.S. government administration, which has potentially global ramifications with regards to policy, (iv) regulatory changes regarding, for example, taxation, international trade, cross-border investments, immigration, stimulus programs and rising levels of debt, (v) volatility or downturn in equity or credit markets, (vi) unexpected shifts in central banks' monetary policies, and (vii) technological advancements and innovations that may disrupt marketplaces and businesses. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition," in our Annual Report. In addition, the U.S. Congress is proposing (and after the date of this report may propose other) various significant changes in tax law, including significant changes in the way U.S. corporations like ourselves and many of our U.S. portfolio companies are taxed. If enacted, these changes could materially increase the amount of taxes we and our portfolio companies are required to pay. See "Risk Factors—Risks Related to Our Business—Changes in relevant tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could adversely impact our effective tax rate and tax liability" in our Annual Report.

**Equity and Credit Markets.** Global equity and credit markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns, which also impacts our ability to generate incentive fees and carried interest. Periods of volatility and dislocation in the capital markets raise substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth and investment returns. Low interest rates related to monetary stimulus and economic stagnation may negatively impact expected returns on all types of investments. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies have caused, and may further cause, the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas that have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States could potentially experience further currency volatility and weakness relative to the U.S. dollar.

With respect to our insurance business, fluctuations in market interest rates can expose Global Atlantic to the risk of reduced income in respect of its investment portfolio, increases in the cost of acquiring or maintaining its insurance liabilities, increases in the cost of hedging, or other fluctuations in Global Atlantic's financial, capital and operating profile which materially and adversely affect the business. Higher interest rates, periods of changes in rates and lower rates each may result in differing impacts on Global Atlantic's business. See "Risk Factors—Risks Related to Global Atlantic— Interest rate fluctuations and sustained periods of low or high interest rates could adversely affect Global Atlantic's business, financial condition, liquidity, results of operations, cash flows and prospects."

In our asset management business, many of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the quarter ended September 30, 2021, global equity markets were positive, with the S&P 500 up 0.6% and the MSCI World Index up 0.1% on a total return basis including dividends. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index (VIX), a measure of volatility, ended at 23.1 as of September 30, 2021, increasing from 15.8 as of June 30, 2021. For a discussion of our

valuation methods, see "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" in our Annual Report and see also "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies" in our Annual Report. In our insurance business, a change in equity prices also impacts Global Atlantic's equity-sensitive annuity and life insurance products, including with respect to hedging costs related to and fee-income earned on those products.

Many of our investments, particularly in asset management, are in non-investment grade credit instruments, and, particularly in insurance, in investment grade credit instruments. Our funds, our portfolio companies and Global Atlantic also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income.

Due in part to holdings of credit instruments such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of losses from credit instruments on our balance sheet. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit instruments, tightening credit spreads are generally expected to lead to an increase, and widening credit spreads are generally expected to lead to a decrease, in the value of these credit investments, if not offset by hedging or other factors. In addition, the significant widening of credit spreads is also typically expected to negatively impact equity markets, which in turn would negatively impact our portfolio and us as noted above. Conversely, widening credit spreads may have a positive impact on our insurance business, as the margin Global Atlantic is able to earn between crediting rates offered on its insurance products and the investment income it earns from its credit investments should increase, and tightening credit spreads may negatively impact the pricing and therefore competitiveness of Global Atlantic's products, adversely impacting sales and growth, or may negatively impact the margins that Global Atlantic earns on sales and transactions.

During the quarter ended September 30, 2021, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) widened by 3 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) widened by 11 basis points. The non-investment grade credit indices were up during the quarter ended September 30, 2021, with the S&P/LSTA Leveraged Loan Index up 1.1% and the BAML US High Yield Index up 0.9%. During the quarter ended September 30, 2021, 10-year government bond yields rose 2 basis points in the United States, rose 31 basis points in the United Kingdom, rose 1 basis point in Germany, fell 21 basis points in China, and rose 1 basis point in Japan. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition" in our Annual Report and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" in our Annual Report.

For further discussion of the impact of global credit markets on our financial condition and results of operations, see "Risk Factors—Risks Related to the Assets We Manage—Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income," "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition," "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly" and "Risk Factors—Risks Related to Global Atlantic—Interest rate fluctuations and sustained periods of low or high interest rates could adversely affect Global Atlantic's business, financial condition, liquidity, results of operations, cash flows and prospects" in our Annual Report. For a further discussion of our valuation methods, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies" in our Annual Report.

**Foreign Exchange Rates.** Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility can also affect our businesses and investments that deal in cross-border trade. The appreciation or depreciation of the U.S. dollar is expected to contribute to a decrease or increase, respectively, in the U.S. dollar value of our non-U.S. investments to the extent unhedged. In addition, an appreciating U.S. dollar would be expected to make the exports of U.S. based companies less competitive, which may lead to a decline in their export revenues, if any, while a depreciating U.S. dollar would be expected to have the opposite effect. Moreover, when selecting investments for our investment funds that are denominated in U.S. dollars, an appreciating U.S. dollar may create opportunities to invest at more attractive U.S. dollar prices in certain countries outside of the United States, while a depreciating U.S. dollar would be expected to have the opposite effect. For our investments denominated in currencies other than the U.S. dollar, the depreciation in such currencies will generally contribute to the decrease in the valuation of such investments, to the extent unhedged, and adversely affect the U.S. dollar equivalent revenues of portfolio companies with substantial revenues denominated in such currencies, while the appreciation in such currencies would be expected to have the opposite effect. For the quarter ended September 30, 2021, the euro fell 2.3%, the British pound fell 2.6%, the Japanese yen fell 0.2%, and the Chinese renminbi rose 0.2%, respectively, relative to the U.S. dollar. For additional information regarding our foreign exchange rate risk, see "Quantitative and Qualitative Disclosure About Market Risk—Exchange Rate Risk" in our Annual Report.

**Commodity Markets.** Our Private Markets portfolio contains energy real asset investments, and certain of our other Private Markets and Public Markets strategies and products, including private equity, direct lending, special situations and CLOs, also have meaningful investments in the energy sector. The value of these investments is heavily influenced by the price of natural gas and oil. During the quarter ended September 30, 2021, the 3-year forward price of WTI crude oil increased approximately 4%, and the 3-year forward price of natural gas increased approximately 17%. The 3-year forward price of WTI crude oil increased from approximately \$57 per barrel to \$60 per barrel, and the 3-year forward price of natural gas increased from approximately \$2.70 per mcf to \$3.16 per mcf as of June 30, 2021 and September 30, 2021, respectively. When commodity prices decline or if a decline is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted, to the extent unhedged. In addition, because we hold certain energy real asset investments on our balance sheet, price movements can have an amplified impact on our financial results, to the extent unhedged, as we would directly bear the full extent of such gains or losses. For additional information regarding our energy real assets, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies—Real Asset Investments" and see also "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly" in our Annual Report.

Following the significant volatility experienced in 2020, oil and natural gas prices have continued to recover throughout the course of 2021 alongside improving global demand. We expect downward price movements to have a negative impact on the fair value of our energy portfolio, all other things being equal, given those commodity prices are an input in our valuation models. However, due to near-term commodity derivative transactions, we expect long-term oil and natural gas prices to be a more significant driver of the valuation of our energy investments in asset management than spot prices. As of September 30, 2021, energy investments in oil and gas assets make up approximately 1% of our assets under management, 1% of our total GAAP assets and 1% of our total segment assets.

#### *Business Conditions*

Our operating revenues consist of fees, performance income and investment income.

Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments at a profit.

**Our ability to attract new capital and investors.** Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as attractive means for capital appreciation or income. In addition, our ability to attract new capital and investors in our insurance business is driven, in part, by the extent to which they continue to see the life and annuity insurance industry generally, and in certain cases our re-insurance vehicles, as attractive means for capital appreciation or income. Since 2010, we have expanded into strategies such as real assets, credit, core, impact and, through hedge fund partnerships, hedge funds, and most recently, insurance. In several of our asset management strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to new fund investors, including retail and high net worth investors. However, fundraising continues to be competitive. While our Asian Fund IV, European Fund V, North America Fund XIII, Real Estate Partners Americas III, Real Estate Partners Europe II, Global Infrastructure Investors IV and Next Generation Technology Growth Fund II exceeded the size of their respective predecessor funds, there is no assurance that fundraises for our other flagship investment funds or vehicles or for our newer

strategies and their successor funds will experience similar success. If we are unable to successfully raise comparably sized or larger funds, our AUM, FPAUM, and associated fees attributable to new capital raised in future periods may be lower than in prior years. See "Risk Factors—Risks Related to Our Business—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business" in our Annual Report.

***Our ability to successfully deploy capital.*** Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital available to us as well as our participation in capital markets transactions. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments that have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in reduced potential future investment gains, lower transaction fees and lower fees for our capital markets business line, which may earn fees in the syndication of equity or debt. In our insurance business, we deploy capital by investing in assets that are anticipated to generate net investment income in excess of the net cost of insurance. If we are unable to originate or source attractive investments, the success and growth in revenues of our insurance business will be adversely impacted. See "Risk Factors—Risks Related to the Assets We Manage—Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income" in our Annual Report.

***Our ability to realize investments.*** Challenging market and economic conditions may adversely affect our ability to exit and realize value from our investments and result in lower-than-expected returns. Although the equity markets are not the only means by which we exit investments from our funds, the strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically, affect the valuation of, and our ability to successfully exit, our equity positions in the portfolio companies of our funds in a timely manner. We may also realize investments through strategic sales. When financing is not available or becomes too costly, it may be more difficult to find a buyer that can successfully raise sufficient capital to purchase our investments. In our insurance business, we depend on the ability of our investments to generate their anticipated returns, through the payment of interest and dividends and interest as well as return of principal, in the amounts and at the times that we expect them to be made in order to manage our obligations to make payments to our policyholders. If policyholder behavior differs from our expectations, we may be forced to sell our investments earlier than we anticipated and during market conditions where we may realize losses on the investment. In addition, material delays in payments or impairments to our anticipated investment returns could have material adverse effects to our results of operations. For additional information about how business environment and market conditions affect Global Atlantic, see "—Global Atlantic's Investment Portfolio."

#### **Basis of Accounting**

We consolidate the financial results of KKR Group Partnership and its consolidated entities, which include the accounts of our investment advisers, broker-dealers, Global Atlantic's insurance companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds and certain other entities including certain CLOs and CMBS. We refer to CLOs and CMBS as collateralized financing entities ("CFEs").

When an entity is consolidated, we reflect the accounts of the consolidated entity, including its assets, liabilities, revenues, expenses, investment income, cash flows and other amounts, on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of Net Income Attributable to KKR or KKR's stockholders' capital that KKR reports, the consolidation does significantly impact the financial statement presentation under GAAP. This is due to the fact that the accounts of the consolidated entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the accounts attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income (loss) attributable to noncontrolling interests on the consolidated statements of operations.

The presentations in the financial statements reflect the significant industry diversification of KKR by its acquisition of Global Atlantic. Global Atlantic operates an insurance business, and KKR operates an asset management business, each of which possess distinct characteristics. As a result, KKR developed a two-tiered approach for the financial statements presentations in this Management's Discussion and Analysis. KKR believes that these separate presentations provide a more

informative view of the consolidated financial position and results of operations than traditional aggregated presentations. KKR believes that reporting Global Atlantic's insurance operations separately is appropriate given, among other factors, the relative significance of Global Atlantic's policy liabilities, which are not obligations of KKR (other than the insurance companies that issued them). If a traditional aggregated presentation were to be used, KKR would expect to eliminate or combine several identical or similar captions, which would condense the presentations but would reduce transparency. KKR also believes that using a traditional aggregated presentation would result in no new line items compared to the two-tier presentation included in the financial statements in this report. We acquired Global Atlantic on February 1, 2021; accordingly, the results of Global Atlantic's insurance operations included in our condensed consolidated results of operations for the nine months ended September 30, 2021 are from February 1, 2021 (the closing date of the acquisition) through September 30, 2021.

All the intercompany transactions have been eliminated.

For a further discussion of our consolidation policies, see Note 2 "Summary of Significant Accounting Policies" to our financial statements included elsewhere in this report. The summary of the significant accounting policies has been organized considering the two-tiered approach described above and includes a section for common accounting policies and an accounting policy section for each of the two tiers when a policy is specific to one of the tiers.

### **Key Financial Measures Under GAAP - Asset Management**

The following discussion of key financial measures under GAAP is based on KKR's asset management business as of September 30, 2021.

#### ***Revenues***

##### *Fees and Other*

Fees and other consist primarily of (i) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts; (ii) transaction fees earned in connection with successful investment transactions and from capital markets activities; (iii) monitoring fees from providing services to portfolio companies; (iv) expense reimbursements from certain investment funds and portfolio companies; (v) revenue earned by oil and gas entities that are consolidated; and (vi) consulting fees. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

##### *Capital Allocation-Based Income (Loss)*

Capital allocation-based income (loss) is earned from those arrangements whereby KKR serves as general partner and includes income or loss from KKR's capital interest as well as "carried interest" which entitles KKR to a disproportionate allocation of investment income or loss from an investment fund's limited partners.

For a further discussion of our revenue policies, see Note 2 "Summary of Significant Accounting Policies" to our financial statements included elsewhere in this report.

#### ***Expenses***

##### *Compensation and Benefits*

Compensation and Benefits expense includes (i) base cash compensation consisting of salaries and wages, (ii) benefits, (iii) carry pool allocations, (iv) equity-based compensation, and (v) discretionary cash bonuses.

To supplement base cash compensation, benefits, carry pool allocations, and equity-based compensation, we typically pay discretionary cash bonuses, which are included in Compensation and Benefits expense in the consolidated statements of operations, based principally on the level of (i) management fees and other fee revenues (including incentive fees), (ii) realized carried interest and (iii) realized investment income earned during the year. The amounts paid as discretionary cash bonuses, if any, are at our sole discretion and vary by individual to individual and from period to period, including having no cash bonus. We accrue discretionary cash bonuses when payment becomes probable and reasonably estimable which is generally in the



period when we make the decision to pay discretionary cash bonuses and is based upon a number of factors, including the recognition of fee revenues, realized carried interest, realized investment income and other factors determined during the year.

Beginning in 2021, we expect to pay our employees by assigning a percentage range to each component of distributable revenues. Based on the current components and blend of our distributable revenues on an annual basis, we expect to use approximately 20-25% of fee revenues, 60-70% of realized carried interest and 10-20% of realized investment income and hedge fund partnership incentive fees to pay our asset management employees. Because these ranges are applied to applicable distributable revenue components independently, and on an annual basis, the amount paid as a percentage of total distributable revenues will vary and will, for example, likely be higher in a period with relatively higher realized carried interest and lower in a period with relatively lower realized carried interest. We decide whether to pay a discretionary cash bonus and determines the percentage of applicable revenue components to pay compensation only upon the occurrence of the realization event. There is no contractual or other binding obligation that requires us to pay a discretionary cash bonus to the asset management employees, except in limited circumstances.

Assuming that we had accrued compensation of (i) 65% of the unrealized carried interest earned by the funds that allocate 40% and 43% to the carry pool and (ii) 15% of the unrealized gains in our Principal Activities business line (in each case at the mid-point of the ranges above), KKR & Co. Inc. Stockholders' Equity – Series I and II Preferred, Common Stock as of September 30, 2021 would have been reduced by approximately \$2.69 per share, compared to our reported \$27.13 per share on such date, and our book value as of September 30, 2021 would have been reduced by approximately \$2.61 per adjusted share, compared to our reported book value of \$28.06 per adjusted share on such date.

#### *Carry Pool Allocation*

With respect to our funds that provide for carried interest, we allocate a portion of the realized and unrealized carried interest that we earn to a carry pool established at KKR Associates Holdings L.P., which is not a KKR subsidiary, from which our asset management employees and certain other carry pool participants are eligible to receive a carried interest allocation. The allocation is determined based upon a fixed arrangement between KKR Associates Holdings L.P. and us, and we do not exercise discretion on whether to make an allocation to the carry pool upon a realization event. These amounts are accounted for as compensatory profit sharing arrangements in Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income and are recorded as compensation expense. Upon a reversal of carried interest income, the related carry pool allocation, if any, is also reversed. Accordingly, such compensation expense is subject to both positive and negative adjustments.

In February 2021, with the approval of a majority of our independent directors, KKR amended the percentage of carried interest that is allocable to the carry pool to 65% for (i) current investment funds for which no or de minimis amounts of carried interest was accrued as of December 31, 2020 and (ii) all future funds. For all other funds, the percentage of carried interest remains 40% or 43%, as applicable. The percentage of carried interest allocable to the carry pool may be increased above 65% only with the approval of a majority of our independent directors. To account for the difference in the carry pool allocation percentages, we expect to use a portion of realized carried interest from the older funds equal to the difference between 65% and 40% or 43%, as applicable, to supplement the carry pool and to pay amounts as discretionary cash bonus compensation as described above to our asset management employees. The amounts paid as discretionary cash bonuses, if any, are at our discretion and vary from individual to individual and from period to period, including having no cash bonus at all for certain employees. See "—Critical Accounting Policies - Asset Management—Recognition of Carried Interest in the Statement of Operations" and "—Key Financial Measures Under GAAP - Asset Management—Expenses—Compensation and Benefits."

On the Sunset Date, KKR will acquire control of KKR Associates Holdings and will commence making decisions regarding the allocation of carry proceeds pursuant to the limited partnership agreement of KKR Associates Holdings. Until the Sunset Date, our Co-Founders will continue to make decisions regarding the allocation of carry proceeds to themselves and others, pursuant to the limited partnership agreement of KKR Associates Holdings L.P., provided that any allocation of carry proceeds to the Co-Founders will be on a percentage basis consistent with past practice.

#### *Equity-based Compensation*

In addition to the cash-based compensation and carry pool allocations as described above, employees receive equity awards under the Equity Incentive Plans, most of which are subject to service-based vesting typically over a three to five-year period from the date of grant, and some of which are subject to the achievement of market-based conditions. Certain of these awards are subject to post-vesting transfer restrictions and minimum retained ownership requirements.

*General, Administrative and Other*

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses incurred by oil and gas entities, CLOs and investment funds that are consolidated, costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses"), expense reimbursements, placement fees and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

***Investment Income (Loss)***

*Net Gains (Losses) from Investment Activities*

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities as well as income earned from certain equity method investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "[Critical Accounting Policies - Combined—Fair Value Measurements](#)."

*Dividend Income*

Dividend income consists primarily of distributions that we and our consolidated investment funds receive from portfolio companies in which we and our consolidated investment funds invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of cash generated from operations from portfolio investments, and (iii) other significant refinancings undertaken by portfolio investments.

*Interest Income*

Interest income consists primarily of interest that is received on our credit instruments in which we and our consolidated investment funds, CLOs and other entities invest as well as interest on our cash and other investments.

*Interest Expense*

Interest expense is incurred from debt issued by KKR, including debt issued by KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs, and financing arrangements at our consolidated investment funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro rata equity interest in such funds. However, in some circumstances, we may provide limited guarantees of the obligations of our general partners in an amount equal to its pro rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. We also may provide other kinds of guarantees. See "[Liquidity](#)."

## Key Financial Measures Under GAAP - Insurance

The following discussion of key financial measures under GAAP is based on KKR's insurance business as conducted by Global Atlantic as of September 30, 2021.

### Revenues

#### *Premiums*

Premiums primarily relate to payout annuities with life contingencies and whole life and term life insurance policies, recognized when due from the policyholders. Premiums are reported net of premiums ceded under reinsurance agreements.

#### *Policy fees*

Policy fees include charges assessed against policyholder account balances for mortality, administration, separate account, benefit rider and surrender fees.

#### *Net investment income*

Net investment income reflects the income earned on our investments, net of any associated investment expenses (including management fees charged by the asset management segment) and net of ceded amounts under reinsurance agreements. Net investment income includes, amongst other things (i) interest earned on our fixed income available-for-sale and fixed-income trading investments, (ii) interest income and other related fees from our mortgage and other loan receivables, (iii) interest on funds withheld at interest receivables, (iv) proportional share of income from equity-method investments and (v) income from physical assets, such as renewable energy plants, railcars, and airplanes (net of depreciation and operating expenses).

#### *Net investment gains*

Net investment gains primarily consists of (i) realized gains and losses from the disposal of investments, (ii) unrealized gains and losses from investments held for trading, or fair value remeasurements recognized in earnings as a result of the election of a fair-value option, (iii) unrealized gains and losses on funds withheld at interest, (iv) unrealized gains and losses from derivatives not designated in an hedging relationship and (v) allowances for credit losses, and other impairments of investments.

#### *Other income*

Other income is primarily comprised of administration, management fees and distribution fees.

### Expenses

#### *Policy benefits and claims*

Policy benefits and claims represent the current period expense associated with providing insurance benefits to policyholders, including claims and benefits paid, interest credited to policyholders, changes in policy liability reserves (including fair value reserves), amortization of cost of reinsurance liabilities, and amortization of deferred sales inducements.

#### *Amortization of policy acquisition costs*

Amortization of policy acquisition costs primarily consist on amortization of value of business acquired and deferred policy acquisition costs.

#### *Insurance expense*

Insurance expenses are primarily comprised of commissions expense, net of amounts capitalized, reinsurance ceding allowances, premium taxes, amortization of acquired intangibles and captive financing charges.

### *Interest expense*

Interest expense is incurred from insurance segment debt issued, including related interest rate swaps, credit facilities and other financing agreements.

### *General, administrative and other*

General, administrative and other expenses are primarily comprised of employee compensation and benefit expenses, third-party administrator, or "TPA," policy servicing fees, administrative and professional services, and other operating expenses.

## **Other Key Financial Measures Under GAAP**

### *Income Taxes*

KKR & Co. Inc. is a domestic corporation for U.S. federal income tax purposes and is subject to U.S. federal, state and local income taxes at the entity level on its share of taxable income. In addition, KKR Group Partnership and certain of its subsidiaries operate as partnerships for U.S. federal tax purposes but as taxable entities for certain state, local or non-U.S. tax purposes. Moreover, certain corporate subsidiaries of KKR, including certain Global Atlantic subsidiaries, are domestic corporations for U.S. federal income tax purposes and are subject to U.S. federal, state, and local income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

For a further discussion of our income tax policies, see Note 2 "Summary of Significant Accounting Policies" and Note 17 "Income Taxes" to our financial statements included elsewhere in this report.

### *Net Income (Loss) Attributable to Noncontrolling Interests*

Net income (loss) attributable to noncontrolling interests primarily represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in KKR Group Partnership that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Given the consolidation of certain of our investment funds and the significant ownership interests in KKR Group Partnership held by KKR Holdings, we expect a portion of net income (loss) will continue to be attributed to noncontrolling interests in our business.

For a further discussion of our noncontrolling interests policies, see Note 21 "Equity" to the financial statements included elsewhere in this report.

## **Key Non-GAAP Performance Measures and Other Operating Measures**

The key non-GAAP and other operating and performance measures that follow are used by management in making operational and resource deployment decisions as well as assessing the performance of KKR's businesses. They include certain financial measures that are calculated and presented using methodologies other than in accordance with GAAP. These non-GAAP measures as described below are presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. (and holders of other exchangeable securities) and as such represent the entire KKR business in total. In addition, these non-GAAP measures are presented without giving effect to the consolidation of the investment funds and collateralized financing entities ("CFEs") that KKR manages.

We believe that providing these non-GAAP measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's business. These non-GAAP measures should not be considered as a substitute for financial measures calculated in accordance with GAAP. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable. Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included under "—Reconciliations to GAAP Measures."

### *After-tax Distributable Earnings*

After-tax distributable earnings is a non-GAAP performance measure of KKR's earnings, which is derived from KKR's reported segment results. After-tax distributable earnings is used to assess the performance of KKR's business operations and measures the earnings potentially available for distribution to its equity holders or reinvestment into its business. After-tax distributable earnings is equal to Distributable Operating Earnings less Interest Expense, Series A and B Preferred Stock dividends, Net Income Attributable to Noncontrolling Interests and Income Taxes Paid. Series C Mandatory Convertible Preferred Stock dividends have been excluded from After-tax Distributable Earnings, because the definition of Adjusted Shares used to calculate After-tax Distributable Earnings per Adjusted Share assumes that all shares of Series C Mandatory Convertible Preferred Stock have been converted to shares of common stock. Income Taxes Paid represents the implied amount of income taxes that would be paid assuming that all pre-tax distributable earnings were allocated to KKR & Co. Inc. and taxed at the same effective rate, which assumes that all units in KKR Holdings L.P. and other exchangeable securities were exchanged for common stock of KKR & Co. Inc. Income Taxes Paid includes amounts paid pursuant to the tax receivable agreement and the benefit of tax deductions arising from equity-based compensation, which reduces income taxes paid or payable during the period. Equity based compensation expense is excluded from After-tax Distributable Earnings, because (i) KKR believes that the cost of equity awards granted to employees does not contribute to the earnings potentially available for distributions to its equity holders or reinvestment into its business and (ii) excluding this expense makes KKR's reporting metric more comparable to the corresponding metric presented by other publicly traded companies in KKR's industry, which KKR believes enhances an investor's ability to compare KKR's performance to these other companies. If tax deductions from equity-based compensation were to be excluded from Income Taxes Paid, KKR's After-tax Distributable Earnings would be lower and KKR's effective tax rate would appear to be higher, even though a lower amount of income taxes would have actually been paid or payable during the period. KKR separately discloses the amount of tax deduction from equity-based compensation for the period reported and the effect of its inclusion in After-tax Distributable Earnings for the period. KKR makes these adjustments when calculating After-tax Distributable Earnings in order to more accurately reflect the net realized earnings that are expected to be or become available for distribution to KKR's equity holders or reinvestment into KKR's business. However, After-tax Distributable Earnings does not represent and is not used to calculate actual dividends under KKR's dividend policy, which is a fixed amount per period, and After-tax Distributable Earnings should not be viewed as a measure of KKR's liquidity.

### *Book Value*

Book Value is a non-GAAP performance measure of the net assets of KKR and is used by management primarily in assessing the unrealized value of KKR's net assets presented on a basis that (i) deconsolidates KKR's investment funds and CFEs that KKR manages, (ii) includes the net assets that are attributable to KKR Holdings L.P., and (iii) includes KKR's ownership of the net assets of Global Atlantic. We believe this measure is useful to stockholders as it provides additional insight into the net assets of KKR excluding those net assets that are allocated to the investors of KKR funds and other noncontrolling interest holders and to the holders of Preferred Stock. KKR's book value includes (x) the net impact of KKR's tax assets and liabilities as prepared under GAAP and (y) the implied amount of (1) tax assets and liabilities attributable to KKR Holdings L.P. as if it was subject to corporate income taxes and (2) the recognition of deferred tax liabilities relating to certain assets of KKR Group Partnership L.P. that is expected to occur upon the completion of the mergers contemplated by the previously announced Reorganization Agreement, dated October 8, 2021. Series C Mandatory Convertible Preferred Stock has been included in book value, because the definition of adjusted shares used to calculate book value per adjusted share assumes that all shares of Series C Mandatory Convertible Preferred Stock have been converted to shares of common stock. To calculate Global Atlantic book value and to make it more comparable with the corresponding metric presented by other publicly traded companies in Global Atlantic's industry, Global Atlantic book value excludes (i) accumulated other comprehensive income and (ii) accumulated change in fair value of reinsurance balances and related assets, net of deferred acquisition costs and income tax.

In the second quarter of 2021, the definition of book value was amended to include the implied amount of tax assets and liabilities attributable to KKR Holdings L.P. as if it was subject to corporate income taxes. This change is useful to management and investors in assessing book value because the definition now includes the anticipated impacts that the payment of tax liabilities by KKR would have on book value. Prior periods have not been adjusted for this change, although it is expected to have had the effect of reducing book value reported for prior periods.

Starting in the third quarter of 2021, the definition of book value was amended to include the anticipated recognition of deferred tax liabilities relating to certain assets of KKR Group Partnership L.P. that is expected to occur upon the completion of the mergers contemplated by the Reorganization Agreement. This change is useful to management and investors in assessing book value because the definition now includes the anticipated impacts that the mergers contemplated by the Reorganization Agreement, which are expected to be completed in 2022, would have on book value.

### *Distributable Operating Earnings*

Distributable operating earnings is a non-GAAP performance measure that KKR believes is useful to stockholders as it provides a supplemental measure of our operating performance without taking into account items that KKR does not believe arise from or relate directly to KKR's operations. Distributable Operating Earnings is presented prior to giving effect to the allocation of income (loss) among KKR & Co. Inc., KKR Holdings L.P. and holders of other exchangeable securities, and the consolidation of the investment funds, vehicles and accounts that KKR advises, manages or sponsors (including collateralized financing entities). Distributable Operating Earnings excludes: (i) equity-based compensation charges, (ii) amortization of acquired intangibles, (iii) strategic corporate transaction-related charges and (iv) non-recurring items, if any. Strategic corporate transaction-related items arise from corporate actions and consist primarily of (i) impairments, (ii) non-monetary gains or losses on divestitures, (iii) transaction costs from strategic acquisitions, and (iv) depreciation on real estate that KKR owns and occupies. Inter-segment transactions are not eliminated from segment results when management considers those transactions in assessing the results of the respective segments. These transactions include (i) management fees earned by KKR as the investment adviser for Global Atlantic insurance companies and (ii) interest income and expense based on lending arrangements where one or more KKR subsidiaries borrow from a Global Atlantic insurance subsidiary. Inter-segment transactions are recorded by each segment based on the definitive documents that contain arms' length terms and comply with applicable regulatory requirements. Distributable Operating Earnings represents operating earnings of KKR's Asset Management and Insurance segments, which are comprised of the following:

- Asset Management Segment Operating Earnings is the segment profitability measure used to make operating decisions and to assess the performance of the Asset Management segment and is comprised of: (i) Fee Related Earnings, (ii) Realized Performance Income, (iii) Realized Performance Income Compensation, (iv) Realized Investment Income, and (v) Realized Investment Income Compensation. Asset Management Segment Operating Earnings excludes (i) unrealized carried interest, (ii) net unrealized gains (losses) on investments, and (iii) related unrealized performance income compensation. Management fees earned by KKR as the adviser, manager or sponsor for its investment funds, vehicles and accounts, including management fees paid to KKR by Global Atlantic's insurance companies and management fees paid to Global Atlantic by reinsurance investment vehicles, are included in Asset Management Segment Operating Earnings.
- Insurance Segment Operating Earnings is the segment profitability measure used to make operating decisions and to assess the performance of the Insurance segment and is comprised of: (i) Net Investment Income, (ii) Net Cost of Insurance, (iii) General, Administrative, and Other Expenses, (iv) Income Taxes, and (v) Net Income Attributable to Noncontrolling Interests. The non-operating adjustments made to derive Insurance Segment Operating Earnings eliminate the impact of: (i) realized (gains) losses related to asset/liability matching investments strategies, (ii) unrealized investment (gains) losses, (iii) changes in the fair value of derivatives, embedded derivatives, and fair value liabilities for fixed-indexed annuities, indexed universal life contracts and variable annuities, and (iv) the associated income tax effects of all exclusions from Insurance Segment Operating Earnings except for equity-based compensation expense. Insurance Segment Operating Earnings includes (i) realized gains and losses not related to asset/liability matching investments strategies and (ii) the investment management fee expenses that are earned by KKR as the investment adviser of Global Atlantic's insurance companies.

### *Fee Related Earnings ("FRE")*

Fee related earnings is a performance measure used to assess the Asset Management segment's generation of profits from revenues that are measured and received on a recurring basis and are not dependent on future realization events. KKR believes this measure is useful to stockholders as it provides additional insight into the profitability of KKR's fee generating asset management and capital markets businesses and other recurring revenue streams. FRE equals (i) Management Fees, (ii) Transaction and Monitoring Fees, Net and (iii) Fee Related Performance Revenues, less (x) Fee Related Compensation, and (y) Other Operating Expenses.

- Fee Related Performance Revenues refers to the realized portion of Incentive Fees from certain AUM that has an indefinite term and for which there is no immediate requirement to return invested capital to investors upon the realization of investments. Fee-related performance revenues consists of performance fees (i) to be received from our investment funds, vehicles and accounts on a recurring basis, and (ii) that are not dependent on a realization event involving investments held by the investment fund, vehicle or account.
- Fee Related Compensation refers to the compensation expense, excluding equity-based compensation, paid from (i) Management Fees, (ii) Transaction and Monitoring Fees, Net, and (iii) Fee Related Performance Revenues.
- Other Operating Expenses represents the sum of (i) occupancy and related charges and (ii) other operating expenses.

### *Total Asset Management Segment Revenues*

Total asset management segment revenues is a performance measure that represents the realized revenues of the Asset Management segment (which excludes unrealized carried interest and unrealized net gains (losses) on investments) and is the sum of (i) Management Fees, (ii) Transaction and Monitoring Fees, Net, (iii) Fee Related Performance Revenues, (iv) Realized Performance Income, and (v) Realized Investment Income. KKR believes that this performance measure is useful to stockholders as it provides additional insight into the realized revenues generated by KKR's asset management segment.

### *Adjusted Shares*

Adjusted shares represents shares of common stock of KKR & Co. Inc. outstanding under GAAP adjusted to include shares issuable upon exchange of all units of KKR Holdings L.P. and other exchangeable securities and the number of shares of common stock assumed to be issuable upon conversion of the Series C Mandatory Convertible Preferred Stock. Weighted average adjusted shares is used in the calculation of After-tax Distributable Earnings per Adjusted Share, and Adjusted Shares is used in the calculation of Book Value per Adjusted Share.

### *Assets Under Management ("AUM")*

Assets under management represent the assets managed, advised or sponsored by KKR from which KKR is entitled to receive management fees or performance income (currently or upon a future event), general partner capital, and assets managed, advised or sponsored by our strategic BDC partnership and the hedge fund and other managers in which KKR holds an ownership interest. We believe this measure is useful to stockholders as it provides additional insight into the capital raising activities of KKR and its hedge fund and other managers and the overall activity in their investment funds and other managed or sponsored capital. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds and Global Atlantic's insurance companies; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or performance income; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs; (v) KKR's pro rata portion of the AUM of hedge fund and other managers in which KKR holds an ownership interest; (vi) all AUM of KKR's strategic BDC partnership; and (vii) the fair value of other assets managed or sponsored by KKR. The pro rata portion of the AUM of hedge fund and other managers is calculated based on KKR's percentage ownership interest in such entities multiplied by such entity's respective AUM. KKR's definition of AUM (i) is not based on any definition of AUM that may be set forth in the governing documents of the investment funds, vehicles, accounts or other entities whose capital is included in this definition, (ii) includes assets for which KKR does not act as an investment adviser, and (iii) is not calculated pursuant to any regulatory definitions.

### *Capital Invested*

Capital invested is the aggregate amount of capital invested by (i) KKR's investment funds and Global Atlantic's insurance companies, (ii) KKR's Principal Activities business line as a co-investment, if any, alongside KKR's investment funds, and (iii) KKR's Principal Activities business line in connection with a syndication transaction conducted by KKR's Capital Markets business line, if any. Capital invested is used as a measure of investment activity at KKR during a given period. We believe this measure is useful to stockholders as it provides a measure of capital deployment across KKR's business lines. Capital invested includes investments made using investment financing arrangements like credit facilities, as applicable. Capital invested excludes (i) investments in certain leveraged credit strategies, (ii) capital invested by KKR's Principal Activities business line that is not a co-investment alongside KKR's investment funds, and (iii) capital invested by KKR's Principal Activities business line that is not invested in connection with a syndication transaction by KKR's Capital Markets business line. Capital syndicated by KKR's Capital Markets business line to third parties other than KKR's investment funds or Principal Activities business line is not included in capital invested.

### *Fee Paying AUM ("FPAUM")*

Fee paying AUM represents only the AUM from which KKR is entitled to receive management fees. We believe this measure is useful to stockholders as it provides additional insight into the capital base upon which KKR earns management fees. FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's and its hedge fund and BDC partnership management fees and differs from AUM in the following respects: (i) assets and commitments from which KKR is not entitled to receive a management fee are excluded (e.g., assets and commitments with respect to which it is entitled to receive only performance income or is otherwise not currently entitled to receive a management fee) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

*Uncalled Commitments*

Uncalled commitments is the aggregate amount of unfunded capital commitments that KKR's investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to stockholders as it provides additional insight into the amount of capital that is available to KKR's investment funds and carry paying co-investment vehicles to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements or investments we have committed to make but remain unfunded at the reporting date.



### Consolidated Results of Operations (GAAP Basis) (Unaudited)

The following is a discussion of our consolidated results of operations for the three months ended September 30, 2021 and 2020. You should read this discussion in conjunction with the financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected our segment results in these periods, see "—Analysis of Segment Operating Results." See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The presentation of our consolidated results of operations that follows reflects the significant industry diversification of KKR by its acquisition of Global Atlantic. Global Atlantic operates an insurance business, and KKR operates an asset management business, each of which possess distinct characteristics. As a result, KKR developed a two-tiered presentation approach, where Global Atlantic's insurance operations are presented separately from KKR's asset management business. Additionally, the results of Global Atlantic's insurance operations included in our consolidated results of operations are from February 1, 2021 (closing date of the acquisition) through September 30, 2021.

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
<b>Revenues</b>			
<i>Asset Management</i>			
Fees and Other	\$ 718,968	\$ 563,340	\$ 155,628
Capital Allocation-Based Income (Loss)	1,526,667	1,331,898	194,769
	<u>2,245,635</u>	<u>1,895,238</u>	<u>350,397</u>
<i>Insurance</i>			
Net Premiums	974,903	—	974,903
Policy Fees	310,381	—	310,381
Net Investment Income	758,381	—	758,381
Net Investment Gains (Losses)	162,127	—	162,127
Other Income	31,938	—	31,938
	<u>2,237,730</u>	<u>—</u>	<u>2,237,730</u>
<b>Total Revenues</b>	<b>4,483,365</b>	<b>1,895,238</b>	<b>2,588,127</b>
<b>Expenses</b>			
<i>Asset Management</i>			
Compensation and Benefits	1,012,837	882,339	130,498
Occupancy and Related Charges	17,438	17,321	117
General, Administrative and Other	203,977	194,039	9,938
	<u>1,234,252</u>	<u>1,093,699</u>	<u>140,553</u>
<i>Insurance</i>			
Policy Benefits and Claims	1,697,046	—	1,697,046
Amortization of Policy Acquisition Costs	(16,900)	—	(16,900)
Interest Expense	22,437	—	22,437
Insurance Expenses	89,534	—	89,534
General, Administrative and Other	158,873	—	158,873
	<u>1,950,990</u>	<u>—</u>	<u>1,950,990</u>
<b>Total Expenses</b>	<b>3,185,242</b>	<b>1,093,699</b>	<b>2,091,543</b>
<b>Investment Income (Loss) - Asset Management</b>			
Net Gains (Losses) from Investment Activities	2,116,647	2,284,602	(167,955)
Dividend Income	121,484	116,379	5,105
Interest Income	402,839	354,865	47,974

Interest Expense	(278,166)	(223,709)	(54,457)
<b>Total Investment Income (Loss)</b>	<b>2,362,804</b>	<b>2,532,137</b>	<b>(169,333)</b>
<b>Income (Loss) Before Taxes</b>	<b>3,660,927</b>	<b>3,333,676</b>	<b>327,251</b>
<b>Income Tax Expense (Benefit)</b>	<b>379,282</b>	<b>359,375</b>	<b>19,907</b>
<b>Net Income (Loss)</b>	<b>3,281,645</b>	<b>2,974,301</b>	<b>307,344</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,519	—	1,519
Net Income (Loss) Attributable to Noncontrolling Interests	2,123,569	1,909,458	214,111
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	<b>1,156,557</b>	<b>1,064,843</b>	<b>91,714</b>
Series A Preferred Stock Dividends	—	5,822	(5,822)
Series B Preferred Stock Dividends	7,953	2,519	5,434
Series C Mandatory Convertible Preferred Stock Dividends	17,250	—	17,250
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Common Stockholders</b>	<b>\$ 1,131,354</b>	<b>\$ 1,056,502</b>	<b>\$ 74,852</b>

**Unaudited Consolidated Results of Operations (GAAP Basis) - Asset Management***Revenues*

For the three months ended September 30, 2021 and 2020, revenues consisted of the following:

	<b>Three Months Ended</b>		
	<b>September 30, 2021</b>	<b>September 30, 2020</b>	<b>Change</b>
	(\$ in thousands)		
Management Fees	\$ 349,249	\$ 254,467	\$ 94,782
Fee Credits	(164,720)	(89,487)	(75,233)
Transaction Fees	437,619	300,805	136,814
Monitoring Fees	29,823	28,824	999
Incentive Fees	6,962	63	6,899
Expense Reimbursements	34,857	44,553	(9,696)
Oil and Gas Revenue	—	6,687	(6,687)
Consulting Fees	25,178	17,428	7,750
<b>Total Fees and Other</b>	<b>718,968</b>	<b>563,340</b>	<b>155,628</b>
Carried Interest	1,216,433	1,077,932	138,501
General Partner Capital Interest	310,234	253,966	56,268
<b>Total Capital Allocation-Based Income (Loss)</b>	<b>1,526,667</b>	<b>1,331,898</b>	<b>194,769</b>
<b>Total Revenues - Asset Management</b>	<b>\$ 2,245,635</b>	<b>\$ 1,895,238</b>	<b>\$ 350,397</b>

*Fees and Other*

Total Fees and Other for the three months ended September 30, 2021 increased compared to the three months ended September 30, 2020 primarily as a result of the increase in transaction fees and management fees.

For a more detailed discussion of the factors that affected our transaction fees during the period, see "—Analysis of Asset Management Segment Operating Earnings."

The increase in management fees was primarily due to management fees earned from North America Fund XIII, Global Infrastructure Investors IV, and Health Care Strategic Growth Fund II, each of which entered its investment period in the second quarter of 2021, and Asian Fund IV, which entered its investment period in the third quarter of 2020. These increases were partially offset by a decrease in management fees earned from Americas Fund XII as a result of entering its post-investment period in the second quarter of 2021 and now earns fees based on capital invested rather than capital committed and at a lower fee rate.

Management fees due from consolidated investment funds and other vehicles are eliminated upon consolidation under GAAP. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity. For a more detailed discussion on the factors that affect our management fees during the period including the fees earned from unconsolidated investment funds and other vehicles see "—Analysis of Asset Management Segment Operating Earnings."

Fee credits increased compared to the prior period as a result of a higher level of transaction fees in our Private Markets and Public Markets business lines. Fee credits owed to consolidated investment funds and other vehicles are eliminated upon consolidation under GAAP. However, because these amounts are owed to noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds and other vehicles is decreased by the amount of fee credits that are eliminated. Accordingly, the elimination of these fee credits does not impact the net income (loss) attributable to KKR or KKR stockholders' equity. Transaction and monitoring fees are earned from KKR portfolio companies and are not eliminated upon

consolidation because these fees are earned from companies which are not consolidated. Furthermore, transaction fees earned in our Capital Markets business line are not shared with fund investors. Accordingly, certain transaction fees are reflected in revenues without a corresponding fee credit.

*Capital Allocation-Based Income (Loss)*

Capital Allocation-Based Income (Loss) for the three months ended September 30, 2021 was positive primarily due to the net appreciation of the underlying investments at our carry earning investment funds most notably Asian Fund III, North America Fund XI and Americas Fund XII. Capital Allocation-Based Income (Loss) for the three months ended September 30, 2020 was also positive due to the net appreciation of the underlying investments at our carry earning investment funds most notably Americas Fund XII, North America Fund XI and Asian Fund III.

KKR generally calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. Additionally, unrealized carried interest and general partner capital interest reverse upon a realization, and unrealized carried interest and general partner capital interest can be negative if the amount of realized carried interest exceeds total unrealized carried interest generated in the period.

*Investment Income (Loss) - Asset Management*

*Net Gains (Losses) from Investment Activities*

The following is a summary of net gains (losses) from investment activities:

	<b>Three Months Ended</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
	<b>(\$ in thousands)</b>	
Private Equity	\$ 943,858	\$ 1,591,134
Credit	(42,409)	315,459
Investments of Consolidated CFEs	8,185	392,287
Real Assets	637,698	251,599
Equity Method - Other	174,139	435,664
Other Investments	81,117	57,808
Debt Obligations and Other	22,482	(336,811)
Other Net Gains (Losses) from Investment Activities	291,577	(422,538)
<b>Net Gains (Losses) from Investment Activities</b>	<b>\$ 2,116,647</b>	<b>\$ 2,284,602</b>

*Net Gains (Losses) from Investment Activities for the three months ended September 30, 2021*

The net gains from investment activities for the three months ended September 30, 2021 were comprised of net realized gains of \$609.6 million and net unrealized gains of \$1,507.0 million.

Investment gains and losses relating to our general partner capital interest in our unconsolidated funds are not reflected in our discussion and analysis of Net Gains (Losses) from Investment Activities. Our economics associated with these gains and losses are reflected in Capital Allocation-Based Income (Loss) as described above. For a discussion and analysis of the investment gains or losses relating to the investments in our unconsolidated funds, see "—Analysis of Asset Management Segment Operating Results."

*Realized Gains and Losses from Investment Activities*

For the three months ended September 30, 2021, net realized gains related primarily to the sales of our investments in Mr. Cooper Group Inc. (NASDAQ: COOP), FanDuel Inc. and Darktrace PLC (LON: DARK.L). Partially offsetting these realized gains were realized losses primarily relating to certain investments held in our consolidated credit funds.

*Unrealized Gains and Losses from Investment Activities*

For the three months ended September 30, 2021, net unrealized gains were driven primarily by (i) mark-to-market gains from private equity, growth equity and core investments held by KKR and certain consolidated funds, the most significant of which were PetVet Care Centers, LLC (healthcare sector), Heartland Dental LLC (healthcare sector), and Axel Springer (media sector) and (ii) mark-to-market gains from certain investments held in our consolidated real estate funds. These unrealized gains were partially offset by (i) the reversal of previously recognized unrealized gains relating to the realization activity described above, (ii) mark-to-market losses related to certain investments held in our consolidated credit funds, and (iii) unrealized loss on BridgeBio Pharma, Inc. (NASDAQ: BBIO).

For a discussion of other factors that affected KKR's realized investment income for the three months ended September 30, 2021, see "—Analysis of Asset Management Segment Operating Results."

*Net Gains (Losses) from Investment Activities for the three months ended September 30, 2020*

The net gains from investment activities for the three months ended September 30, 2020 were comprised of net realized gains of \$548.6 million and net unrealized gains of \$1,736.0 million.

*Realized Gains and Losses from Investment Activities*

For the three months ended September 30, 2020, net realized gains related primarily to (i) the sale of our investment in The Hut Group Limited (LSE: THG), (ii) the sale of our investment in Ivalua SAS (technology sector) and (iii) a partial sale of our investment in Fiserv Inc. (NASDAQ: FISV). Partially offsetting these realized gains were realized losses primarily relating to our consolidated CLOs and special situations funds.

*Unrealized Gains and Losses from Investment Activities*

For the three months ended September 30, 2020, net unrealized gains were driven primarily by (i) mark-to-market gains in our private equity and core investments held by KKR and certain consolidated entities, the most significant of which were Arnott's Biscuits Limited (consumer products sector) and PetVet Care Centers, LLC, and (ii) mark-to-market gains in certain investments held through our consolidated real asset funds and through our consolidated credit funds and CLOs. These unrealized gains were partially offset by the reversal of unrealized gain positions due to the sales of our investments in The Hut Group Limited and Ivalua SAS.

For a discussion of other factors that affected KKR's realized investment income for the three months ended September 30, 2021, see "—Analysis of Asset Management Segment Operating Results."

*Dividend Income*

During the three months ended September 30, 2021, the most significant dividends received included \$51.3 million from our consolidated real estate and infrastructure funds and \$23.5 million from our consolidated energy funds. During the three months ended September 30, 2020, the most significant dividends received included \$46.5 million from our consolidated real estate funds and \$48.9 million from our investment in Epicor Software Corporation (technology sector).

Significant dividends from portfolio companies and consolidated funds are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Analysis of Asset Management Segment Operating Results."

*Interest Income*

The increase in interest income during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to (i) the impact of closing additional CLOs that are consolidated subsequent to September 30, 2020 and (ii) a higher level of interest income from certain of our consolidated credit funds, primarily related to

an increase in the amount of capital deployed. For a discussion of other factors that affected KKR's interest income, see "—Analysis of Asset Management Segment Operating Results."

*Interest Expense*

The increase in interest expense during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to the (i) impact of issuances of our senior notes, (ii) impact of closing additional CLOs that are consolidated subsequent to September 30, 2020, and (iii) increase in the amount of borrowings outstanding from consolidated funds and other vehicles. For a discussion of other factors that affected KKR's interest expense, see "—Analysis of Non-GAAP Performance Measures."

*Expenses - Asset Management*

*Compensation and Benefits Expense*

The increase in compensation and benefits expense during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to (i) a higher level of accrued carried interest compensation resulting from a higher level of carried interest from the appreciation in the value of our investment portfolio in the current period and (ii) a higher level of discretionary compensation accrued resulting from a higher level of fee revenue, realized performance income and realized investment income in the current period.

*General, Administrative and Other*

The increase in general, administrative and other expenses during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily due to (i) a higher level of expenses in our consolidated funds and investment vehicles, (ii) placement fees incurred related to capital raising activities for various private markets funds and (iii) a higher level of broken-deal expenses. The level of broken-deal expenses can vary significantly period to period based upon a number of factors, the most significant of which are the number of potential investments being pursued for our investment funds, the size and complexity of investments being pursued and the number of investment funds currently in their investment period.

**Consolidated Results of Operations (GAAP Basis) - Insurance (Unaudited)**

As discussed above, our Insurance segment consists solely of the operations of Global Atlantic, which was acquired on February 1, 2021. Accordingly, prior periods have been excluded for Insurance segment results. For the nine month period ended September 30, 2021, the results of Global Atlantic's insurance operations included in our condensed consolidated results of operations are from February 1, 2021 through September 30, 2021.

**Assumption review**

The assumptions on which reserves, deferred revenue and expenses are based are intended to represent an estimation of the benefits that are expected to be payable to, and fees or premiums that are expected to be collectible from, policyholders in future periods. Global Atlantic reviews the adequacy of its reserves, deferred revenue and expenses and the assumptions underlying those items at least annually, usually in the third quarter. As Global Atlantic analyzes its assumptions, to the extent Global Atlantic chooses to update one or more of those assumptions, there may be an “unlocking” impact. Generally, favorable unlocking means the change in assumptions required a reduction in reserves, or in deferred revenue liabilities or an increase in deferred expenses, and unfavorable unlocking means the change in assumptions required an increase in reserves or in deferred revenue liabilities, or a reduction in deferred expenses.

The following table reflects the impact on net income by financial statement line item and to insurance segment adjusted operating earnings from Global Atlantic’s assumption review:

	<u>Three Months Ended</u> <u>September 30,</u> <u>2021</u>	<u>Nine Months Ended</u> <u>September 30,</u> <u>2021</u>
<b>(\$ in thousands)</b>		
<b>Impacts of assumption review, by statement of income line item:</b>		
Policy fees	\$ 182	\$ 182
Policy benefits and claims	20,904	20,904
Amortization of policy acquisition costs	(2,119)	(2,119)
Income tax impact	(3,983)	(3,983)
Total assumption review impact on net income	<u>\$ 14,984</u>	<u>\$ 14,984</u>
Assumption review impact on adjustments to derive insurance segment adjusted operating earnings	(97)	(97)
<b>Total assumption review impact on insurance segment adjusted operating earnings</b>	<u><u>\$ 14,887</u></u>	<u><u>\$ 14,887</u></u>

For the three and nine months ended September 30, 2021, the net favorable unlocking impact on net income and insurance segment adjusted operating earnings was primarily due to favorable mortality experience.

**Revenues**

For the three months ended September 30, 2021, revenues consisted of the following:

	<u>Three Months Ended</u> <u>September 30, 2021</u> <u>(\$ in thousands)</u>
Net Premiums	\$ 974,903
Policy Fees	310,381
Net Investment Income	758,381
Net Investment Gains (Losses)	162,127
Other Income	31,938
<b>Total Insurance Revenues</b>	<u><u>\$ 2,237,730</u></u>

*Net Premiums*

Net premiums were primarily driven by initial premiums related to new reinsurance transactions with life contingencies assumed during the three months ending September 30, 2021. These initial premiums are offset by a comparable increase in policy reserves reported within policy benefits and claims (as discussed below).

*Policy fees*

Policy fees were primarily driven by cost of insurance, administrative, and rider fees in the individual market channel during the three months ending September 30, 2021.

*Net investment income*

Net investment income was primarily driven by insurance segment investments and the effective book yield (as determined, in part, by the allocated fair value of the investment portfolio as determined as of the GA Acquisition Date). Average insurance segment investments were primarily driven by new block reinsurance transactions and funding agreements issued. The impact of higher asset balances were offset by lower income primarily due to elevated cash levels during the quarter related to recent reinsurance transactions pending reinvestment.

*Net investment gains*

The components of net investment gains were as follows:

	<b>Three Months Ended</b>	
	<b>September 30, 2021</b>	
	<b>(\$ in thousands)</b>	
Embedded derivatives on funds withheld at interest	\$	93,970
Equity future contracts		1,783
Equity index options		(25,854)
Interest rate contracts		(24,135)
Foreign currency forwards		(4,776)
Credit risk contracts		(196)
<b>Net losses on derivative instruments</b>		<b>40,792</b>
Net other investment gains		121,335
<b>Net investment gains</b>	<b>\$</b>	<b>162,127</b>

*Net losses on derivative instruments*

The increase in the fair value of embedded derivatives on funds withheld at interest was primarily driven by the decrease in fair value of the underlying investments in the funds withheld portfolio.

The decrease in the fair value of equity index options was primarily driven by the performance of the indexes upon which call options are based. Global Atlantic purchases equity index options to hedge the market risk of embedded derivatives in indexed universal life and fixed-indexed annuity products (the change in which is accounted for in policy benefits and claims). The majority of Global Atlantic's equity index call options are based on the S&P 500 index, which was essentially unchanged during the three month period ending September 30, 2021.

The decrease in the fair value of interest rate contracts was driven primarily by market interest rate volatility during the three months ended September 30, 2021.

*Net other investment gains*

Net other investment gains for the three months ended September 30, 2021 were primarily due to unrealized gains on the valuation of equity interests in solar facility developers. Offsetting these gains were (i) net unrealized losses on trading fixed maturity securities underlying a portion of the funds withheld payable at interest portfolio due to an increase in market interest rates, and (ii) an increase of the allowance for credit losses on consumer and commercial mortgage loans due to an increase in loan balances during the three months ending September 30, 2021.



*Other income*

Other income is mainly driven by administration, management fees and distribution fees, modestly increasing during the three months ending September 30, 2021 driven by higher administration fees earned from an increase in the volume of ceded reinsurance business in the institutional channel.

**Expenses**

*Policy benefits and claims*

Policy benefits and claims were primarily driven by (i) initial reserves assumed related to new reinsurance transactions during the three months ending September 30, 2021 and (ii) an increase in net flows from both individual and institutional channel sales.

*Amortization of policy acquisition costs*

Amortization of policy acquisition costs during the three months ending September 30, 2021 was primarily driven by the amortization of insurance intangibles recognized as part of purchase accounting of the Global Atlantic acquisition. Amortization is negative (that is, a reduction to expense) as a result of the net negative value-of-business-acquired insurance intangible recognized as part of the aforementioned purchase accounting.

*Interest expense*

Interest expense for the three months ending September 30, 2021 was primarily driven by interest on debt outstanding, including interest on \$750 million of subordinated debentures issued in July 2021.

*Insurance expenses*

Insurance expenses were primarily driven by (i) commission expense related to sales, and (ii) reinsurance ceding expense allowances paid for policy administration services during the three months ending September 30, 2021.

*General, administrative and other*

General, administrative and other expenses were driven primarily by (i) employee compensation and benefits related expenses, (ii) third-party administrator ("TPA") policy servicing fees, and (iii) technology hardware and software related charges during the three months ending September 30, 2021.

**Other Unaudited Consolidated Results of Operations (GAAP Basis)**

*Income Tax Expense (Benefit)*

For the three months ended September 30, 2021, income tax expense was \$379.3 million compared to \$359.4 million in the prior period. The increase in the income tax expense was primarily due to (i) a higher level of fees and capital allocation-based income as described above earned from asset management and (ii) the inclusion of income taxes relating to Global Atlantic's insurance operations. Our effective tax rate under GAAP for the three months ended September 30, 2021 was 10.4%. For a discussion of factors that impacted KKR's tax provision, see Note 17 "Income Taxes" to the financial statements included elsewhere in this report. The amount of U.S. corporate income taxes we pay in future periods may be materially increased if adverse tax laws become enacted. See "—Business Environment—Economic and Market Conditions" in this report.

*Net Income (Loss) Attributable to Noncontrolling Interests*

Net Income (Loss) attributable to noncontrolling interests for the three months ended September 30, 2021 relates primarily to net income (loss) attributable to (i) interests of KKR Holdings and other exchangeable securities representing ownership interests in KKR Group Partnership, (ii) third-party limited partner interests in consolidated investment funds and (iii) interests that co-investors and rollover investors hold in Global Atlantic. Net income (loss) attributable to noncontrolling interests for the three months ended September 30, 2021 increased compared to the prior period primarily due to a higher level of net income generated during the three months ended September 30, 2021, allocable to the holders of the noncontrolling interests.

*Net Income (Loss) Attributable to KKR & Co. Inc.*

Net income (loss) attributable to KKR & Co. Inc. for the three months ended September 30, 2021 increased compared to the prior period primarily due to the inclusion of Global Atlantic's net income for the three months ended September 30, 2021 and the increase in net income from asset management described above.

**Consolidated Results of Operations (GAAP Basis) (Unaudited)**

The following is a discussion of our consolidated results of operations for the nine months ended September 30, 2021 and 2020. You should read this discussion in conjunction with the financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected our segment results in these periods, see "—Analysis of Segment Operating Results." See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Revenues</b>			
<i>Asset Management</i>			
Fees and Other	\$ 1,887,805	\$ 1,337,385	\$ 550,420
Capital Allocation-Based Income (Loss)	5,736,707	888,342	4,848,365
	<u>7,624,512</u>	<u>2,225,727</u>	<u>5,398,785</u>
<i>Insurance</i>			
Net Premiums	1,698,912	—	1,698,912
Policy Fees	824,326	—	824,326
Net Investment Income	1,919,659	—	1,919,659
Net Investment Gains (Losses)	32,983	—	32,983
Other Income	82,160	—	82,160
	<u>4,558,040</u>	<u>—</u>	<u>4,558,040</u>
<b>Total Revenues</b>	<b>12,182,552</b>	<b>2,225,727</b>	<b>9,956,825</b>
<b>Expenses</b>			
<i>Asset Management</i>			
Compensation and Benefits	3,419,057	1,211,526	2,207,531
Occupancy and Related Charges	51,289	51,222	67
General, Administrative and Other	608,270	491,327	116,943
	<u>4,078,616</u>	<u>1,754,075</u>	<u>2,324,541</u>
<i>Insurance</i>			
Policy Benefits and Claims	3,593,563	—	3,593,563
Amortization of Policy Acquisition Costs	(57,409)	—	(57,409)
Interest Expense	44,482	—	44,482
Insurance Expenses	242,591	—	242,591
General, Administrative and Other	371,656	—	371,656
	<u>4,194,883</u>	<u>—</u>	<u>4,194,883</u>
<b>Total Expenses</b>	<b>8,273,499</b>	<b>1,754,075</b>	<b>6,519,424</b>
<b>Investment Income (Loss) - Asset Management</b>			
Net Gains (Losses) from Investment Activities	8,032,900	(179,033)	8,211,933
Dividend Income	323,051	295,047	28,004
Interest Income	1,151,548	1,040,052	111,496
Interest Expense	(794,978)	(725,245)	(69,733)
<b>Total Investment Income (Loss)</b>	<b>8,712,521</b>	<b>430,821</b>	<b>8,281,700</b>
<b>Income (Loss) Before Taxes</b>	<b>12,621,574</b>	<b>902,473</b>	<b>11,719,101</b>

<b>Income Tax Expense (Benefit)</b>	1,161,688	204,960	956,728
<b>Net Income (Loss)</b>	11,459,886	697,513	10,762,373
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	2,856	—	2,856
Net Income (Loss) Attributable to Noncontrolling Interests	7,315,362	206,225	7,109,137
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	4,141,668	491,288	3,650,380
Series A Preferred Stock Dividends	23,656	17,466	6,190
Series B Preferred Stock Dividends	12,991	7,557	5,434
Series C Mandatory Convertible Preferred Stock Dividends	51,750	—	51,750
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Common Stockholders</b>	<b>\$ 4,053,271</b>	<b>\$ 466,265</b>	<b>\$ 3,587,006</b>

## Unaudited Consolidated Results of Operations (GAAP Basis) - Asset Management

### Revenues

For the nine months ended September 30, 2021 and 2020, revenues consisted of the following:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
Management Fees	\$ 931,624	\$ 696,892	\$ 234,732
Fee Credits	(322,402)	(185,746)	(136,656)
Transaction Fees	978,399	561,259	417,140
Monitoring Fees	98,164	86,875	11,289
Incentive Fees	13,092	731	12,361
Expense Reimbursements	122,642	100,779	21,863
Oil and Gas Revenue	—	21,054	(21,054)
Consulting Fees	66,286	55,541	10,745
<b>Total Fees and Other</b>	<b>1,887,805</b>	<b>1,337,385</b>	<b>550,420</b>
Carried Interest	4,553,527	626,338	3,927,189
General Partner Capital Interest	1,183,180	262,004	921,176
<b>Total Capital Allocation-Based Income (Loss)</b>	<b>5,736,707</b>	<b>888,342</b>	<b>4,848,365</b>
<b>Total Revenues - Asset Management</b>	<b>\$ 7,624,512</b>	<b>\$ 2,225,727</b>	<b>\$ 5,398,785</b>

### Fees and Other

Total Fees and Other for the nine months ended September 30, 2021 increased compared to the nine months ended September 30, 2020 primarily as a result of the increase in transaction fees and management fees.

For a more detailed discussion of the factors that affected our transaction fees during the period, see "—Analysis of Asset Management Segment Operating Earnings."

The increase in management fees was primarily due to management fees earned from Asian Fund IV, which entered its investment period in the third quarter of 2020, and North America Fund XIII, Health Care Strategic Growth Fund II, and Global Infrastructure Investors IV, all of which entered their investment periods in the second quarter of 2021. These increases were partially offset by a decrease in management fees earned from Asian Fund III and Americas Fund XII as a result of entering their post-investment periods in the third quarter of 2020 and second quarter of 2021, respectively, and both now earn fees based on capital invested rather than capital committed and at a lower fee rate.

Management fees due from consolidated investment funds and other vehicles are eliminated upon consolidation under GAAP. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity. For a more detailed discussion on the factors that affect our management fees during the period including the fees earned from unconsolidated investment funds and other vehicles, see "—Analysis of Asset Management Segment Operating Earnings."

Fee credits increased compared to the prior period as a result of a higher level of transaction fees in our Private Markets and Public Markets business lines. Fee credits owed to consolidated investment funds are eliminated upon consolidation under GAAP. However, because these amounts are owed to noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds and other vehicles is decreased by the amount of fee credits that are eliminated. Accordingly, the elimination of these fee credits does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

Transaction and monitoring fees earned from KKR portfolio companies are not eliminated upon consolidation because those fees are earned from companies which are not consolidated. Furthermore, transaction fees earned in our Capital Markets business line are not shared with fund investors. Accordingly, certain transaction fees are reflected in revenues without a corresponding fee credit.

*Capital Allocation-Based Income (Loss)*

Capital Allocation-Based Income (Loss) for the nine months ended September 30, 2021 was positive primarily due to the net appreciation of the underlying investments at our carry earning investment funds, most notably Americas Fund XII, Asian Fund III and North America Fund XI. Capital Allocation-Based Income (Loss) for the nine months ended September 30, 2020 was positive due to the net appreciation of the underlying investments at our carry earning investment funds, most notably Americas Fund XII, Asian Fund III and North America Fund XI.

KKR generally calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. Additionally, unrealized carried interest and general partner capital interest reverse upon a realization, and unrealized carried interest and general partner capital interest can be negative if the amount of realized carried interest exceeds total unrealized carried interest generated in the period.

*Investment Income (Loss) - Asset Management*

*Net Gains (Losses) from Investment Activities*

The following is a summary of net gains (losses) from investment activities:

	<b>Nine Months Ended</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
	(\$ in thousands)	
Private Equity	\$ 4,802,006	\$ 1,456,254
Credit	118,327	(541,388)
Investments of Consolidated CFEs	218,729	(552,093)
Real Assets	1,392,306	(221,562)
Equity Method - Other	715,576	244,193
Other Investments	554,557	(597,787)
Debt Obligations and Other	(37,163)	303,261
Other Net Gains (Losses) from Investment Activities	268,562	(269,911)
<b>Net Gains (Losses) from Investment Activities</b>	<b>\$ 8,032,900</b>	<b>\$ (179,033)</b>

*Net Gains (Losses) from Investment Activities for the nine months ended September 30, 2021*

The net gains from investment activities for the nine months ended September 30, 2021 were comprised of net realized gains of \$1,533.0 million and net unrealized gains of \$6,499.9 million.

Investment gains and losses relating to our general partner capital interest in our unconsolidated funds are not reflected in our discussion and analysis of Net Gains (Losses) from Investment Activities. Our economics associated with these gains and losses are reflected in Capital Allocation-Based Income (Loss) as described above. For a discussion and analysis of the investment gains or losses relating to the investments in our unconsolidated funds, see "—Analysis of Asset Management Segment Operating Results."

*Realized Gains and Losses from Investment Activities*

For the nine months ended September 30, 2021, net realized gains related primarily to the sales of our investments in FanDuel Inc., Mr. Cooper Group Inc., and BridgeBio Pharma, Inc. (NASDAQ: BBIO). Partially offsetting these realized gains were realized losses primarily relating to certain investments held in our consolidated credit funds and realized losses related to certain hedging instruments.

*Unrealized Gains and Losses from Investment Activities*

For the nine months ended September 30, 2021, net unrealized gains were driven primarily by (i) mark-to-market gains from private equity, growth equity and core investments held by KKR and certain consolidated funds, the most significant of which were PetVet Care Centers, LLC, Heartland Dental LLC and OutSystems Holdings S.A. and (ii) mark-to-market gains from certain investments held in our real estate funds. These unrealized gains were partially offset by (i) the reversal of previously recognized unrealized gains relating to the realization activity described above and (ii) unrealized loss on BridgeBio Pharma, Inc. (NASDAQ: BBIO)..

For a discussion of other factors that affected KKR's realized investment income, see "—Analysis of Asset Management Segment Operating Results."

*Net Gains (Losses) from Investment Activities for the nine months ended September 30, 2020*

The net losses from investment activities for the nine months ended September 30, 2020 were comprised of net realized gains of \$281.4 million and net unrealized losses of \$(460.4) million.

*Realized Gains and Losses from Investment Activities*

For the nine months ended September 30, 2020, net realized gains related primarily to (i) the sale of our investment in Hut Group Limited, (ii) the sale of our investment in Ivalua SAS, (iii) a partial sale of our investment in BridgeBio Pharma, Inc. and (iv) a partial sale of our investment in Fiserv Inc. Partially offsetting these realized gains were realized losses primarily relating to (i) an \$88.3 million impairment charge taken on one of our investments that is accounted for under the equity method of accounting, (ii) a realized loss on the partial sale of our investment in LCI Helicopters Limited (financial services sector) and (iii) realization of losses on certain investments held through consolidated CLOs.

*Unrealized Gains and Losses from Investment Activities*

For the nine months ended September 30, 2020, net unrealized losses were driven primarily by (i) the reversal of previously recognized unrealized gains relating to the realization activity described above, (ii) mark-to-market losses on our investment in Fiserv, Inc., which is held in our funds and as a co-investment by KKR, (iii) mark-to-market losses on investments held in consolidated credit, real estate and energy funds, and (iv) mark-to-market losses on certain investments held through consolidated CLOs. Partially offsetting these unrealized losses were unrealized gains relating to mark-to-market gains in our private equity, growth equity, and core investments held by KKR and certain consolidated entities, the most significant of which were FanDuel Inc. (technology sector), Arnott's Biscuits Limited and PetVet Care Centers, LLC.

For a discussion of other factors that affected KKR's realized investment income, see "—Analysis of Asset Management Segment Operating Results."

*Dividend Income*

During the nine months ended September 30, 2021, the most significant dividends received included (i) \$138.0 million from our consolidated real estate and infrastructure funds, (ii) \$33.9 million from our consolidated energy funds and (iii) \$26.9 million from our investment in Viridor Limited. During the nine months ended September 30, 2020, the most significant dividends received included \$128.8 million from our consolidated real estate funds, \$62.5 million from our investment in Fiserv, Inc. and \$48.9 million from our investment in Epicor Software Corporation.

Significant dividends from portfolio companies and consolidated funds are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Analysis of Asset Management Segment Operating Results."

*Interest Income*

The increase in interest income during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to (i) a higher level of interest income from certain of our consolidated credit funds, primarily related to an increase in the amount of capital deployed and (ii) the impact of closing additional CLOs that are consolidated subsequent to September 30, 2020. Partially offsetting these increases was a lower level of interest income earned from our consolidated special situations funds, due to an overall decrease in (i) interest rates and (ii) outstanding balance of interest-earning investments since these consolidated funds are in their post investment periods compared to the nine months ended September 30, 2020. For a discussion of other factors that affected KKR's interest income, see "—Analysis of Asset Management Segment Operating Results."

*Interest Expense*

The increase in interest expense during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to (i) the impact of issuances of our senior notes, (ii) an increase in the amount of borrowings outstanding from the financing arrangements of consolidated investment funds and other vehicles and (iii) impact of closing additional CLOs that are consolidated subsequent to September 30, 2020. These increases were partially offset by a lower level of interest expense on debt obligations of KREF as a result of a decrease in interest rates compared to the prior period. For a discussion of other factors that affected KKR's interest expense, see "—Analysis of Non-GAAP Performance Measures."

*Expenses - Asset Management*

*Compensation and Benefits Expenses*

The increase in compensation and benefits expenses during the nine months ended September 30, 2021 compared to the prior period was primarily due to (i) a higher level of accrued carried interest compensation resulting from a higher level of carried interest from the appreciation in the value of our investment portfolio in the current period and (ii) a higher level of accrued discretionary compensation and benefits resulting from a higher level of fee revenue, realized performance income and realized investment income in the current period.

*General, Administrative and Other*

The increase in general, administrative and other expenses during the nine months ended September 30, 2021 compared to the prior period was primarily due to (i) a higher level of expenses reimbursable by our investment funds, (ii) a higher level of expenses in our consolidated investment funds and other vehicles, (iii) placement fees incurred related to capital raising activities for various private markets investment funds and (iv) a higher level of broken-deal expenses. The level of broken-deal expenses can vary significantly period to period based upon a number of factors, the most significant of which are the number of potential investments being pursued for our investment funds, the size and complexity of investments being pursued and the number of investment funds currently in their investment period.



**Consolidated Results of Operations (GAAP Basis) - Insurance (Unaudited)**

**Revenues**

For the nine months ended September 30, 2021, revenues consisted of the following:

	<b>Nine Months Ended</b>	
	<b>September 30, 2021</b>	
	<b>(\$ in thousands)</b>	
Net Premiums	\$	1,698,912
Policy Fees		824,326
Net Investment Income		1,919,659
Net Investment Gains (Losses)		32,983
Other Income		82,160
<b>Total Insurance Revenues</b>	<b>\$</b>	<b>4,558,040</b>

*Net Premiums*

Net premiums were primarily driven by initial premiums related to new reinsurance transactions with life contingencies assumed during the nine months ending September 30, 2021. These initial premiums are offset by a comparable increase in policy reserves reported within policy benefits and claims (as discussed below).

*Policy fees*

Policy fees were primarily driven by cost of insurance, administrative, and rider fees in the individual market channel during the nine months ending September 30, 2021.

*Net investment income*

Net investment income was primarily driven by insurance segment investments and the effective book yield (as determined, in part, by the allocated fair value of the investment portfolio as determined as of the GA Acquisition Date). Average insurance segment investments were primarily driven by net inflows of assets from the individual markets and institutional channels. The impact of higher asset balances was partially offset by lower income primarily due to elevated cash levels during the quarter related to recent reinsurance transactions pending reinvestment.

*Net investment gains*

The components of net investment gains were as follows:

	<b>Nine Months Ended</b>	
	<b>September 30, 2021</b>	
	<b>(\$ in thousands)</b>	
Equity index options	\$	275,035
Embedded derivatives on funds withheld at interest		117,248
Equity future contracts		(171,982)
Interest rate contracts		(149,274)
Foreign currency forwards		(675)
Credit risk contracts		(254)
<b>Net gains on derivative instruments</b>		<b>70,098</b>
Net other investment losses		(37,115)
<b>Net investment gains</b>	<b>\$</b>	<b>32,983</b>

*Net gains on derivative instruments*

The increase in the fair value of equity index options were primarily driven by the performance of the indexes upon which call options are based. Global Atlantic purchases equity index options to hedge the market risk of embedded derivatives in

indexed universal life and fixed-indexed annuity products (the change for which is accounted for in policy benefits and claims). The majority of Global Atlantic's equity index call options are based on the S&P 500 index, which increased during the nine months ended September 30, 2021.

The increase in the fair value of embedded derivatives on funds withheld at interest were primarily driven by the decrease in fair value of the underlying investments in the funds withheld payable portfolio.

The decrease in the fair value of equity futures and interest rate contracts were driven primarily by the performance of equity markets and credit markets. Global Atlantic purchases equity futures primarily to hedge the market risk in our variable annuity products which are accounted for in policy benefits and claims. The majority of Global Atlantic's equity futures are based on the S&P 500 Index, which increased during the nine months ended September 30, 2021, resulting in a loss on equity futures contracts. Market interest rates increased during the nine months ended September 30, 2021, resulting in a loss on interest rate contracts.

#### *Net other investment losses*

Net other investment losses for the nine months ended September 30, 2021 were primarily due to (i) the recognition of an initial credit loan loss allowance as a result of the adoption of the current expected credit loss accounting standard concurrent with the GA Acquisition, (ii) net unrealized losses on trading fixed maturity securities underlying a portion of the funds withheld payable at interest portfolio due to an increase in market interest rates, and (iii) losses on the sale of AFS securities. Offsetting these losses were unrealized gains on the valuation of equity investments in solar facility developers.

#### *Other income*

Other income is mainly driven by administration, management fees and distribution fees, modestly increasing during the nine months ended September 30, 2021 driven by higher administration fees earned from an increase in the volume of ceded reinsured business in the institutional channel.

### **Expenses**

#### *Policy benefits and claims*

Policy benefits and claims were primarily driven by (i) initial reserves related to new reinsurance transactions, during the eight months ended September 30, 2021, (ii) an increase in the value of embedded derivatives in Global Atlantic's indexed universal life and fixed indexed annuity products, as a result of higher equity market returns (as discussed above under "Revenues—Total Insurance Revenues—Net gains on derivative instruments," Global Atlantic purchases equity index options in order to hedge this risk, the fair value changes of which are accounted for in gains on derivative instruments, and generally offsetting the change in embedded derivative fair value reported in policy benefits and claims), and (iii) an increase in net flows in the institutional and individual channels, all offset by a decrease in variable annuity reserves primarily due to higher equity market returns and market interest rates.

#### *Amortization of policy acquisition costs*

Amortization of policy acquisition costs during the nine months ended September 30, 2021 was primarily driven by the amortization of insurance intangibles recognized as part of purchase accounting of the Global Atlantic acquisition. Amortization is negative (that is, a reduction to expense) as a result of the net negative value-of-business-acquired insurance intangible recognized as part of the aforementioned purchase accounting.

#### *Interest expense*

Interest expense for the nine month period ended September 30, 2021 primarily reflects (i) a net increase in debt outstanding due to the issuance of new senior and subordinated notes, partially offset by the pay-down of other debt and (ii) the impact of the decrease in interest rates on interest rate swaps.

#### *Insurance expenses*

Insurance expenses were primarily driven by (i) commission expense related to sales, and (ii) reinsurance ceding expense allowances paid for policy administration services during the nine month period ended September 30, 2021.

*General, administrative and other*

General, administrative and other expenses were driven primarily by (i) employee compensation and benefits related expenses, (ii) third-party administrator policy servicing fees, and (iii) technology hardware and software related charges during the nine months ended September 30, 2021.

**Other Unaudited Consolidated Results of Operations (GAAP Basis)**

*Income Tax Expense (Benefit)*

For the nine months ended September 30, 2021, income tax expense was \$1,161.7 million compared to \$205.0 million in the prior period. The increase in the income tax expense was primarily due to (i) a higher level of fees, capital allocation-based income and investment income as described above earned from asset management operations and (ii) the inclusion of income taxes relating to Global Atlantic's insurance operations. Our effective tax rate under GAAP for the nine months ended September 30, 2021 was 9.2%. For a discussion of factors that impacted KKR's tax provision, see Note 17 "Income Taxes" to the financial statements included elsewhere in this report. The amount of U.S. corporate income taxes we pay in future periods may be materially increased if adverse tax laws become enacted. See "— Business Environment-- Economic and Market Conditions" in this report.

*Net Income (Loss) Attributable to Noncontrolling Interests*

Net Income (Loss) attributable to noncontrolling interests for the nine months ended September 30, 2021 relates primarily to net income (loss) attributable to (i) interests of KKR Holdings and other exchangeable securities representing ownership interests in KKR Group Partnership, (ii) third-party limited partner interests in consolidated investment funds and (iii) interests that co-investors and rollover investors hold in Global Atlantic. Net income (loss) attributable to noncontrolling interests for the nine months ended September 30, 2021 increased compared to the prior period primarily due to a higher level of net income generated during the nine months ended September 30, 2021, allocable to the holders of the noncontrolling interests.

*Net Income (Loss) Attributable to KKR & Co. Inc.*

Net income (loss) attributable to KKR & Co. Inc. for the nine months ended September 30, 2021 increased compared to the prior period due primarily to (i) a higher level of net gains from investment activities, capital allocation-based income, and fees earned from the asset management operations during the nine months ended September 30, 2021 as described above and (ii) the acquisition of Global Atlantic, which was completed in February 2021. These increases were partially offset by accrued carried interest compensation and income tax expense, each as described above.

**Condensed Consolidated Statements of Financial Condition (GAAP Basis) (Unaudited)**

The following table provides the Unaudited Condensed Consolidated Statements of Financial Condition on a GAAP basis as of September 30, 2021 and December 31, 2020.

(Amounts in thousands, except per share amounts)

	As of September 30, 2021	As of December 31, 2020
<b>Assets</b>		
<i>Asset Management</i>		
Cash and Cash Equivalents	\$ 7,256,382	\$ 6,507,874
Investments	89,908,570	69,274,715
Other Assets	4,197,822	4,023,913
	<u>101,362,774</u>	<u>79,806,502</u>
<i>Insurance</i>		
Cash and Cash Equivalents	4,717,240	—
Investments	121,214,570	—
Other Assets	38,505,066	—
	<u>164,436,876</u>	<u>—</u>
<b>Total Assets</b>	<b>\$ 265,799,650</b>	<b>\$ 79,806,502</b>
<b>Liabilities and Equity</b>		
<i>Asset Management</i>		
Debt Obligations	\$ 38,988,544	\$ 33,423,596
Other Liabilities	9,214,442	5,582,990
	<u>48,202,986</u>	<u>39,006,586</u>
<i>Insurance</i>		
Debt Obligations	2,162,591	—
Other Liabilities	158,376,520	—
	<u>160,539,111</u>	<u>—</u>
<b>Total Liabilities</b>	<b>\$ 208,742,097</b>	<b>\$ 39,006,586</b>
<b>Redeemable Noncontrolling Interests</b>	<b>93,339</b>	<b>—</b>
<b>Stockholders' Equity</b>		
KKR & Co. Inc. Stockholders' Equity - Series A and B Preferred Stock	—	482,554
KKR & Co. Inc. Stockholders' Equity - Series C Mandatory Convertible Preferred Stock	1,115,792	1,115,792
KKR & Co. Inc. Stockholders' Equity - Series I and II Preferred Stock, Common Stock	15,817,178	12,118,472
Noncontrolling Interests	40,031,244	27,083,098
<b>Total Equity</b>	<b>56,964,214</b>	<b>40,799,916</b>
<b>Total Liabilities and Equity</b>	<b>\$ 265,799,650</b>	<b>\$ 79,806,502</b>
<b>KKR &amp; Co. Inc. Stockholders' Equity - Common Stock Per Outstanding Share of Common Stock</b>	<b>\$ 27.13</b>	<b>\$ 21.15</b>

KKR & Co. Inc. Stockholders' Equity - Common Stock per Outstanding Share of Common Stock was \$27.13 as of September 30, 2021, up from \$21.15 as of December 31, 2020. The increase was primarily due to the net income attributable to KKR & Co. Inc. common stockholders during the nine months of 2021, partially offset by (i) unrealized losses on available-for-sale-securities from Global Atlantic that are recorded in other comprehensive income, (ii) dividends to common stockholders, and (iii) repurchases of common stock.

## **Consolidated Statements of Cash Flows (GAAP Basis)**

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which include certain consolidated investment funds, CLOs and certain variable interest entities formed by Global Atlantic notwithstanding the fact that we may hold only a minority economic interest in those investment funds and CFEs.

The assets of our consolidated investment funds and CFEs, on a gross basis, can be substantially larger than the assets of our business and, accordingly, could have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

### *Net Cash Provided (Used) by Operating Activities*

Our net cash provided (used) by operating activities was \$(3.6) billion and \$(4.1) billion during the nine months ended September 30, 2021 and 2020, respectively. These amounts primarily included: (i) investments purchased (asset management), net of proceeds from investments of \$(7.1) billion and \$(4.4) billion during the nine months ended September 30, 2021 and 2020, respectively, (ii) net realized gains (losses) on asset management investments of \$1,533.0 million and \$281.4 million during the nine months ended September 30, 2021 and 2020, respectively, (iii) change in unrealized gains (losses) on investments of \$6.5 billion and \$(0.5) billion during the nine months ended September 30, 2021 and 2020, respectively, (iv) capital allocation-based income (loss) of \$5.7 billion and \$0.9 billion during the nine months ended September 30, 2021 and 2020, respectively and (v) net realized gains (losses) on insurance operations of \$(642.6) million during the nine months ended September 30, 2021. Investment funds are investment companies under GAAP and reflect their investments and other financial instruments at fair value.

### *Net Cash Provided (Used) by Investing Activities*

Our net cash provided (used) by investing activities was \$(7.0) billion and \$(0.1) billion during the nine months ended September 30, 2021 and 2020, respectively. Our investing activities included: (i) investments purchased (insurance), net of proceeds from investments of \$(5.8) billion during the nine months ended September 30, 2021, (ii) acquisitions, net of cash acquired of \$(473.8) million during the nine months ended September 30, 2021, (iii) the purchase of fixed assets of \$(82.5) million and \$(100.3) million during the nine months ended September 30, 2021 and 2020, respectively and (iv) development of oil and natural gas properties of \$(11.1) million for the nine months ended September 30, 2020.

### *Net Cash Provided (Used) by Financing Activities*

Our net cash provided (used) by financing activities was \$16.1 billion and \$6.9 billion during the nine months ended September 30, 2021 and 2020, respectively. Our financing activities primarily included: (i) contributions by, net of distributions to, our noncontrolling and redeemable noncontrolling interests of \$4.9 billion and \$2.2 billion during the nine months ended September 30, 2021 and 2020, respectively, (ii) proceeds received net of repayment of debt obligations of \$6.7 billion and \$4.2 billion during the nine months ended September 30, 2021 and 2020, respectively, (iii) additions to, net of withdrawals from contractholder deposit funds of \$5.1 billion during the nine months ended September 30, 2021, (iv) common stock dividends of \$(246.7) million and \$(220.5) million during the nine months ended September 30, 2021 and 2020, respectively; (v) net delivery of common stock of \$(106.9) million and \$(40.6) million during the nine months ended September 30, 2021 and 2020, respectively; (vi) repurchases of common stock of \$(135.9) million and \$(246.2) million during the nine months ended September 30, 2021 and 2020, respectively; (vii) Series A and B Preferred Stock dividends of \$(19.2) million and \$(25.0) million during the nine months ended September 30, 2021 and 2020, respectively; (viii) Series C Mandatory Convertible Preferred Stock dividends of \$(51.8) million during the nine months ended September 30, 2021; (ix) private placement share issuance of \$38.5 million during the nine months ended September 30, 2021 and (x) redemption of Series A and B Preferred Stock of \$(500.0) million during the nine months ended September 30, 2021.

## Analysis of Segment Operating Results

The following is a discussion of the results of our business on a segment basis for the three and nine months ended September 30, 2021 and 2020. You should read this discussion in conjunction with the information included under "—Key Non-GAAP Performance Measures and Other Operating Measures" and the financial statements and related notes included elsewhere in this report. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

In connection with our acquisition of Global Atlantic on February 1, 2021, management reevaluated the manner in which we manage and assess the performance of our business and allocate resources. As a result, we have introduced a new Insurance segment and report segment results for two operating and reportable segments: Asset Management and Insurance. See Note 20 "Segment Reporting" to our financial statements included elsewhere in this report.

## Analysis of Asset Management Segment Operating Results

The following tables set forth information regarding KKR's Asset Management segment operating results and certain key capital metrics as of and for the three months ended September 30, 2021 and 2020:

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
Management Fees	\$ 559,016	\$ 369,442	\$ 189,574
Transaction and Monitoring Fees, Net	249,670	201,086	48,584
Fee Related Performance Revenues	9,897	10,181	(284)
Fee Related Compensation	(184,224)	(170,220)	(14,004)
Other Operating Expenses	(104,772)	(86,472)	(18,300)
Fee Related Earnings	529,587	324,017	205,570
Realized Performance Income	432,784	224,020	208,764
Realized Performance Income Compensation	(274,955)	(157,885)	(117,070)
Realized Investment Income	447,565	260,415	187,150
Realized Investment Income Compensation	(67,142)	(56,803)	(10,339)
<b>Asset Management Segment Operating Earnings</b>	<b>\$ 1,067,839</b>	<b>\$ 593,764</b>	<b>\$ 474,075</b>

## Management Fees

The following table presents management fees by business line for the three months ended September 30, 2021 and 2020:

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
<b>Management Fees</b>			
Private Markets	\$ 385,692	\$ 250,124	\$ 135,568
Public Markets	173,324	119,318	54,006
<b>Total Management Fees</b>	<b>\$ 559,016</b>	<b>\$ 369,442</b>	<b>\$ 189,574</b>

The increase in Private Markets management fees was primarily due to management fees earned from (i) North America Fund XIII, Global Infrastructure Investors IV, Health Care Strategic Growth Fund II, and Real Estate Partners Americas III, each of which entered their investment period in 2021 and (ii) Asian Fund IV, which entered its investment period in the third quarter of 2020. These increases were partially offset by a decrease in management fees earned by Americas Fund XII as a result of entering its post-investment period in the second quarter of 2021, and now earning fees based on capital invested rather than capital committed and at a lower fee rate.

The increase in Public Markets management fees was primarily attributable to (i) management fees earned from Global Atlantic, (ii) the issuance of new CLOs subsequent to September 30, 2020 and (iii) greater overall FPAUM at our opportunistic credit, direct lending, and dislocation opportunities strategies.

### **Transaction and Monitoring Fees, Net**

The following table presents transaction and monitoring fees, net by business line for the three months ended September 30, 2021 and 2020:

	<b>Three Months Ended</b>		
	<b>September 30, 2021</b>	<b>September 30, 2020</b>	<b>Change</b>
(\$ in thousands)			
<b>Transaction and Monitoring Fees, Net</b>			
Private Markets	\$ 49,211	\$ 42,566	\$ 6,645
Public Markets	4,397	254	4,143
Capital Markets	196,062	158,266	37,796
<b>Total Transaction and Monitoring Fees, Net</b>	<b>\$ 249,670</b>	<b>\$ 201,086</b>	<b>\$ 48,584</b>

Our Capital Markets business line earns transaction fees, which are not shared with fund investors. The increase in transaction fees was primarily due to an increase in the number and average size of capital markets transactions for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. Overall, we completed 87 capital markets transactions for the three months ended September 30, 2021, of which 15 represented equity offerings and 72 represented debt offerings, as compared to 47 transactions for the three months ended September 30, 2020, of which 12 represented equity offerings and 35 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this business line is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we earn for similar transactions generally correlates with overall transaction sizes.

Our capital markets fees are generated in connection with our Private Markets and Public Markets business lines as well as from third-party companies. For the three months ended September 30, 2021, approximately 23% of our transaction fees in our Capital Markets business line were earned from unaffiliated third parties as compared to approximately 10% for the three months ended September 30, 2020. Our transaction fees are comprised of fees earned from North America, Europe, and the Asia-Pacific region. For the three months ended September 30, 2021, approximately 23% of our transaction fees were generated outside of North America as compared to approximately 78% for the three months ended September 30, 2020. Our Capital Markets business line is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads, and volatility. Our Capital Markets business line does not generate monitoring fees.

Our Private Markets and Public Markets business lines separately earn transaction and monitoring fees from portfolio companies, and under the terms of the management agreements with certain of our investment funds, we are required to share all or a portion of such fees with our fund investors.

The increase in Private Markets transaction and monitoring fees, net was primarily attributable to an increase in net transaction fees. During the three months ended September 30, 2021, there were 20 transaction fee-generating investments that paid an average fee of \$10.4 million compared to 19 transaction fee-generating investments that paid an average fee of \$7.0 million during the three months ended September 30, 2020. For the three months ended September 30, 2021, approximately 78% of these transaction fees were paid by companies in North America, 13% were paid from companies in Europe, and 9% of these transaction fees were paid from companies in the Asia-Pacific region. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular agreements as to the amount of the fees, the complexity of the transaction, and KKR's role in the transaction. Additionally, transaction fees are generally not earned with respect to energy and real estate investments.

**Fee Related Performance Revenues**

The following table presents fee related performance revenues by business line for the three months ended September 30, 2021 and 2020:

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Fee Related Performance Revenues</b>			
Private Markets	\$ 1,568	\$ 701	\$ 867
Public Markets	8,329	9,480	(1,151)
<b>Total Fee Related Performance Revenues</b>	<b>\$ 9,897</b>	<b>\$ 10,181</b>	<b>\$ (284)</b>

Fee related performance revenues earned in our Private Markets and Public Markets business lines represent realized incentive fees that (i) are measured and received from an investment fund, vehicle or account on a recurring basis, and (ii) do not require the realization of the investments held by the investment fund, vehicle or account. These incentive fees are primarily earned from our BDC and our investment in KREF. Fee related performance revenues were slightly lower for the three months ended September 30, 2021 compared to the prior period.

**Fee Related Compensation**

The increase in fee related compensation for the three months ended September 30, 2021 compared to the prior period was primarily due to a higher level of compensation recorded in connection with the higher level of revenues included within fee related earnings.

**Other Operating Expenses**

The increase in other operating expenses for the three months ended September 30, 2021 compared to the prior period was primarily due to a higher level of (i) placement fees related to capital raising activities and (ii) professional fees, information technology and other administrative costs in connection with the overall growth of the firm.

**Fee Related Earnings**

The increase in fee related earnings for the three months ended September 30, 2021 compared to the prior period was primarily due to a higher level of management fees and transaction fees, partially offset by a higher level of fee related compensation and other operating expenses, as described above.

**Realized Performance Income**

The following table presents realized performance income by business line for the three months ended September 30, 2021 and 2020:

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Realized Performance Income</b>			
Private Markets	\$ 413,114	\$ 217,978	\$ 195,136
Public Markets	19,670	6,042	13,628
<b>Total Realized Performance Income</b>	<b>\$ 432,784</b>	<b>\$ 224,020</b>	<b>\$ 208,764</b>



	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Private Markets</b>			
Americas Fund XII	\$ 207,559	\$ —	\$ 207,559
2006 Fund	81,356	55,846	25,510
North America Fund XI	72,313	42,807	29,506
Co-Investment Vehicles and Other	22,514	76,950	(54,436)
Next Generation Technology Growth Fund	18,160	13,964	4,196
Real Estate Partners Europe	11,212	—	11,212
European Fund IV	—	27,980	(27,980)
Asian Fund	—	431	(431)
<b>Total Realized Carried Interest <sup>(1)</sup></b>	<b>413,114</b>	<b>217,978</b>	<b>195,136</b>
Incentive Fees	—	—	—
<b>Total Realized Performance Income</b>	<b>\$ 413,114</b>	<b>\$ 217,978</b>	<b>\$ 195,136</b>

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Public Markets</b>			
<b>Total Realized Carried Interest <sup>(1)</sup></b>	—	—	—
Incentive Fees	19,670	6,042	13,628
<b>Total Realized Performance Income</b>	<b>\$ 19,670</b>	<b>\$ 6,042</b>	<b>\$ 13,628</b>

(1) The above tables exclude any funds for which there was no realized carried interest during both of the periods presented.

Realized performance income includes (i) realized carried interest from our carry earning funds and (ii) incentive fees not included in Fee Related Performance Revenues.

Realized carried interest in our Private Markets business line for the three months ended September 30, 2021 consisted primarily of realized proceeds from the sales of our investments in The Bountiful Company (consumer products sector), Ingersoll Rand Inc. (NASDAQ: IR) and Academy Sports & Outdoors Inc. (NASDAQ: ASO).

Realized carried interest in our Private Markets business line for the three months ended September 30, 2020 consisted primarily of realized proceeds from the (i) sales of our investments in The Hut Group Limited and SoftwareOne Holding AG (technology sector) and (ii) dividends received from our investment in Epicor Software Corporation.

During the three months ended September 30, 2021 and September 30, 2020, there was no realized carried interest earned in our Public Markets business line.

Incentive fees earned in our Public Markets business line consist primarily of incentive fees earned from our hedge fund partnerships and certain incentive fee eligible leveraged credit accounts. The increase in incentive fees for the three months ended September 30, 2021 compared to the prior period was primarily attributable to a higher level of incentives earned from (i) certain incentive fee eligible leveraged credit accounts and (ii) our hedge fund partnerships as a result of investor redemptions.

#### **Realized Performance Income Compensation**

The increase in realized performance income compensation for the three months ended September 30, 2021 compared to the prior period was primarily due to a higher level of compensation recorded in connection with the higher level of realized performance income.

**Realized Investment Income**

The following table presents realized investment income in our Principal Activities business line for the three months ended September 30, 2021 and 2020:

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Realized Investment Income</b>			
Net Realized Gains (Losses)	\$ 389,837	\$ 172,224	\$ 217,613
Interest Income and Dividends	57,728	88,191	(30,463)
<b>Total Realized Investment Income</b>	<b>\$ 447,565</b>	<b>\$ 260,415</b>	<b>\$ 187,150</b>

The increase in realized investment income is due to a higher level of net realized gains partially offset by a lower level of interest income and dividends. The amount of realized investment income depends on the transaction activity of our funds and balance sheet, which can vary from period to period.

For the three months ended September 30, 2021, net realized gains were comprised of realized gains primarily from the sale of our Private Markets investments in Mr. Cooper Group Inc., FanDuel Inc., and The Bountiful Company. Partially offsetting these realized gains were realized losses related to certain alternative credit investments.

For the three months ended September 30, 2020, net realized gains were comprised of realized gains primarily from the sale of our Private Markets investments in The Hut Group Limited, Ivalua SAS, and Fiserv, Inc. Partially offsetting these realized gains were realized losses, the most significant of which was a realized loss on our investment in Yorktown Center (real estate).

For the three months ended September 30, 2021, interest income and dividends were comprised of (i) \$29.3 million of dividend income primarily from our real asset investments including our investment in KREF and (ii) \$28.4 million of interest income from our Public Markets investments in CLOs.

For the three months ended September 30, 2020, interest income and dividends were comprised of (i) \$57.1 million of dividend income from our investment in Epicor Software Corporation and distributions received through our real estate investments including our investment in KREF and (ii) \$31.1 million of interest income from our investments held at our Capital Markets business line, investments in CLOs and our cash balances. See "—Analysis of Non-GAAP Performance Measures—Non-GAAP Balance Sheet Measures."

We expect realized performance income and realized investment income to be greater than \$1.0 billion in the fourth quarter of 2021 relating to realized incentive fees from Marshall Wace, realized carried interest and realized investment income from completed, or signed and expected to be completed sales, partial sales or secondary sales subsequent to September 30, 2021 with respect to certain private equity portfolio companies and other investments. Some of these transactions are not complete, and are subject to the satisfaction of closing conditions, including but not limited to regulatory approvals; there can be no assurance if or when any of these transactions will be completed.

Prior to the acquisition of KKR Capstone on January 1, 2020, (i) KKR Capstone's financial results were consolidated with KKR's financial results in accordance with GAAP, and as such the fees and expenses attributable to KKR Capstone were included in KKR's consolidated revenues and expenses, and (ii) KKR Capstone's financial results were excluded from KKR's non-GAAP financial measures, because KKR presented its non-GAAP financial measures prior to the effect to the consolidation of certain entities that were not subsidiaries of KKR. Following the acquisition of KKR Capstone on January 1, 2020, after-tax distributable earnings includes the net income (loss) from KKR Capstone within realized investment income (loss).

For the quarter ended September 30, 2021, total fees attributable to KKR Capstone were \$25.2 million, total expenses attributable to KKR Capstone were \$18.5 million and income taxes and other income attributable to Capstone were \$(0.3) million. For KKR Capstone-related adjustments in reconciling Asset Management segment revenues to GAAP revenues see "—Analysis of Non-GAAP Performance Measures—Reconciliations to GAAP Measures".

### Realized Investment Income Compensation

The increase in realized investment income compensation for the three months ended September 30, 2021 compared to the prior period is primarily due to a higher level of compensation recorded in connection with the higher level of realized investment income.

### Other Operating and Capital Measures

The following table presents certain key operating and capital metrics as of September 30, 2021 and June 30, 2021:

	As of		
	September 30, 2021	June 30, 2021	Change
	(\$ in millions)		
<b>Assets Under Management</b>	\$ 459,081	\$ 428,948	\$ 30,134
<b>Fee Paying Assets Under Management</b>	\$ 349,079	\$ 319,344	\$ 29,735
<b>Uncalled Commitments</b>	\$ 110,992	\$ 112,130	\$ (1,138)

The following table presents one of our key capital metrics for the three months ended September 30, 2021 and 2020:

	Three Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in millions)		
<b>Capital Invested</b>	\$ 24,415	\$ 7,940	\$ 16,475

### Assets Under Management

#### Private Markets

The following table reflects the changes in our Private Markets AUM from June 30, 2021 to September 30, 2021:

	(\$ in millions)
June 30, 2021	\$ 233,575
New Capital Raised	10,616
Distributions and Other	(5,411)
Change in Value	8,802
September 30, 2021	\$ 247,582

AUM for the Private Markets business line was \$247.6 billion at September 30, 2021, an increase of \$14.0 billion, compared to \$233.6 billion at June 30, 2021.

The increase was primarily attributable to new capital raised by Global Atlantic, North America Fund XIII, and Real Estate Partners Americas III, and to a lesser extent, an increase in investment value from Asian Fund III, North America Fund XI and our core investment strategy. Partially offsetting these increases were distributions to fund investors, primarily as a result of realized proceeds, most notably from Americas Fund XII, North America Fund XI and 2006 Fund.

For the three months ended September 30, 2021, the value of our private equity investment portfolio increased 9%. This was comprised of an 11% increase in value of our privately held investments and a 2% increase in share prices of various publicly held or publicly indexed investments. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The most significant increase in value of our privately held investments related to Kokusai Electric Company (manufacturing), PetVet Care Centers, LLC, and Internet Brands, Inc. These increases in value were partially offset by decreases in value relating primarily to Magneti Marelli (industrial sector), Upfield (consumer products) and Monterra Energy (energy sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance, (ii) an increase in the value of market comparables, (iii) transactional activity related to new rounds of funding, and with respect to Kokusai Electric Company an increase in valuation reflecting an

agreement to sell a minority stake in the company. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) an unfavorable business outlook and (ii) a decrease in the value of market comparables, both influenced from the impact of COVID-19 on the economic outlook and overall market environment.

The most significant increases in share prices of various publicly held or publicly indexed investments were increases in Max Healthcare Institute Limited (NSE: MAXHEALTH), Darktrace Limited, and ForgeRock, Inc. (NYSE: FORG). These increases were partially offset by decreases in share prices of various publicly held investments, the most significant of which was a decrease in AppLovin Corporation (NASDAQ: APP), KnowBe4, Inc. (NASDAQ: KNBE) and BridgeBio Pharma, Inc. The prices of publicly held or publicly indexed companies may experience volatile changes following the reporting period.

For the three months ended September 30, 2020, the value of our private equity investment portfolio increased 12%. This was comprised of a 14% increase in value of our privately held investments and a 7% increase in share prices of various publicly held or publicly indexed investments. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The most significant increase in value of our privately held investments related to AppLovin Corporation, The Nature's Bounty Co., and Inklings Holdings LLC (media sector). These increases in value were partially offset by decreases in value relating primarily to Ticket Monster Inc. (technology sector), Novaria Group (industrial sector), and The Bay Clubs Company, LLC (hotels/leisure sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to an increase in the value of market comparables and individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) an unfavorable business outlook and (ii) a decrease in the value of market comparables, both influenced from the impact of COVID-19 on the economic outlook and overall market environment.

The most significant increases in share prices of various publicly held or publicly indexed investments were increases in Fiserv, Inc., Ingersoll Rand Inc., and Max Healthcare Institute Limited. These increases were partially offset by decreases in share prices of various publicly held investments, the most significant of which were decreases in Fujian Sunner Development Co. Ltd. (SZ: 002299) and Bharti Infratel (BHIN:IN).

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. We generally seek to reduce these risks by employing hedging transactions in connection with certain investments, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or for all investments. See "Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk" and "Risk Factors—Risks Related to the Assets We Manage—We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States" in our Annual Report.

#### Public Markets

The following table reflects the changes in our Public Markets AUM from June 30, 2021 to September 30, 2021:

	(\$ in millions)
June 30, 2021	\$ 195,372
New Capital Raised	17,655
Distributions and Other	(2,171)
Redemptions	(1,646)
Change in Value	2,289
September 30, 2021	<u>\$ 211,499</u>

AUM in our Public Markets business line totaled \$211.5 billion at September 30, 2021, an increase of \$16.1 billion compared to \$195.4 billion at June 30, 2021.

The increase was primarily attributable to new capital raised by Global Atlantic, certain leveraged credit investment funds and our hedge fund partnerships, and to a lesser extent, an increase in investment value across our credit portfolio and our hedge fund partnerships. Partially offsetting these increases were (i) distributions to fund investors as a result of realized proceeds at certain liquid and alternative credit funds, (ii) payments to Global Atlantic policyholders, and (iii) redemptions at our hedge fund partnerships.

### ***Fee Paying Assets Under Management***

#### *Private Markets*

The following table reflects the changes in our Private Markets FPAUM from June 30, 2021 to September 30, 2021:

	<b>(\$ in millions)</b>
June 30, 2021	\$ 134,936
New Capital Raised	15,008
Distributions and Other	(1,924)
Change in Value	39
September 30, 2021	<u>\$ 148,060</u>

FPAUM in our Private Markets business line was \$148.1 billion at September 30, 2021, an increase of \$13.2 billion, compared to \$134.9 billion at June 30, 2021.

The increase was primarily attributable to new capital raised by Global Atlantic, North America Fund XIII, and Real Estate Partners Americas III. Partially offsetting this increase were distributions to fund investors, primarily as a result of realized proceeds, most notably from Americas Fund XII and 2006 Fund.

Uncalled capital commitments from Private Markets investment funds from which KKR is currently not earning management fees amounted to approximately \$31.5 billion at September 30, 2021, which includes capital commitments reserved for follow-on investments for funds that have completed their investment periods. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 1.0%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed to occur and which may not occur for an extended period of time. If and when such management fees are earned, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

#### *Public Markets*

The following table reflects the changes in our Public Markets FPAUM from June 30, 2021 to September 30, 2021:

	<b>(\$ in millions)</b>
June 30, 2021	\$ 184,408
New Capital Raised	19,096
Distributions and Other	(2,827)
Redemptions	(1,646)
Change in Value	1,988
September 30, 2021	<u>\$ 201,019</u>

FPAUM in our Public Markets business line was \$201.0 billion at September 30, 2021, an increase of \$16.6 billion, compared to \$184.4 billion at June 30, 2021.

The increase was primarily attributable to new capital raised from Global Atlantic, certain alternative credit investment funds and our hedge fund partnerships, and to a lesser extent, an increase in investment value across our credit portfolio and our hedge fund partnerships. Partially offsetting these increases were (i) distributions to fund investors as a result of realized proceeds at certain alternative credit funds, (ii) payments to Global Atlantic policyholders, and (iii) redemptions at our hedge fund partnerships.

Uncalled capital commitments from Public Markets investment funds from which KKR is currently not earning management fees amounted to approximately \$6.6 billion at September 30, 2021. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 0.9%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed to occur. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

### ***Uncalled Commitments***

#### *Private Markets*

As of September 30, 2021, our Private Markets business line had \$101.3 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to \$102.1 billion as of June 30, 2021. The decrease was primarily attributable to capital called from fund investors to make investments during the period, which was partially offset by new commitments from fund investors.

#### *Public Markets*

As of September 30, 2021, our Public Markets business line had \$9.7 billion of remaining uncalled capital commitments that could be called for investments in new transactions, as compared to \$10.0 billion as of June 30, 2021. The decrease was primarily attributable to capital called from fund investors to make investments during the period, which was partially offset by new commitments from fund investors.

### ***Capital Invested***

#### *Private Markets Capital Invested*

For the three months ended September 30, 2021, Private Markets had \$14.7 billion of capital invested as compared to \$6.2 billion for the three months ended September 30, 2020. The increase was driven primarily by a \$6.6 billion increase in capital invested in our real assets strategies and a \$0.7 billion increase in capital invested in our private equity strategies (including core and growth equity (including impact) investments). Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters. During the three months ended September 30, 2021, 75% of capital deployed in private equity (including core and growth equity (including impact) investments) was in transactions in North America, 13% was in the Asia-Pacific region, and 12% was in Europe.

#### *Public Markets Capital Invested*

For the three months ended September 30, 2021, Public Markets had \$9.7 billion of capital invested as compared to \$1.7 billion for the three months ended September 30, 2020. The increase was primarily due to (i) capital deployed under our investment management agreements with Global Atlantic's insurance companies and (ii) a higher level of capital deployed across our direct lending and dislocation opportunities strategies. During the three months ended September 30, 2021, 94% of capital deployed was in transactions in North America, 5% was in Europe, and 1% was in the Asia-Pacific region.

## Analysis of Insurance Segment Operating Results

The following tables set forth information regarding KKR's insurance segment operating results and certain key operating metrics as of and for the three months September 30, 2021:

	<b>Three Months Ended</b>
	<b>September 30, 2021</b>
<b>(\$ in thousands)</b>	
Net Investment Income	\$ 771,982
Net Cost of Insurance	(436,415)
General, Administrative and Other	(139,489)
Pre-tax Insurance Operating Earnings	196,078
Income Taxes	(9,046)
Net Income Attributable to Noncontrolling Interests	(72,043)
<b>Insurance Segment Operating Earnings</b>	<b>\$ 114,989</b>

### *Insurance segment operating earnings*

Insurance segment operating earnings were primarily driven by net investment income and stable net cost of insurance.

### *Net investment income*

Net investment income was primarily driven by (i) insurance segment investments and the effective book yield (as determined, in part, by the allocated fair value of the investment portfolio as of the GA Acquisition Date), and (ii) variable investment income from net realized gains from the sale of equity investments. Average insurance segment investments were primarily driven by net inflows of assets from block reinsurance transactions and funding agreement issuances. The impact of higher asset balances were partially offset by lower income primarily due to elevated cash levels during the quarter related to recent reinsurance transactions pending reinvestment.

### *Net cost of insurance*

Net cost of insurance was driven primarily by stable liability performance across in-force and new business, including favorable adjustments to reserves and policy acquisition costs resulting from higher reserves and insurance intangibles established as part of the purchase accounting for the GA Acquisition, and the favorable impact of assumption review (as described in “–Consolidated Results of Operations (GAAP Basis) – Insurance (Unaudited)” above).

### *General, administrative and other expenses*

General and administrative expenses were driven by (i) employee compensation and benefits related expenses, (ii) policy servicing fees, and (iii) technology-related charges.

### *Income taxes*

Insurance segment income tax expense reflects the annual estimated effective tax rate for the insurance segment on an operating basis, including the benefit of investment tax credits recognized in the three months ended September 30, 2021.

### *Net Income attributable to non-controlling interests*

Income attributable to non-controlling interests represent the portion of the insurance segment adjusted operating earnings held by rollover and co-investors in Global Atlantic.

**Analysis of Non-GAAP Performance Measures**

The following is a discussion of our Non-GAAP performance measures for the three months ended September 30, 2021 and 2020:

	<b>Three Months Ended</b>		
	<b>September 30, 2021</b>	<b>September 30, 2020</b>	<b>Change</b>
	(\$ in thousands)		
Asset Management Segment Operating Earnings	\$ 1,067,839	\$ 593,764	\$ 474,075
Insurance Segment Operating Earnings	114,989	—	114,989
<b>Distributable Operating Earnings</b>	<b>1,182,828</b>	<b>593,764</b>	<b>589,064</b>
Interest Expense	(63,446)	(54,458)	(8,988)
Preferred Dividends	(2,519)	(8,341)	5,822
Net Income Attributable to Noncontrolling Interests	(6,072)	(2,709)	(3,363)
Income Taxes Paid	(185,645)	(75,413)	(110,232)
<b>After-tax Distributable Earnings</b>	<b>\$ 925,146</b>	<b>\$ 452,843</b>	<b>\$ 472,303</b>

***Distributable Operating Earnings***

The increase in distributable operating earnings for the three months ended September 30, 2021 compared to the prior period is primarily due to a higher level of Asset Management segment operating earnings and the addition of our Insurance segment operating earnings in connection with the Global Atlantic acquisition. For a discussion of the Asset Management and Insurance segment operating earnings, see "—Analysis of Asset Management Segment Operating Results and Analysis of Insurance Segment Operating Results."

***Interest Expense***

For the three months ended September 30, 2021 and 2020, interest expense relates primarily to the senior notes outstanding for KKR and KFN.

The increase in interest expense for the three months ended September 30, 2021 compared to the prior period is due primarily to note issuances subsequent to September 30, 2020.

***Income Taxes Paid***

The increase in income taxes paid for the three months ended September 30, 2021 compared to the prior period was primarily due to the higher level of total distributable operating earnings.

***After-tax Distributable Earnings***

The increase in after-tax distributable earnings for the three months ended September 30, 2021 compared to the prior period was due primarily to a higher level of distributable operating earnings, partially offset by an increase in income taxes paid and interest expense, as described above.

The amount of the tax benefit from equity-based compensation included in income taxes paid for the three months ended September 30, 2021 and 2020 was \$9.5 million and \$9.7 million, respectively, and its inclusion in After-tax Distributable Earnings had the effect of increasing this measure by 1% and 2%, respectively.



## Analysis of Asset Management Segment Operating Results

The following tables set forth information regarding KKR's Asset Management segment operating results and certain key capital metrics as of and for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
Management Fees	\$ 1,478,878	\$ 1,042,634	\$ 436,244
Transaction and Monitoring Fees, Net	645,108	380,415	264,693
Fee Related Performance Revenues	34,760	27,869	6,891
Fee Related Compensation	(485,760)	(342,417)	(143,343)
Other Operating Expenses	(309,483)	(247,046)	(62,437)
Fee Related Earnings	1,363,503	861,455	502,048
Realized Performance Income	1,222,403	934,018	288,385
Realized Performance Income Compensation	(797,965)	(599,753)	(198,212)
Realized Investment Income	1,277,701	495,904	781,797
Realized Investment Income Compensation	(191,663)	(85,646)	(106,017)
<b>Asset Management Segment Operating Earnings</b>	<b>\$ 2,873,979</b>	<b>\$ 1,605,978</b>	<b>\$ 1,268,001</b>

### Management Fees

The following table presents management fees by business line for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
<b>Management Fees</b>			
Private Markets	\$ 990,956	\$ 696,076	\$ 294,880
Public Markets	487,922	346,558	141,364
<b>Total Management Fees</b>	<b>\$ 1,478,878</b>	<b>\$ 1,042,634</b>	<b>\$ 436,244</b>

The increase in Private Markets management fees was primarily due to management fees earned from (i) North America Fund XIII, Global Infrastructure Investors IV, and Health Care Strategic Growth Fund II, each of which entered its investment period in 2021 and (ii) Asian Fund IV, which entered its investment period in the third quarter of 2020. These increases were partially offset by a decrease in management fees earned from Asian Fund III and Americas Fund XII as a result of entering their post-investment periods in the third quarter of 2020 and second quarter of 2021, respectively, with both now earning fees based on capital invested rather than capital committed and at a lower fee rate.

The increase in Public Markets management fees was primarily attributable to (i) management fees earned from Global Atlantic during the period February 1, 2021 through September 30, 2021, (ii) the issuance of new CLOs subsequent to September 30, 2020 and (iii) greater overall FPAUM at our opportunistic credit, direct lending and dislocation opportunities strategies.

### Transaction and Monitoring Fees, Net

The following table presents transaction and monitoring fees, net by business line for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Transaction and Monitoring Fees, Net</b>			
Private Markets	\$ 109,339	\$ 90,473	\$ 18,866
Public Markets	8,569	2,055	6,514
Capital Markets	527,200	287,887	239,313
<b>Total Transaction and Monitoring Fees, Net</b>	<b>\$ 645,108</b>	<b>\$ 380,415</b>	<b>\$ 264,693</b>

Our Capital Markets business line earns transaction fees, which are not shared with fund investors. The increase in transaction fees was primarily due to an increase in the number and average size of capital markets transactions for the nine months ended September 30, 2021, compared to the nine months ended September 30, 2020. Overall, we completed 225 capital markets transactions for the nine months ended September 30, 2021, of which 41 represented equity offerings and 184 represented debt offerings, as compared to 125 transactions for the nine months ended September 30, 2020, of which 21 represented equity offerings and 104 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this business line is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we earn for similar transactions generally correlates with overall transaction sizes.

Our capital markets fees are generated in connection with our Private Markets and Public Markets business lines as well as from third-party companies. For the nine months ended September 30, 2021, approximately 25% of our transaction fees in our Capital Markets business line were earned from unaffiliated third parties as compared to approximately 22% for the nine months ended September 30, 2020. Our transaction fees are comprised of fees earned from North America, Europe, and the Asia-Pacific region. For the nine months ended September 30, 2021, approximately 36% of our transaction fees were generated outside of North America as compared to approximately 59% for the nine months ended September 30, 2020. Our Capital Markets business line is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads, and volatility. Our Capital Markets business line does not generate monitoring fees.

Our Private Markets and Public Markets business lines separately earn transaction and monitoring fees from portfolio companies, and under the terms of the management agreements with certain of our investment funds, we are required to share all or a portion of such fees with our fund investors.

The increase in Private Markets transaction and monitoring fees, net was primarily attributable to an increase in net transaction fees. During the nine months ended September 30, 2021, there were 69 transaction fee-generating investments that paid an average fee of \$5.5 million compared to 48 transaction fee-generating investments that paid an average fee of \$4.9 million during the nine months ended September 30, 2020. For the nine months ended September 30, 2021, approximately 63% of these transaction fees were paid by companies in North America, 19% were paid from companies in the Asia-Pacific region, and 18% of these transaction fees were paid from companies in Europe. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular agreements as to the amount of the fees, the complexity of the transaction, and KKR's role in the transaction. Additionally, transaction fees are generally not earned with respect to energy and real estate investments.

#### *Fee Related Performance Revenues*

The following table presents fee related performance revenues by business line for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Fee Related Performance Revenues</b>			
Private Markets	\$ 4,821	\$ 2,723	\$ 2,098
Public Markets	29,939	25,146	4,793
<b>Total Fee Related Performance Revenues</b>	<b>\$ 34,760</b>	<b>\$ 27,869</b>	<b>\$ 6,891</b>

Fee related performance revenues earned in our Private Markets and Public Markets business lines represent realized incentive fees that (i) are measured and received from an investment fund, vehicle or account on a recurring basis, and (ii) do not require the realization of the investments held by the investment fund, vehicle or account. These incentive fees are primarily earned from our BDC and our investment in KREF. The increase was primarily due to a higher level of investment income at these incentive fee earning investment funds during the nine months ended September 30, 2021 as compared to the prior period.

#### ***Fee Related Compensation***

The increase in fee related compensation for the nine months ended September 30, 2021 compared to the prior period is primarily due to a higher level of compensation recorded in connection with the higher level of revenues included within fee related earnings.

#### ***Other Operating Expenses***

The increase in other operating expenses for the nine months ended September 30, 2021 compared to the prior period is primarily due to a higher level of (i) placement fees related to capital raising activities and (ii) professional fees and other administrative costs in connection with the overall growth of the firm.

#### ***Fee Related Earnings***

The increase in fee related earnings for the nine months ended September 30, 2021 compared to the prior period is primarily due to a higher level of management fees and transaction fees, partially offset by a higher level of fee related compensation and operating expenses, as described above.

#### ***Realized Performance Income***

The following table presents realized performance income by business line for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
<b>Realized Performance Income</b>			
Private Markets	\$ 1,169,766	\$ 889,334	\$ 280,432
Public Markets	52,637	44,684	7,953
<b>Total Realized Performance Income</b>	<b>\$ 1,222,403</b>	<b>\$ 934,018</b>	<b>\$ 288,385</b>

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Private Markets</b>			
North America Fund XI	\$ 365,772	\$ 165,202	\$ 200,570
2006 Fund	215,741	113,555	102,186
Americas Fund XII	207,559	—	207,559
Asian Fund III	110,515	46,347	64,168
Core Investment Vehicles	80,937	57,484	23,453
Co-Investment Vehicles and Other	71,535	88,263	(16,728)
European Fund IV	43,976	134,853	(90,877)
Global Infrastructure Investors II	36,215	148,882	(112,667)
Next Generation Technology Growth Fund	18,160	13,964	4,196
Real Estate Partners Europe	14,690	—	14,690
Global Infrastructure Investors	3,037	54,729	(51,692)
European Fund III	353	—	353
Asian Fund II	—	60,647	(60,647)
Real Estate Partners Americas	—	4,977	(4,977)
Asian Fund	—	431	(431)
<b>Total Realized Carried Interest <sup>(1)</sup></b>	<b>1,168,490</b>	<b>889,334</b>	<b>279,156</b>
Incentive Fees	1,276	—	1,276
<b>Total Realized Performance Income</b>	<b>\$ 1,169,766</b>	<b>\$ 889,334</b>	<b>\$ 280,432</b>

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
(\$ in thousands)			
<b>Public Markets</b>			
Other Alternative Credit Vehicles	\$ 15,336	\$ 25,740	\$ (10,404)
Mezzanine Partners	—	9,900	(9,900)
<b>Total Realized Carried Interest <sup>(1)</sup></b>	<b>15,336</b>	<b>35,640</b>	<b>(20,304)</b>
Incentive Fees	37,301	9,044	28,257
<b>Total Realized Performance Income</b>	<b>\$ 52,637</b>	<b>\$ 44,684</b>	<b>\$ 7,953</b>

(1) The above tables exclude any funds for which there was no realized carried interest during both of the periods presented.

Realized performance income includes (i) realized carried interest from our carry earning funds and (ii) incentive fees not included in Fee Related Performance Revenues.

Realized carried interest in our Private Markets business line for the nine months ended September 30, 2021 consisted primarily of realized proceeds from the sales of our investments in The Bountiful Company, Ingersoll Rand Inc., Academy Sports & Outdoors Inc. and Endeavor Group Holdings, Inc. (NASDAQ: EDR).

Realized carried interest in our Private Markets business line for the nine months ended September 30, 2020 consisted primarily of realized proceeds from the sales of our investments in Deutsche Glasfaser (telecom sector), Privilege Underwriters, Inc. (financial services sector), LGC Science Group Limited (health care sector), The Hut Group Limited and SoftwareOne Holding AG.

Realized carried interest in our Public Markets business line decreased for the nine months ended September 30, 2021 compared to the prior period as a result of a lower level of realization activity at our alternative credit investment funds that are eligible to pay carry.

Incentive fees earned in our Public Markets business line consist primarily of incentive fees earned from our hedge fund partnerships and certain incentive fee eligible leveraged credit accounts. The increase in incentive fees for the nine months ended September 30, 2021 compared to the prior period was primarily attributable to a higher level of incentive fees earned from (i) our hedge fund partnerships due to investor redemptions and (ii) certain incentive fee eligible leveraged credit accounts.

### **Realized Performance Income Compensation**

The increase in realized performance income compensation for the nine months ended September 30, 2021 compared to the prior period is primarily due to a higher level of compensation recorded in connection with the higher level of realized performance income.

### **Realized Investment Income**

The following table presents realized investment income in our Principal Activities business line for the nine months ended September 30, 2021 and 2020:

	<b>Nine Months Ended</b>		
	<b>September 30, 2021</b>	<b>September 30, 2020</b>	<b>Change</b>
	(\$ in thousands)		
<b>Realized Investment Income</b>			
Net Realized Gains (Losses)	\$ 1,026,310	\$ 215,430	\$ 810,880
Interest Income and Dividends	251,391	280,474	(29,083)
<b>Total Realized Investment Income</b>	<b>\$ 1,277,701</b>	<b>\$ 495,904</b>	<b>\$ 781,797</b>

The increase in realized investment income is due to a higher level of net realized gains partially offset by a lower level of interest income and dividends. The amount of realized investment income depends on the transaction activity of our funds and our subsidiaries, which can vary from period to period.

For the nine months ended September 30, 2021, net realized gains were comprised of realized gains primarily from the sale of our Private Markets investments in FanDuel Inc., Mr. Cooper Group Inc., Fiserv, Inc., The Bountiful Company, and BridgeBio Pharma Inc. Partially offsetting these realized gains were realized losses related to certain hedging instruments.

For the nine months ended September 30, 2020, net realized gains were comprised of realized gains primarily from the sale of our Private Markets investments in The Hut Group Limited, Deutsche Glasfaser, Ivalua SAS, Fiserv, Inc. and BridgeBio Pharma, Inc. Partially offsetting these realized gains were realized losses, the most significant of which were realized losses on our investment in LCI Helicopters Limited, Yorktown Center and various alternative credit strategy investments.

For the nine months ended September 30, 2021, interest income and dividends were comprised of (i) \$140.3 million of dividend income primarily from distributions received from our real estate investments, including our investment in KREF, as well as dividends received from our Private Markets investments in Kokusai Electric Corporation, Internet Brands, Inc. (technology sector) and US Foods Holding Corp. (NYSE: USFD) and (ii) \$111.1 million of interest income primarily from our Public Markets investments in CLOs and to a lesser extent our cash balances and other credit investments.

For the nine months ended September 30, 2020, interest income and dividends were comprised of (i) \$178.8 million of dividend income primarily from our investments in Fiserv, Inc. and Epicor Software Corporation along with distributions received from our real assets investments and (ii) \$101.7 million of interest income from our investments in CLOs and other credit investments. See "—Analysis of Non-GAAP Performance Measures—Non-GAAP Balance Sheet Measures."

Prior to the acquisition of KKR Capstone on January 1, 2020, (i) KKR Capstone's financial results were consolidated with KKR's financial results in accordance with GAAP, and as such the fees and expenses attributable to KKR Capstone were included in KKR's consolidated revenues and expenses, and (ii) KKR Capstone's financial results were excluded from KKR's non-GAAP financial measures, because KKR presented its non-GAAP financial measures prior to the effect to the consolidation of certain entities that were not subsidiaries of KKR. Following the acquisition of KKR Capstone on January 1, 2020, after-tax distributable earnings includes the net income (loss) from KKR Capstone within realized investment income (loss).

For the nine months ended September 30, 2021, total fees attributable to KKR Capstone were \$66.3 million, total expenses attributable to KKR Capstone were \$53.7 million, and income taxes and other income attributable to Capstone were \$(1.2) million. For KKR Capstone-related adjustments in reconciling Asset Management segment revenues to GAAP revenues see "—Analysis of Non-GAAP Performance Measures—Reconciliations to GAAP Measures".

### Realized Investment Income Compensation

The increase in realized investment income compensation for the nine months ended September 30, 2021 compared to the prior period is primarily due to a higher level of compensation recorded in connection with the higher level of realized investment income.

### Other Operating and Capital Measures

The following table presents certain key operating and capital metrics as of September 30, 2021 and December 31, 2020:

	As of		
	September 30, 2021	December 31, 2020	Change
	(\$ in millions)		
<b>Assets Under Management</b>	\$ 459,081	\$ 251,679	\$ 207,402
<b>Fee Paying Assets Under Management</b>	\$ 349,079	\$ 186,217	\$ 162,862
<b>Uncalled Commitments</b>	\$ 110,992	\$ 66,960	\$ 44,032

The following table presents one of our key capital metrics for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in millions)		
<b>Capital Invested</b>	\$ 49,833	\$ 19,681	\$ 30,151

### Assets Under Management

#### Private Markets

The following table reflects the changes in our Private Markets AUM from December 31, 2020 to September 30, 2021:

	(\$ in millions)
December 31, 2020	\$ 148,689
New Capital Raised	69,932
Acquisition of Global Atlantic <sup>(1)</sup>	12,012
Distributions and Other	(14,218)
Change in Value	31,167
September 30, 2021	\$ 247,582

(1) Reflects the AUM of Global Atlantic at February 1, 2021.

AUM for the Private Markets business line was \$247.6 billion at September 30, 2021, an increase of \$98.9 billion, compared to \$148.7 billion at December 31, 2020.

The increase was primarily attributable to (i) new capital raised from North America Fund XIII, Global Infrastructure Investors IV, and our core investment strategy, (ii) assets we now manage under our investment management agreements with Global Atlantic's insurance companies and (iii) an increase in investment value from Americas Fund XII, Asian Fund III and our core investment strategy. Partially offsetting these increases were distributions to fund investors, primarily as a result of realized proceeds, most notably from Americas Fund XII, North America Fund XI, and 2006 Fund.

For the nine months ended September 30, 2021, the value of our private equity investment portfolio increased by 38%. This was comprised of a 60% increase in share prices of various publicly held or publicly indexed investments and a 31% increase in value of our privately held investments. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The most significant increases in share prices of various publicly held or publicly indexed investments were increases in AppLovin Corporation, Max Healthcare Institute Limited, and J.B. Chemicals and Pharmaceuticals Limited (NSE: JBCEP). These increases were partially offset by decreases in share prices of various publicly held investments, the most significant of which was Fiserv, Inc. The prices of publicly held or publicly indexed companies may experience volatile changes following the reporting period.

The most significant increases in value of our privately held investments related to increases in Kokusai Electric Corporation, PetVet Care Centers, LLC, and Internet Brands, Inc. These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Magneti Marelli, Upfield, and Channel Control Merchants (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance, (ii) an increase in the value of market comparables, (iii) transactional activity related to new rounds of funding, and with respect to Kokusai Electric Corporation, an increase in valuation reflecting an agreement to sell a minority stake in the company. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) an unfavorable business outlook and (ii) a decrease in the value of market comparables, both influenced by the impact of COVID-19 on the economic outlook and overall market environment.

For the nine months ended September 30, 2020, the value of our private equity investment portfolio increased 7%. This was comprised of a 13% increase in value of our privately held investments and a 10% decrease in share prices of various publicly held or publicly indexed investments. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The most significant increases in value of our privately held investments related to increases in AppLovin Corporation, Internet Brands, Inc., and Inkling Holdings LLC. These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Magneti Marelli, Ramky Enviro Engineers Limited (industrial sector), and Envision Healthcare Corporation (healthcare sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to an increase in the value of market comparables and individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) an unfavorable business outlook and (ii) a decrease in the value of market comparables, both influenced by the impact of COVID-19 on the economic outlook and overall market environment.

The most significant decreases in share prices of various publicly held or publicly indexed investments were decreases in Fiserv, Inc., Ingersoll Rand Inc., and BrightView Holdings Inc. These decreases were partially offset by increases in share prices of various publicly held investments, the most significant of which was Focus Financial Partners, LLC (NASDAQ: FOCS).

#### Public Markets

The following table reflects the changes in our Public Markets AUM from December 31, 2020 to September 30, 2021:

	(\$ in millions)
December 31, 2020	\$ 102,990
New Capital Raised	31,767
Acquisition of Global Atlantic <sup>(1)</sup>	85,491
Distributions and Other	(7,802)
Redemptions	(7,114)
Change in Value	6,168
September 30, 2021	<u>\$ 211,499</u>

(1) Reflects the AUM of Global Atlantic at February 1, 2021.

AUM in our Public Markets business line totaled \$211.5 billion at September 30, 2021, an increase of \$108.5 billion compared to AUM of \$103.0 billion at December 31, 2020.

The increase was primarily attributable to (i) assets we now manage under our investment management agreements with Global Atlantic's insurance companies, (ii) new capital raised from Global Atlantic since February 1, 2021, CLO issuances, and our hedge fund partnerships and (iii) to a lesser extent, an increase in investment value across our credit portfolio and our hedge fund partnerships. Partially offsetting these increases were (i) distributions to fund investors as a result of realized proceeds at

certain liquid and alternative credit funds, (ii) payments made to Global Atlantic policyholders, and (iii) redemptions at our hedge fund partnerships.

See also "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

### ***Fee Paying Assets Under Management***

#### *Private Markets*

The following table reflects the changes in our Private Markets FPAUM from December 31, 2020 to September 30, 2021:

	<b>(\$ in millions)</b>
December 31, 2020	\$ 94,196
New Capital Raised	52,442
Acquisition of Global Atlantic <sup>(1)</sup>	12,012
Distributions and Other	(5,659)
Net Changes in Fee Base of Certain Funds	(5,398)
Change in Value	467
September 30, 2021	<u>\$ 148,060</u>

(1) Reflects the FPAUM of Global Atlantic at February 1, 2021.

FPAUM in our Private Markets business line was \$148.1 billion at September 30, 2021, an increase of \$53.9 billion, compared to \$94.2 billion at December 31, 2020.

The increase was primarily attributable to (i) new capital raised from North America Fund XIII, Global Infrastructure Investors IV, and Global Atlantic since February 1, 2021 and (ii) assets we now manage under our investment management agreements with Global Atlantic. These increases were partially offset by (i) net changes in the fee base of Global Infrastructure Investors III, Americas Fund XII and Health Care Strategic Growth Fund I as a result of these funds entering their post-investment periods, during which we earn fees on invested capital rather than committed capital, and (ii) distributions to fund investors, primarily as a result of realized proceeds, most notably from 2006 Fund, Americas Fund XII, and Global Infrastructure Investors II.

#### *Public Markets*

The following table reflects the changes in our Public Markets FPAUM from December 31, 2020 to September 30, 2021:

	<b>(\$ in millions)</b>
December 31, 2020	\$ 92,021
New Capital Raised	33,572
Acquisition of Global Atlantic <sup>(1)</sup>	85,491
Distributions and Other	(9,104)
Redemptions	(5,515)
Change in Value	4,554
September 30, 2021	<u>\$ 201,019</u>

(1) Reflects the FPAUM of Global Atlantic at February 1, 2021.

FPAUM in our Public Markets business line was \$201.0 billion at September 30, 2021, an increase of \$109.0 billion compared to \$92.0 billion at December 31, 2020.

The increase was primarily due to (i) assets we now manage under our investment management agreements with Global Atlantic's insurance companies, (ii) new capital raised from Global Atlantic since February 1, 2021, CLO issuances, and our alternative credit funds and (iii) to a lesser extent, an increase in investment value as a whole in our credit portfolio and our hedge fund partnerships. Partially offsetting these increases were (i) distributions to fund investors as a result of realized proceeds at certain liquid and alternative credit funds and (ii) payments made to Global Atlantic policyholders.



See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

### ***Uncalled Commitments***

#### *Private Markets*

As of September 30, 2021, our Private Markets business line had \$101.3 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to \$56.6 billion as of December 31, 2020. The increase was primarily attributable to new commitments from fund investors, which was partially offset by capital called from fund investors to make investments during the period.

#### *Public Markets*

As of September 30, 2021, our Public Markets business line had \$9.7 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to \$10.3 billion as of December 31, 2020. The decrease was primarily attributable to capital called from fund investors to make investments, which was partially offset by new commitments from fund investors.

### ***Capital Invested***

#### *Private Markets Capital Invested*

For the nine months ended September 30, 2021, Private Markets had \$27.0 billion of capital invested as compared to \$13.2 billion for the nine months ended September 30, 2020. The increase was driven primarily by a \$11.7 billion increase in capital invested in our real assets strategies, and a \$0.9 billion increase in capital invested in our private equity strategies (including core and growth equity (including impact) investments). Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarterly or year-to-date period is volatile and, consequently, a significant amount of capital invested in one period or a few periods may not be indicative of a similar level of capital deployment in future periods. During the nine months ended September 30, 2021, 64% of capital deployed in private equity (including core and growth equity (including impact) investments) was in transactions in North America, 24% was in the Asia-Pacific region, and 12% was in Europe.

#### *Public Markets Capital Invested*

For the nine months ended September 30, 2021, Public Markets had \$22.8 billion of capital invested as compared to \$6.5 billion for the nine months ended September 30, 2020. The increase was primarily due to (i) capital deployed under our investment management agreements with Global Atlantic's insurance companies and (ii) a higher level of capital deployed across our direct lending and dislocation opportunities strategies. During the nine months ended September 30, 2021, 90% of capital deployed was in transactions in North America, 9% was in Europe and 1% was in the Asia-Pacific region.

**Analysis of Insurance Segment Operating Results**

The following tables set forth information regarding KKR's insurance segment operating results and certain key operating metrics as of and for the nine months ended September 30, 2021:

	<b>Nine Months Ended</b>	
	<b>September 30, 2021</b>	
<b>(\$ in thousands)</b>		
Net Investment Income	\$	1,977,383
Net Cost of Insurance		(1,076,566)
General, Administrative and Other		(338,325)
Pre-tax Insurance Operating Earnings		562,492
Income Taxes		(63,148)
Net Income Attributable to Noncontrolling Interests		(193,570)
<b>Insurance Segment Operating Earnings</b>	<b>\$</b>	<b>305,774</b>

***Insurance segment operating earnings***

Insurance segment operating earnings were primarily driven by net investment income and stable net cost of insurance.

***Net investment income***

Net investment income was primarily driven by (i) insurance segment investments and the effective book yield (as determined, in part, by the allocated fair value of the investment portfolio as of the closing date of the Global Atlantic acquisition), and (ii) variable investment income from net realized gains primarily from the sale of equity investments and a partnership interest in Talcott Resolution, an insurance holding company. Average insurance segment investments were primarily driven by net inflows of assets from the individual markets and institutional channels. The impact of higher asset balances were partially offset by lower income primarily due to elevated cash levels during the quarter related to recent reinsurance transactions pending reinvestment.

***Net cost of insurance***

Net cost of insurance was driven primarily by stable liability performance across in-force and new business, including favorable adjustments to reserves and policy acquisition costs resulting from higher reserves and insurance intangibles established as part of the purchase accounting for the GA Acquisition and the impact of assumption review (as described in “–Consolidated Results of Operations (GAAP Basis) – Insurance (Unaudited)” above).

***General, administrative and other expenses***

General and administrative expenses were driven by (i) employee compensation and benefits related expenses, (ii) policy servicing fees, and (iii) technology-related charges.

***Income taxes***

Insurance segment income tax expense reflects the annual estimated effective tax rate for the insurance segment on an operating basis, including the benefit of investment tax credits.

***Net Income attributable to non-controlling interests***

Income attributable to non-controlling interests represent the portion of the insurance segment adjusted operating earnings held by rollover and co-investors in Global Atlantic.

## Analysis of Non-GAAP Performance Measures

The following is a discussion of our Non-GAAP performance measures for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended		
	September 30, 2021	September 30, 2020	Change
	(\$ in thousands)		
Asset Management Segment Operating Earnings	\$ 2,873,979	\$ 1,605,978	\$ 1,268,001
Insurance Segment Operating Earnings	305,774	—	305,774
<b>Distributable Operating Earnings</b>	<b>3,179,753</b>	<b>1,605,978</b>	<b>1,573,775</b>
Interest Expense	(185,100)	(152,676)	(32,424)
Preferred Dividends	(19,201)	(25,023)	5,822
Net Income Attributable to Noncontrolling Interests	(14,678)	(4,800)	(9,878)
Income Taxes Paid	(449,814)	(198,763)	(251,051)
<b>After-tax Distributable Earnings</b>	<b>\$ 2,510,960</b>	<b>\$ 1,224,716</b>	<b>\$ 1,286,244</b>

### *Distributable Operating Earnings*

The increase in distributable operating earnings for the nine months ended September 30, 2021 compared to the prior period is primarily due to a higher level of Asset Management segment operating earnings and the addition of our Insurance segment operating earnings in connection with the Global Atlantic acquisition. For a discussion of the Asset Management and Insurance segment operating earnings, see "—Analysis of Asset Management Segment Operating Results and Analysis of Insurance Segment Operating Results."

### *Interest Expense*

For the nine months ended September 30, 2021 and 2020, interest expense relates primarily to the senior notes outstanding for KKR and KFN.

The increase in interest expense for the nine months ended September 30, 2021 compared to the prior period is due primarily to new note issuances subsequent to September 30, 2020.

### *Income Taxes Paid*

The increase in income taxes paid for the nine months ended September 30, 2021 compared to the prior period was primarily due to a higher level of distributable operating earnings.

### *After-tax Distributable Earnings*

The increase in after-tax distributable earnings for the nine months ended September 30, 2021 compared to the prior period was due primarily to a higher level of distributable operating earnings, partially offset by an increase in income taxes paid and interest expense, as discussed above.

The amount of the tax benefit from equity-based compensation included in income taxes paid for nine months ended September 30, 2021 and 2020 was \$89.2 million and \$36.2 million, respectively, and its inclusion in After-tax Distributable Earnings had the effect of increasing this measure by 4% and 3%, respectively.

### Book Value

The following table presents information of our calculation of book value as of September 30, 2021 and December 31, 2020:

	As of	
	September 30, 2021	December 31, 2020
	(\$ in thousands)	
(+) Cash and Short-term Investments	\$ 4,863,093	\$ 5,961,083
(+) Investments	17,550,055	14,991,914
(+) Net Unrealized Carried Interest <sup>(1)</sup>	4,865,719	2,625,935
(+) Other Assets <sup>(2)</sup>	4,574,706	4,198,641
(+) Global Atlantic Book Value	3,260,464	—
(-) Debt Obligations - KKR (excluding KFN and Global Atlantic)	5,117,799	4,688,460
(-) Debt Obligations - KFN	948,517	948,517
(-) Tax Liabilities, Net	2,831,305	485,966
(-) Other Liabilities	1,433,365	857,764
(-) Noncontrolling Interests	28,568	29,510
(-) Preferred Stock	—	500,000
<b>Book Value</b>	<b>\$ 24,754,483</b>	<b>\$ 20,267,356</b>
<b>Book Value Per Adjusted Share</b>	<b>\$ 28.06</b>	<b>\$ 23.09</b>
<b>Adjusted Shares</b>	<b>882,099,519</b>	<b>877,613,164</b>

(1) The following table provides net unrealized carried interest by business line:

	As of	
	September 30, 2021	December 31, 2020
	(\$ in thousands)	
Private Markets Business Line	\$ 4,769,184	\$ 2,560,101
Public Markets Business Line	96,535	65,834
<b>Total</b>	<b>\$ 4,865,719</b>	<b>\$ 2,625,935</b>

(2) Other Assets include KKR's ownership interest in FS/KKR Advisor and minority ownership interests in hedge fund partnerships.

Book value per adjusted share increased 22% from December 31, 2020. The increase was primarily attributable to (i) the net appreciation in the value of our investment portfolio, including investment income from investments held by KKR as well as carried interest from investments held through investment funds, including KKR's private equity, real assets and alternative credit funds, where KKR is entitled to earn carried interest and (ii) after-tax distributable earnings during the period. Partially offsetting this increase was (i) the payment of dividends and the repurchases of our common stock during the period and (ii) an adjustment to book value to reflect the implied amount of (1) tax assets and liabilities attributable to KKR Holdings L.P. as if it was subject to corporate income taxes (this adjustment was not applied to prior periods, but had this adjustment been made as of December 31, 2020, book value would have been reduced by \$459 million as of such date) and (2) the recognition of deferred tax liabilities relating to certain assets of KKR Group Partnership L.P. that is expected to occur upon the completion of the mergers contemplated by the previously announced Reorganization Agreement. The impact of this adjustment was a reduction to book value of \$1,508 million as of September 30, 2021.

With respect to book value relating to the Asset Management business, for the nine months ended September 30, 2021, the value of the Asset Management segment balance sheet portfolio increased 28% and KKR's overall private equity portfolio increased by 38%. The increases in KKR's Asset Management segment balance sheet portfolio and net unrealized carried interest was primarily due to mark-to-market net investment gains. For a further discussion, see "—Unaudited Consolidated Results of Operations (GAAP Basis) - Asset Management—Unrealized Gains and Losses from Investment Activities." For a discussion of the changes in KKR's private equity portfolio, see "—Analysis of Asset Management Segment Operating Results—Assets Under Management." For a discussion of factors that impacted KKR's after-tax distributable earnings, see "—Analysis of Non-GAAP Performance Measures— After-tax Distributable Earnings" and for more details on factors that impact our business, financial performance, operating results and valuations, see "—Business Environment."

The following table presents the holdings of our investments in Asset Management by asset class as of September 30, 2021 on a segment basis. To the extent investments are realized at values below their cost in future periods, after-tax distributable earnings would be adversely affected by the amount of such loss, if any, during the period in which the realization event occurs. For example, we have recognized certain net unrealized losses in our credit investment portfolio held at our India debt finance company, of which we own 50.3% of its equity as of September 30, 2021. As of September 30, 2021, KKR's 50.3% interest in our India debt finance company had a cost basis of approximately \$164 million, comprised of invested capital of \$100 million plus reinvested earnings. If the value of our investment is ultimately realized at the current carrying value of \$56 million, future realized investment losses of approximately \$108 million would be recognized on a segment basis based on valuations as of September 30, 2021, which would reduce after-tax distributable earnings in future periods.

As of September 30, 2021			
(\$ in thousands)			
Investments <sup>(1)</sup>	Cost	Fair Value	Fair Value as a Percentage of Total Investments
Private Equity	\$ 1,860,504	\$ 4,591,380	26.2 %
Core Private Equity	2,356,636	4,847,983	27.6 %
Growth	228,460	1,416,671	8.1 %
<b>Private Equity, Core &amp; Growth Total</b>	<b>4,445,600</b>	<b>10,856,034</b>	<b>61.9 %</b>
Energy	787,750	897,941	5.1 %
Real Estate	1,414,660	1,767,321	10.1 %
Infrastructure	587,560	742,372	4.2 %
<b>Real Assets Total</b>	<b>2,789,970</b>	<b>3,407,634</b>	<b>19.4 %</b>
Leveraged Credit	980,528	997,977	5.7 %
Alternative Credit	738,854	847,157	4.8 %
<b>Credit Total</b>	<b>1,719,382</b>	<b>1,845,134</b>	<b>10.5 %</b>
Other	1,501,077	1,441,253	8.2 %
<b>Total Investments</b>	<b>\$ 10,456,029</b>	<b>\$ 17,550,055</b>	<b>100.0 %</b>
September 30, 2021			
(\$ in thousands)			
Significant Investments: <sup>(2)</sup>	Cost	Fair Value	Fair Value as a Percentage of Total Investments
PetVet Care Centers, LLC	\$ 243,188	\$ 1,094,448	6.2 %
USI, Inc.	531,425	1,094,058	6.2 %
Fiserv, Inc. (NASDAQ: FISV)	448,516	992,459	5.7 %
Heartland Dental, LLC	320,626	769,573	4.4 %
BridgeBio Pharma, Inc. (NASDAQ: BBIO)	42,580	561,661	3.2 %
<b>Total Significant Investments</b>	<b>1,586,335</b>	<b>4,512,199</b>	<b>25.7 %</b>
Other Investments	8,869,694	13,037,856	74.3 %
<b>Total Investments</b>	<b>\$ 10,456,029</b>	<b>\$ 17,550,055</b>	<b>100.0 %</b>

- (1) Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority ownership of subsidiaries that operate KKR's asset management, broker-dealer and other businesses, including the general partner interests of KKR's investment funds and the Global Atlantic insurance companies. Investments presented are principally the assets measured at fair value that are held by KKR's asset management segment, which, among other things, does not include the underlying investments held by Global Atlantic and Marshall Wace.
- (2) Significant Investments include the top five investments based on their fair values as of September 30, 2021. Significant Investments exclude (i) investments expected to be syndicated, (ii) investments expected to be transferred in connection with a new fundraising, and (iii) investments in funds and other entities that are owned by one or more third parties and established for the purpose of making investments. Accordingly, this list of Significant Investments should not be relied upon as a substitute for information about the asset class exposure of KKR's balance sheet. For information about the asset class exposure of KKR's balance sheet see "—Our Business—Principal Activities" for the "Holdings by Asset Class" pie chart. The fair value figures include the co-investment and the limited partner and/or general partner interests held by KKR in the underlying investment, if applicable.

With respect to KKR's book value relating to its insurance business, KKR includes Global Atlantic's book value, which consists of KKR's pro rata equity interest in Global Atlantic on a GAAP basis, excluding (i) accumulated other comprehensive income and (ii) accumulated change in fair value of reinsurance embedded derivative balances and related assets, net of deferred acquisition costs and income tax. KKR believes this presentation of Global Atlantic's book value is comparable with the corresponding metric presented by other publicly traded companies in Global Atlantic's industry. As of September 30, 2021, Global Atlantic Book Value was \$3.3 billion. For more information about the composition and credit quality of Global Atlantic's investments on a consolidated basis, please see "--Global Atlantic's Investment Portfolio" below.

#### *Global Atlantic's Investment Portfolio*

As of September 30, 2021, 98% and 90% of Global Atlantic's available-for-sale ("AFS") fixed maturity securities were considered investment grade under ratings from the Securities Valuation Office of the National Association of Insurance Commissioners ("NAIC") and nationally recognized statistical rating organizations ("NRSROs"), respectively. Securities where a rating by an NRSRO was not available are considered investment grade if they have an NAIC designation of "1" or "2." The three largest asset categories in Global Atlantic's AFS fixed-maturity security portfolio as of September 30, 2021 were Corporate, RMBS and U.S. state, municipal and political subdivisions securities, comprising 34%, 7% and 4% of Global Atlantic's investment portfolio, respectively. Within these categories, 97%, 95% and 100% of Global Atlantic's Corporate, RMBS and U.S. state, municipal and political subdivisions securities, respectively, were investment grade according to NAIC ratings and 97%, 39% and 100% of its Corporate, RMBS and U.S. state, municipal and political subdivisions securities, respectively, were investment grade according to NRSRO ratings as of September 30, 2021. NRSRO and NAIC ratings have different methodologies. Global Atlantic believes the NAIC ratings methodology, which considers the likelihood of recovery of amortized cost as opposed to the recovery of all contractual payments including the principal at par, as the more appropriate way to view the ratings quality of its AFS fixed maturity portfolio since a large portion of its holdings were purchased at a significant discount to par value. The portion of Global Atlantic's AFS fixed maturity portfolio consisting of floating rate assets was 33% as of September 30, 2021.

Within the funds withheld receivable at interest portfolio 97% of the fixed maturity securities were investment grade by NAIC designation as of September 30, 2021.

Trading fixed maturity securities back funds withheld payable at interest where the investment performance is ceded to reinsurers under the terms of the respective reinsurance agreements.

#### *Credit quality of AFS fixed maturity securities*

The Securities Valuation Office of the NAIC evaluates the AFS fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called "NAIC designations." Using an internally developed rating is permitted by the NAIC if no rating is available. These designations are generally similar to the credit quality designations of NRSROs for marketable fixed maturity securities, except for certain structured securities as described below. NAIC designations of "1," highest quality, and "2," high quality, include fixed maturity securities generally considered investment grade by NRSROs. NAIC designations "3" through "6" include fixed maturity securities generally considered below investment grade by NRSROs.

Consistent with the NAIC Process and Procedures Manual, an NRSRO rating was assigned based on the following criteria: (i) the equivalent S&P rating where the security is rated by one NRSRO; (ii) the equivalent S&P rating of the lowest NRSRO when the security is rated by two NRSROs; and (iii) the equivalent S&P rating of the second lowest NRSRO if the security is rated by three or more NRSROs. If the lowest two NRSROs' ratings are equal, then such rating will be the assigned rating. NRSROs' ratings available for the periods presented were S&P, Fitch, Moody's, DBRS, Inc. and Kroll Bond Rating Agency, Inc. If no rating is available from a rating agency, then an internally developed rating is used.

Substantially all of the AFS fixed maturity securities portfolio, 98% as of September 30, 2021, was invested in investment grade assets with a NAIC rating of 1 or 2.

The portion of the AFS fixed maturity securities portfolio that was considered below investment grade by NAIC designation was 2% as of September 30, 2021. Pursuant to Global Atlantic's investment guidelines, it actively monitors the percentage of its portfolio that is held in investments rated NAIC 3 or lower and must obtain an additional approval from Global Atlantic's management investment committee before making a significant investment in an asset rated NAIC 3 or lower.

As of September 30, 2021, the non-rated AFS fixed-maturity securities include \$31.9 million of private placement securities for which Global Atlantic has not sought individual ratings from the NRSROs.

*Corporate fixed maturity securities*

Global Atlantic maintains a diversified portfolio of corporate fixed maturity securities across industries and issuers. As of September 30, 2021, 61% of the AFS fixed maturity securities portfolio was invested in corporate fixed maturity securities.

As of September 30, 2021, 97% of the total fair value of corporate fixed maturity securities is rated NAIC investment grade, and 97% is rated NRSROs investment grade.

*Residential mortgage-backed securities*

As of September 30, 2021, 12% of the AFS fixed maturity securities portfolio was invested in RMBS. RMBS are securities constructed from pools of residential mortgages and backed by payments from those pools. Excluding limitations on access to lending and other extraordinary economic conditions, we would expect prepayments of principal on the underlying loans to accelerate with decreases in market interest rates and diminish with increases in market interest rates.

The NAIC designations for RMBS, including prime, sub-prime, alt-A, and adjustable rate mortgages with variable payment options ("Option ARM"), are based upon a comparison of the bond's amortized cost to the NAIC's loss expectation for each security. Accordingly, an investment in the same security at a lower cost may result in a higher quality NAIC designation in recognition of the lower likelihood the investment would result in a realized loss. Prime residential mortgage lending includes loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower is between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles.

As of September 30, 2021, 93% of RMBS securities that are below investment grade as rated by the NRSRO, carry an NAIC 1 designation. As of September 30, 2021, Alt-A, Option ARM, Re-Performing and Sub-prime represent 39%, 25%, 14% and 11% of the total RMBS portfolio (\$8.1 billion), respectively.

*Unrealized gains and losses for AFS fixed maturity securities*

Global Atlantic's investments in AFS fixed maturity securities are reported at fair value with changes in fair value recorded in other comprehensive income as unrealized gains or losses, net of taxes and offsets. Certain of the AFS fixed maturity securities have experienced changes in fair value that Global Atlantic considers to be temporary in nature. Unrealized gains and losses can be created by changes in interest rates or by changes in credit spreads.

As of September 30, 2021, Global Atlantic had gross unrealized losses on below investment grade AFS fixed maturity securities of \$50.0 million based on NRSRO rating and \$13.6 million based on NAIC ratings.

*Mortgage and other loan receivables - Credit quality indicators*

Mortgage and other loan receivables consist of commercial and residential mortgage loans, and other loan receivables. As of September 30, 2021, 21% of Global Atlantic's total investments consisted of mortgage and other loan receivables. Global Atlantic invests in U.S. mortgage loans, comprised of first lien and mezzanine real estate loans, residential mortgage loans, consumer loans, and other loan receivables.

Global Atlantic's commercial mortgage loans may also be rated based on NAIC designations, with designations "CM1" and "CM2" considered to be investment grade. As of September 30, 2021, 95% of the commercial mortgage loan portfolio was rated investment grade based on NAIC designation. 100% of the commercial mortgage loan portfolio is in current status.

As of September 30, 2021, 95% of the residential mortgage loan portfolio is in current status, and approximately \$197.7 million is over 90 days past due (representing 3% of the total residential mortgage portfolio).

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. Approximately 86% of the commercial mortgage loans has a loan-to-value ratio of 70% or less, and a nominal amount has loan-to-value ratio over 90%.

Changing economic conditions affect Global Atlantic's valuation of commercial mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that Global Atlantic performs for monitored loans and may contribute to the establishment of (or increase or decrease in) a commercial mortgage loan valuation allowance for losses. In addition, Global Atlantic continuously monitors its commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to specific geographic events, or have deteriorating credit.

The weighted average loan-to-value ratio for residential mortgage loans was 73% as of September 30, 2021.

Global Atlantic's residential mortgage loan portfolio is comprised mainly of re-performing loans that were purchased at a discount after they were modified and returned to performing status, as well as prime jumbo loans and mortgage loans backed by single family rental properties. Global Atlantic has also extended financing to counterparties in the form of repurchase agreements secured by mortgage loans, including performing and non-performing mortgage loans.

### *Reconciliations to GAAP Measures*

The following tables reconcile the most directly comparable financial measures calculated and presented in accordance with GAAP to KKR's non-GAAP financial measures for the three and nine months ended September 30, 2021 and 2020:

#### *Revenues*

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(\$ in thousands)			
<b>Total GAAP Revenues</b>	<b>\$ 4,483,365</b>	<b>\$ 1,895,238</b>	<b>\$ 12,182,552</b>	<b>\$ 2,225,727</b>
Insurance GAAP Revenues	(2,237,730)	—	(4,558,040)	—
Impact of Consolidation and Other	132,658	85,393	389,946	278,898
Capital Allocation-Based Income (GAAP)	(1,526,667)	(1,331,898)	(5,736,707)	(888,342)
Realized Carried Interest	413,114	217,978	1,183,826	924,974
Realized Investment Income	447,565	260,415	1,277,701	495,904
Insurance Segment Management Fees	46,662	—	108,500	—
Capstone Fees	(25,178)	(17,429)	(66,286)	(55,542)
Expense Reimbursements	(34,857)	(44,553)	(122,642)	(100,779)
<b>Total Asset Management Segment Revenues</b>	<b>\$ 1,698,932</b>	<b>\$ 1,065,144</b>	<b>\$ 4,658,850</b>	<b>\$ 2,880,840</b>



*Net Income (Loss) Attributable to KKR & Co. Inc. Common Stockholders*

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(\$ in thousands)			
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Common Stockholders (GAAP)</b>	<b>\$ 1,131,354</b>	<b>\$ 1,056,502</b>	<b>\$ 4,053,271</b>	<b>\$ 466,265</b>
Preferred Stock Dividends	25,203	8,341	88,397	25,023
Net Income (Loss) Attributable to Noncontrolling Interests	2,125,088	1,909,458	7,318,218	206,225
Income Tax Expense (Benefit)	379,282	359,375	1,161,688	204,960
<b>Income (Loss) Before Tax (GAAP)</b>	<b>\$ 3,660,927</b>	<b>\$ 3,333,676</b>	<b>\$ 12,621,574</b>	<b>\$ 902,473</b>
Impact of Consolidation and Other	(1,478,384)	(1,206,517)	(5,000,537)	191,497
Equity-based Compensation - KKR Holdings	8,764	21,802	35,734	63,596
Preferred Stock Dividends	(2,519)	(8,341)	(19,201)	(25,023)
Income Taxes Paid	(185,645)	(75,413)	(449,814)	(198,763)
<i>Asset Management Adjustments:</i>				
Unrealized Carried Interest	(911,156)	(995,376)	(3,872,150)	186,537
Net Unrealized Gains (Losses)	(598,304)	(1,088,901)	(2,890,326)	18,049
Unrealized Carried Interest Compensation	397,449	418,728	1,667,447	(57,771)
Strategic Corporate Transaction-Related Charges	7,362	10,697	17,497	10,697
Equity-based Compensation	44,488	40,801	138,196	128,399
Equity-based Compensation - Performance based	18,022	1,687	50,073	5,025
<i>Insurance Adjustments:</i>				
Net Gains (Losses) from Investments and Derivatives	(75,241)	—	183,842	—
Strategic Corporate Transaction-Related Charges	3,931	—	15,947	—
Equity-based and Other Compensation	40,086	—	64,061	—
Amortization of Acquired Intangibles	4,412	—	11,765	—
Income Taxes	(9,046)	—	(63,148)	—
<b>After-tax Distributable Earnings</b>	<b>\$ 925,146</b>	<b>\$ 452,843</b>	<b>\$ 2,510,960</b>	<b>\$ 1,224,716</b>
Interest Expense	63,446	54,458	185,100	152,676
Preferred Stock Dividends	2,519	8,341	19,201	25,023
Net Income Attributable to Noncontrolling Interests	6,072	2,709	14,678	4,800
Income Taxes Paid	185,645	75,413	449,814	198,763
<b>Distributable Operating Earnings</b>	<b>\$ 1,182,828</b>	<b>\$ 593,764</b>	<b>\$ 3,179,753</b>	<b>\$ 1,605,978</b>
Insurance Segment Operating Earnings	(114,989)	—	(305,774)	—
Realized Performance Income	(432,784)	(224,020)	(1,222,403)	(934,018)
Realized Performance Income Compensation	274,955	157,885	797,965	599,753
Realized Investment Income	(447,565)	(260,415)	(1,277,701)	(495,904)
Realized Investment Income Compensation	67,142	56,803	191,663	85,646
<b>Fee Related Earnings</b>	<b>\$ 529,587</b>	<b>\$ 324,017</b>	<b>\$ 1,363,503</b>	<b>\$ 861,455</b>
Insurance Segment Operating Earnings	114,989	—	305,774	—
Realized Performance Income	432,784	224,020	1,222,403	934,018
Realized Performance Income Compensation	(274,955)	(157,885)	(797,965)	(599,753)
Realized Investment Income	447,565	260,415	1,277,701	495,904
Realized Investment Income Compensation	(67,142)	(56,803)	(191,663)	(85,646)
Depreciation and Amortization	6,064	4,568	18,257	14,189
<b>Adjusted EBITDA</b>	<b>\$ 1,188,892</b>	<b>\$ 598,332</b>	<b>\$ 3,198,010</b>	<b>\$ 1,620,167</b>

*KKR & Co. Inc. Stockholders' Equity - Common Stock*

	As of	
	September 30, 2021	December 31, 2020
(\$ in thousands)		
<b>KKR &amp; Co. Inc. Stockholders' Equity - Series I and II Preferred Stock, Common Stock</b>	<b>\$ 15,817,178</b>	<b>\$ 12,118,472</b>
Series C Mandatory Convertible Preferred Stock	1,115,792	1,115,792
Impact of Consolidation and Other <sup>(1)</sup>	(1,058,182)	520,710
KKR Holdings and Other Exchangeable Securities	8,665,693	6,512,382
Accumulated Other Comprehensive Income (AOCI) and Other (Insurance)	214,002	—
<b>Book Value</b>	<b>\$ 24,754,483</b>	<b>\$ 20,267,356</b>

(1) Includes an adjustment to book value to reflect the implied amount of (1) tax assets and liabilities attributable to KKR Holdings L.P. as if it was subject to corporate income taxes and (2) the recognition of deferred tax liabilities relating to certain assets of KKR Group Partnership L.P. that is expected to occur upon the completion of the mergers contemplated by the Reorganization Agreement. The impact of this adjustment was a reduction to book value of \$1,508 million as of September 30, 2021.

The following table provides reconciliations of KKR's GAAP Shares of Common Stock Outstanding to Adjusted Shares:

	As of	
	September 30, 2021	December 31, 2020
<b>GAAP Shares of Common Stock Outstanding</b>	<b>583,026,679</b>	<b>572,893,738</b>
Adjustments:		
KKR Holdings Units	271,027,751	275,626,493
Other Exchangeable Securities <sup>(1)</sup>	1,222,489	—
Common Stock - Series C Mandatory Convertible Preferred Stock <sup>(2)</sup>	26,822,600	29,092,933
<b>Adjusted Shares <sup>(3)</sup></b>	<b>882,099,519</b>	<b>877,613,164</b>
<b>Unvested Shares of Common Stock and Other Exchangeable Securities <sup>(4)</sup></b>	<b>36,140,502</b>	<b>23,892,201</b>

(1) Consists of vested restricted holdings units granted under our 2019 Equity Incentive Plan, which are exchangeable for shares of KKR & Co. Inc. common stock.

(2) Assumes that all shares of Series C Mandatory Convertible Preferred Stock have been converted to shares of KKR & Co. Inc. common stock on September 30, 2021 and December 31, 2020.

(3) Amounts exclude unvested equity awards granted under our Equity Incentive Plans.

(4) Represents equity awards granted under our Equity Incentive Plans. The issuance of common stock of KKR & Co. Inc. pursuant to equity awards under our Equity Incentive Plans dilutes KKR common stockholders and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR business. Excludes market condition awards that did not meet their market-price based vesting conditions as of September 30, 2021 and December 31, 2020.

### Liquidity

We manage our liquidity and capital requirements by (i) focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year, and (ii) maintaining access to sufficient liquidity through various sources. The overall liquidity framework and cash management approach of our insurance business are also based on building an investment portfolio that is cash flow matched, providing cash inflows from insurance assets that meet our insurance companies' expected cash outflows to pay their liabilities. Our primary cash flow activities typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends), as well as through the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products, and other growth initiatives, including acquisitions of other investments, assets, and businesses; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our stockholders and holders of our preferred stock; and (vii) paying borrowings, interest payments, and repayments under credit agreements, our senior and subordinated notes, and other borrowing arrangements. See "—Liquidity—Liquidity Needs—Dividends."

See "—Business Environment" for more details on factors that impact our business, financial performance, operating results and valuations.

### ***Sources of Liquidity***

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) in our insurance business, cash inflows in respect of new premiums, policyholder deposits, reinsurance transactions and funding agreements, including through memberships in Federal Home Loan Banks; (v) realizations on and sales of investments and other assets, including the transfers of investments or other assets for fund formations (including CLOs and other investment vehicles); and (vi) borrowings, including advances under our revolving credit facilities, debt offerings, committed repurchase agreements, uncommitted financing, and other borrowing arrangements. In addition, we may generate cash proceeds from sales of our equity securities.

Many of our investment funds provide carried interest. With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable, and is accruing carried interest; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of September 30, 2021, certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, and is otherwise accruing carried interest, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole for those investments where fair value is below cost or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest. Strategic investor partnerships with fund investors may require netting across the various funds in which they invest, which may reduce the carried interest we otherwise would have earned if such fund investors were to have invested in our funds without the existence of the strategic investor partnership. See "Risk Factors—Risks Related to Our Business—Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a 'netting hole,' which will result in less carried interest for us, as well as clawback liabilities" in our Annual Report.

As of September 30, 2021, netting holes in excess of \$50 million existed at two of our private equity funds, which were Asian Fund II of \$250 million and Americas Fund XII of \$132 million. In accordance with the criteria set forth above, other funds currently have and may in the future develop netting holes, and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities, other borrowing arrangements and other sources of liquidity that we have entered into with major financial institutions or which we receive from the capital markets.

For a discussion of our debt obligations, including our debt securities, revolving credit agreements and loans, see Note 10 "Debt Obligations" in our Annual Report and Note 16 "Debt Obligations" to the financial statements included elsewhere in this report.

***Liquidity Needs***

We expect that our primary liquidity needs will consist of cash required to:

- continue to support and grow our business lines, including funding our capital commitments made to existing and future funds, pay the costs related to fundraising and launching of new strategies, and otherwise supporting investment vehicles which we sponsor;
- seed or warehouse investments for the benefit of new strategies or funds, including CLOs, pending the contribution of committed capital by the investors in such funds, and advancing capital to our funds for operational or other needs;
- pay interest expense;
- service debt obligations, including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments, including funding requirements to levered investment vehicles;
- fund cash operating expenses and contingencies, including litigation matters and guarantees;
- pay corporate income taxes and other taxes;
- pay policyholders and amounts in our insurance business related to investment, reinvestment, reinsurance or funding agreement activity;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- pay cash dividends in accordance with our dividend policy for our common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business, and fund any net capital or regulatory requirements of our capital markets companies;
- post or return collateral in respect of derivative contracts;
- support and acquire other assets for our Principal Activities business line, including other businesses, investments and assets, some of which may be required to satisfy risk retention requirements for CLOs (to the extent they may apply); and
- repurchase KKR's common stock or retire equity awards pursuant to the share repurchase program or other securities issued by KKR.

For a discussion of KKR's share repurchase program, see "Part II. Item 2. Unregistered Sales of Equity Securities and Use of Proceeds — Share Repurchases in the First Quarter of 2021."

### Capital Commitments

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds (i) where we are pursuing newer strategies, (ii) where third party investor demand is limited, and (iii) where a larger commitment is consistent with the asset allocation strategy for our Principal Activities business line.

The following table presents our uncalled commitments to our active investment funds and other vehicles as of September 30, 2021:

	<b>Uncalled Commitments</b>
	<b>(\$ in millions)</b>
<b>Private Markets</b>	
Core Investment Vehicles	\$ 4,254
North America Fund XIII	1,115
Asian Fund IV	857
Real Estate Partners Americas III	800
Global Infrastructure Investors IV	523
Health Care Strategic Growth Fund II	262
Diversified Core Infrastructure Fund	250
Americas Fund XII	231
Asia Real Estate Partners	210
Asia Pacific Infrastructure Investors	192
Asian Fund III	167
Real Estate Partners Europe II	141
Global Infrastructure Investors III	155
Energy Income and Growth Fund II	116
Property Partners Americas	88
Next Generation Technology Growth II	86
European Fund V	69
Health Care Strategic Growth Fund	64
Global Impact Fund	33
Real Estate Credit Opportunity Partners II	27
Real Estate Partners Americas II	26
Other Private Markets Vehicles	497
<b>Total Private Markets Commitments</b>	<b>10,163</b>
<b>Public Markets</b>	
Dislocation Opportunities Fund	200
Lending Partners Europe II	33
Special Situations Fund II	25
Private Credit Opportunities Partners II	16
Lending Partners III	13
Lending Partners Europe	12
Other Public Markets Vehicles	487
<b>Total Public Markets Commitments</b>	<b>786</b>
<b>Total Uncalled Commitments</b>	<b>\$ 10,949</b>

### *Other Commitments*

In addition to the uncalled commitments to our investment funds as shown above, KKR has entered into contractual commitments primarily with respect to underwriting transactions, debt financing, revolving credit facilities, and syndications in our capital markets business line. As of September 30, 2021, these commitments amounted to \$1.2 billion.

Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. Our capital markets business has arrangements with third parties, which reduce our risk when underwriting certain debt transactions, and thus our unfunded commitments as of September 30, 2021 have been reduced to reflect the amount to be funded by such third parties. In the case of purchases of investments or assets in our Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

On January 14, 2020, KKR committed to invest up to an additional \$150 million in our India debt finance company to support its alternative credit business in India. No amounts have been contributed by KKR, and on September 8, 2021, the commitment was terminated. During the third quarter of 2021, our India debt finance company entered into a transaction to merge with Incred Finance.

### *Tax Receivable Agreement*

We are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings, which is expected to result in an increase in our tax basis of the assets of KKR Group Partnership at the time of an exchange of KKR Group Partnership Units. We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings, or to current and former limited partners who have exchanged KKR Holdings units for KKR's common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings we realize as a result of increases in tax basis that arise due to future payments under the agreement. As of September 30, 2021, an undiscounted payable of \$237.8 million has been recorded in due to affiliates in the financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of September 30, 2021, approximately \$50.2 million of cumulative cash payments have been made under the tax receivable agreement.

Following the consummation of the final exchange of KKR Group Partnership Units that occurs prior to the closing of the mergers contemplated by the Reorganization Agreement, the tax receivable agreement will terminate, except that the obligations of KKR to make payments under the tax receivable agreement with respect to the final exchange and any prior exchanges will remain outstanding until fully paid.

### *Dividends*

A dividend of \$0.145 per share of our common stock has been declared for the quarter ended September 30, 2021, which will be paid on November 30, 2021 to holders of record of our common stock as of the close of business on November 15, 2021.

On September 15, 2021, KKR redeemed all of its Series B Preferred Stock at a redemption price per share equal to the \$25.00 liquidation preference plus declared and unpaid dividends, which amounted to \$157.5 million.

A dividend of \$0.75 per share of Series C Mandatory Convertible Preferred Stock has been declared and set aside for payment on December 15, 2021 to holders of record of Series C Mandatory Convertible Preferred Stock as of the close of business on December 1, 2021.

When KKR & Co. Inc. receives distributions from KKR Group Partnership, other equityholders in KKR Group Partnership including KKR Holdings receive their pro rata share of such distributions from KKR Group Partnership.

The declaration and payment of dividends to our common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. Our current dividend policy is to pay dividends to holders of our common stock in an annual aggregate amount of \$0.58 per share (or a quarterly dividend of \$0.145 per share) beginning with the dividend announced with respect to the results for the first quarter of 2021. The declaration of dividends is subject to the discretion of our board of directors based on a number of factors, including KKR's future financial performance and other considerations that the board deems relevant, and compliance with the terms of KKR & Co. Inc.'s certificate of incorporation and applicable law. For U.S. federal income tax purposes, any dividends we pay (including dividends on our preferred stock) generally will be treated as qualified dividend income for U.S. individual stockholders to the extent paid out of our current or

accumulated earnings and profits, as determined for U.S. federal income tax purposes. There can be no assurance that future dividends will be made as intended or at all or that any particular dividend policy for our common stock will be maintained. Furthermore, the declaration and payment of distributions by KKR Group Partnership and our other subsidiaries may also be subject to legal, contractual and regulatory restrictions, including restrictions contained in our debt agreements and the terms of the preferred units of KKR Group Partnership.

### **Preferred Stock**

For a discussion of KKR's equity, including our preferred stock, see Financial Statements and Supplementary Data—Note 21 "Equity" to the financial statements included elsewhere in this report.

### *Other Liquidity Needs*

From time to time, we fund various underwriting, syndication and fronting commitments in our capital markets business in connection with the arranging or underwriting of loans, securities or other financial instruments, for which we may draw all or substantially all of our availability for borrowings under our available credit facilities. We generally expect these borrowings by our capital markets business to be repaid promptly as these commitments are syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

### **Contractual Obligations, Commitments and Contingencies**

In the ordinary course of business, we (including Global Atlantic) and our consolidated funds and CFEs enter into contractual arrangements that may require future cash payments. Contractual arrangements include (1) commitments to fund the purchase of investments or other assets (including obligations to fund capital commitments as the general partner of our investment funds) or to fund collateral for derivative transactions or otherwise, (2) obligations arising under our senior notes, subordinated notes, and other indebtedness, (3) commitments by our capital markets business to underwrite transactions or to lend capital, (4) obligations arising under insurance policies written, (5) other contractual obligations, including servicing agreements with third-party administrators for insurance policy administration, and (6) commitments to fund the business, operations or investments of our subsidiaries.

We may incur contingent liabilities for claims that may be made against us in the future. We enter into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of our investment funds and KKR have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for violations of bankruptcy remoteness restrictions and for fraud, willful misconduct and other wrongful acts, each in connection with the financing of (i) certain real estate investments that we have made, including KKR's corporate real estate, and (ii) certain investment vehicles we manage or sponsor. KKR has also (i) provided credit support regarding repayment and funding obligations to third party lenders on behalf of certain employees, excluding executive officers, in connection with their personal investments in KKR investment funds and a levered investment vehicle and (ii) provided credit support to one of our hedge fund partnerships. We have also indemnified employees and non-employees against potential liabilities, in connection with their service as described under "Certain Relationships and Related Transactions, and Director Independence—Indemnification of Directors, Officers and Others" in our Annual Report. In addition, we have also provided credit support to certain of our subsidiaries' obligations in connection with certain investment vehicles or partnerships that we manage. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions. KKR has also agreed to cause various of its general partners to fund their capital commitments to their funds and to be liable for such general partners' compliance with certain covenants, including limitations on their incurrence of certain kinds of indebtedness. In addition, we have also agreed for certain of our investment vehicles to fund or otherwise be liable for a portion of their investment losses (up to a maximum of approximately \$116 million) and/or to provide them with liquidity upon certain termination events (the maximum amount of which is unknown until the scheduled termination date of the investment vehicle).

The partnership documents governing our carry-paying funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. See Note 23 "Commitments and Contingencies—Contingent Repayment Guarantees" to our financial statements included elsewhere in this report for further information on KKR's potential clawback obligations.

### ***Off Balance Sheet Arrangements***

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

## **Critical Accounting Policies**

The preparation of our financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discusses certain aspects of our critical accounting policies. For a full discussion of these and all critical accounting policies, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

### **Critical Accounting Policies - Asset Management**

#### ***Recognition of Investment Income***

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments; (ii) dividends; (iii) interest income; (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs.

Certain of our investment funds are consolidated. When a fund is consolidated, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated statements of operations. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. Inc. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. However, because certain of our funds remain consolidated and because we hold a minority economic interest in these funds' investments, our share of the investment income is less than the total amount of investment income presented in the consolidated statements of operations for these consolidated funds.

#### ***Recognition of Carried Interest in the Statement of Operations***

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Carried interest is earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as losses in the statement of operations. For funds that are not consolidated, amounts earned pursuant to carried interest are included in capital allocation-based income (loss) in the consolidated statements of operations. Amounts earned pursuant to carried interest at consolidated funds are eliminated upon consolidation of the fund and are included as investment income (loss) in net gains (losses) from investment activities along with all of the other investment gains and losses at the consolidated fund.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition.



Prior to 2012, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

Most of our investment funds that provide for carried interest and were launched after 2012, however, have a preferred return. In this case, the management company does not refund the management fees earned from the limited partners of the fund as described above. Instead, the management fee is effectively returned to the limited partners through a reduction of the realized gain on which carried interest is calculated. To calculate the carried interest, KKR calculates whether a preferred return has been achieved based on an amount that includes all of the management fees paid by the limited partners as well as the other capital contributions and expenses paid by them to date. To the extent the fund has exceeded the preferred return at the time of a realization event, and subject to any other conditions for the payment of carried interest like netting holes, carried interest is distributed to the general partner. Until the preferred return is achieved, no carried interest is recorded. Thereafter, the general partner is entitled to a catch up allocation such that the general partner's carried interest is paid in respect of all of the fund's net gains, including the net gains used to pay the preferred return, until the general partner has received the full percentage amount of carried interest that the general partner is entitled to under the terms of the fund. In general, investment funds that entitle the management company to receive an incentive fee have a preferred return and are calculated on a similar basis that takes into account management fees paid.

## **Critical Accounting Policies - Insurance**

### ***Policy liabilities***

Policy liabilities, or collectively, "reserves," are the portion of past premiums or assessments received that are set aside to meet future policy and contract obligations as they become due. Interest accrues on the reserves and on future premiums, which may also be available to pay for future obligations. Global Atlantic establishes reserves to pay future policy benefits, claims, and certain expenses for its life policies and annuity contracts.

Global Atlantic's reserves are estimated based on models that include many actuarial assumptions and projections. These assumptions and projections, which are inherently uncertain, involve significant judgment, including assumptions as to the levels and/or timing of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), mortality, longevity, and persistency.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policy benefits are payable. Global Atlantic reviews the adequacy of its reserves and the assumptions underlying those reserves at least annually. Global Atlantic cannot, however, determine with precision the amount or the timing of actual benefit payments. If actual experience is better than or equal to the assumptions, then reserves would be adequate to provide for future benefits and expenses. If experience is worse than the assumptions, additional reserves may be required to meet future policy and contract obligations. This would result in a charge to our net income during the period in which excess benefits are paid or an increase in reserves occurs.

For a majority of Global Atlantic's in-force policies, including its universal life policies and most annuity contracts, the base policy reserve is equal to the account value. For these products, the account value represents its obligation to repay to the policyholder the amounts held on deposit. However, there are several significant blocks of business where policy reserves, in addition to the account value, are explicitly calculated, including variable annuities, fixed-indexed annuities, universal life products with secondary guarantees, indexed universal life and preneed policies.

### ***Guaranteed minimum death benefits ("GMDB")***

Some of Global Atlantic's variable annuity and fixed-indexed annuity contracts contain a GMDB feature that provides a guarantee that the benefit received at death will be no less than a prescribed minimum amount, even if the account balance is reduced to zero. This amount is based on either the net deposits paid into the contract, the net deposits accumulated at a specified rate, the highest historical account value on a contract anniversary, or sometimes a combination of these values. If the GMDB is higher than the current account value at the time of death, Global Atlantic incurs a cost equal to the difference.

### *Guaranteed minimum withdrawal benefits ("GMWB")*

Global Atlantic issues fixed-indexed annuity and variable annuity contracts with a guaranteed minimum withdrawal feature. GMWB are an optional benefit where the contract owner is entitled to withdraw a maximum amount of their benefit base each year.

Once exercised, living benefit features provide annuity policyholders with a minimum guaranteed stream of income for life. A policyholder's annual income benefit is generally based on an annual withdrawal percentage multiplied by the benefit base. The benefit base is defined in the policy and is generally the initial premium, reduced by any partial withdrawals and increased by a defined percentage, formula or index credits. Any living benefit payments are first deducted from the account value. Global Atlantic is responsible for paying any excess guaranteed living benefits still owed after the account value has reached zero.

The ultimate cost of these benefits will depend on the level of market returns and the level of contractual guarantees, as well as policyholder behavior, including surrenders, withdrawals, and benefit utilization. For fixed-indexed annuity products, costs also include certain non-guaranteed terms that impact the ultimate cost, such as caps on crediting rates that Global Atlantic can, in its discretion, reset annually.

### *GMDB and GMWB sensitivities*

As of September 30, 2021, the GMDB and GMWB liability balance totaled \$1,025.2 million. As of September 30, 2021, the liability balances for GMDB were \$24.2 million for fixed-indexed annuities and \$25.3 million for variable annuities. As of September 30, 2021, the liability balances for GMWB were \$975.7 million for fixed-indexed annuities. The increase (decrease) to the GMDB and GMWB liability balance as a result of hypothetical changes in projected assessments, equity market prices, and annual equity growth is summarized in the table below. This sensitivity considers the direct effect of such changes only and not changes in any other assumptions used in or items considered in the measurement of such balances.

	<b>September 30, 2021</b>
<i>(\$ in thousands)</i>	
Balance	\$ 1,025,202
<b>Hypothetical change:</b>	
+10% future assessments <sup>(1)</sup>	(16,099)
-10% future assessments <sup>(1)</sup>	17,710
+10% equity market prices	(14,650)
-10% equity market prices	12,102
1% lower annual equity growth	5,492

*Note: Hypothetical changes to the liability balance do not reflect the impact of related hedges.*

*(1) The assessments used to accrue liabilities are generally based on investment yields, realized gains and losses, rider charges, surrender charges, and asset-based fees, such as mortality and expense fees.*

### *Embedded derivatives*

Global Atlantic's fixed-indexed annuity, variable annuity and indexed universal life products contain equity-indexed features, which are considered embedded derivatives and are required to be measured at fair value.

The embedded derivative is calculated as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate. In addition, the fair value of the embedded derivative is reduced to reflect the risk of non-performance on Global Atlantic's obligations (i.e., own credit risk).

Changes in interest rates, future index credits, Global Atlantic's own credit risk, projected withdrawal and surrender activity, and mortality on fixed-indexed annuity and indexed universal life contracts can have a significant impact on the value of the embedded derivative.

*Valuation of embedded derivatives – Fixed-indexed annuities*

Fixed-indexed annuity contracts allow the policyholder to elect a fixed interest rate of return or a market indexed strategy where interest credited is based on the performance of an index, such as the S&P 500 Index, or other indexes. The market indexed strategy is an embedded derivative, similar to a call option. The fair value of the embedded derivative is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits, future equity option costs, volatility, interest rates, and policyholder behavior. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as are used to project policy contract values. The embedded derivative cash flows are discounted using a risk-free interest rate increased by a non-performance risk spread tied to Global Atlantic's own credit rating.

*Valuation of embedded derivatives – Indexed universal life*

Indexed universal life products allow a policyholder's account value to grow based on the performance of certain equity indexes, which result in an embedded derivative similar to a call option. The embedded derivative related to the index is bifurcated from the host contract and measured at fair value. The valuation of the embedded derivative is the present value of future projected benefits in excess of the projected guaranteed benefits, using the option budget as the indexed account value growth rate and the guaranteed interest rate as the guaranteed account value growth rate. Present values are based on discount rate curves determined at the valuation date/issue date as well as assumed lapse and mortality rates. The discount rate equals the forecast treasury rate plus a non-performance risk spread tied to Global Atlantic's own credit rating. Changes in discount rates and other assumptions such as spreads and/or option budgets can have a substantial impact on the embedded derivative.

*Valuation of embedded derivatives – Variable annuities*

Variable annuity contracts offered and assumed by Global Atlantic provide the contractholder with GMDB and/or GMWB. The liabilities for these benefits are included in policy liabilities in the consolidated statement of financial condition. The change in the liabilities for these benefits is included in policy benefits and claims in the consolidated statements of operation.

Global Atlantic has issued variable annuity contracts with GMDB features. Global Atlantic elected the fair value option to measure the liability for certain of these variable annuity contracts, valued at \$544.8 million as September 30, 2021. Fair value is calculated as the present value of the estimated death benefits less the present value of the GMDB fees, using 1,000 risk neutral scenarios. Global Atlantic discounts the cash flows using U.S. Treasury rates plus an adjustment for its own company credit risk.

Global Atlantic also issues variable annuity contracts with a GMWB. The GMWB feature represents an embedded derivative. The embedded derivative is required to be bifurcated and measured at fair value. This liability is calculated as the present value of the excess GMWB claims less the present value of GMWB fees, using 1,000 risk neutral scenarios. Global Atlantic discounts the cash flows using U.S. Treasury rates plus an adjustment for its own company credit risk.

As of September 30, 2021, the embedded derivative liability balance totaled \$1,513.9 million for fixed-indexed annuities, \$490.0 million for indexed universal life and \$138.8 million for variable annuities. As of September 30, 2021, variable annuities accounted for using the fair value option was \$544.8 million. The increase (decrease) to the embedded derivatives on fixed-indexed annuity, indexed universal life, and variable annuity products and the increase (decrease) in the reserves for variable annuities accounted for using the fair value option as a result of hypothetical changes in interest rates, non-performance risk premium, and equity market prices is summarized in the table below. This sensitivity considers the direct effect of such changes only and not changes in any other assumptions used in or items considered in the measurement of such balances.

	September 30, 2021			
	FIA	IUL	VA	VA (FVO)
<i>(\$ in thousands)</i>				
Balance	\$ 1,513,888	\$ 490,013	\$ 138,826	\$ 544,829
<b>Hypothetical change:</b>				
+50 bps interest rates	(34,126)	(2,428)	(70,403)	(33,443)
-50 bps interest rates	40,806	2,306	81,305	33,554
+50bps non-performance risk premium	(31,200)	(6,264)	(30,412)	(23,418)
-50bps non-performance risk premium	35,818	6,264	44,780	26,630
+10% equity market prices	364,088	34,126	(55,315)	(22,967)
-10% equity market prices	(249,490)	(64,473)	71,062	27,421

Note: Hypothetical changes to the liability balances do not reflect the impact of related hedges.

*Valuation of embedded derivatives in modified coinsurance or funds withheld*

Global Atlantic's reinsurance agreements include modified coinsurance and coinsurance with funds withheld arrangements that include terms that require payment by the ceding company of a principal amount plus a return that is based on a proportion of the ceding company's return on a designated portfolio of assets. Because the return on the receivable held by the assuming company is not clearly and closely related to the host insurance contract, these contracts are deemed to contain embedded derivatives, which are measured at fair value. Global Atlantic is exposed to both the market risk and the credit risk of the assets. Changes in discount rates and other assumptions can have a significant impact on this embedded derivative. The fair value of the embedded derivatives is included in the funds withheld receivable at interest and funds withheld payable at interest line items on the consolidated statement of financial condition. The change in the fair value of the embedded derivatives is recorded in net investment gains (losses) in the consolidated statement of operations.

As of September 30, 2021, the embedded derivative balance for modified coinsurance or funds withheld arrangements was a \$117.2 million net asset (\$80.5 million in funds withheld receivables at interest, and \$(36.8) million in funds withheld payable at interest). The increase (decrease) to the balance as a result of hypothetical changes in credit spreads and interest rates is summarized in the table below. This sensitivity considers the direct effect of such changes only and not changes in any other factors that impact the embedded derivative balance for modified coinsurance or funds withheld arrangements.

	September 30, 2021	
	Embedded derivative on funds withheld receivable at interest	Embedded derivative on funds withheld payable at interest
<i>(\$ in thousands)</i>		
Balance	\$ 80,493	\$ (36,755)
<b>Hypothetical change:</b>		
+50 bps credit spreads	(68,200)	(860,342)
-50 bps credit spreads	68,200	860,342
+50 bps interest rates	(26,545)	(779,962)
-50 bps interest rates	35,444	779,962

Note: Hypothetical changes to the funds withheld receivable and payable embedded derivative balances do not reflect the impact of related hedges or trading assets which back the funds withheld at interest.

## **Critical Accounting Policies - Combined**

### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Investments and other financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

#### ***Level I***

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date.

#### ***Level II***

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

#### ***Level III***

Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The valuation of our Level III investments at September 30, 2021 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments in an orderly transaction at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

#### ***Level III Valuation Methodologies***

Our investments and financial instruments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the carried interest and investment income we realize. Additionally, a change in interest rates could have a significant impact on valuations.

Across the total Level III private equity investment portfolio (including core investments), and including investments in both consolidated and unconsolidated investment funds, approximately 50% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 5% of the fair value of this Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis. As of September 30, 2021, the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology, and a methodology based on pending sales for this portfolio of Level III private equity investments were 36%, 46%, and 18%, respectively.

There is inherent uncertainty involved in the valuation of Level III investments, and there is no assurance that, upon liquidation, KKR will realize the values reflected in our valuations. Our valuations may differ significantly from the values that would have been used had an active market for the investments existed, and it is reasonably possible that the difference could be material. See "—Business Environment" for more details on factors that impact our business, financial performance, operating results and valuations.

Key unobservable inputs that have a significant impact on our Level III valuations as described above are included in Note 9 "Fair Value Measurements" to our financial statements included elsewhere in this report.

### ***Level III Valuation Process***

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. KKR begins its procedures to determine the fair values of its Level III assets one month prior to the end of a reporting period, and KKR follows additional procedures to ensure that its determinations of fair value for its Level III assets are appropriate as of the relevant reporting date. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than preset value thresholds and which in the aggregate comprise less than 1% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by independent valuation firms without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firms rely on valuation information available to it as a broker or valuation firm. For credit investments in Public Markets, an independent valuation firm is generally engaged by KKR to assist with the valuations of most investments classified as Level III. The valuation firm either provides a value, provides a valuation range from which KKR's investment professionals select a point in the range to determine the valuation, or performs certain procedures in order to assess the reasonableness of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted for review and approval by KKR's valuation committees. As of September 30, 2021, less than 5% of the total value of our Level III credit investments were not valued with the engagement of an independent valuation firm.

For Level III investments in Asset Management, KKR has a global valuation committee that is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. The global valuation committee is assisted by the asset class-specific valuation committees that exist for private equity (including core investments and certain impact investments), growth equity (including certain impact investments), real estate, energy, infrastructure and credit. The asset class-specific valuation committees are responsible for the review and approval of all preliminary Level III valuations in their respective asset classes on a quarterly basis. The members of these valuation committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments. All Level III valuations for investments in Asset Management are also subject to approval by the global valuation committee, which is comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's Co-Chief Executive Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the Audit Committee of the Board of Directors of KKR & Co. Inc. and are then reported to the Board of Directors.

Level III investments held by Global Atlantic are valued on the basis of pricing services, reputable broker-dealers or internal models. Global Atlantic performs a quantitative and qualitative analysis and review of the information and prices received from independent pricing services as well as broker-dealers to verify that it represents a reasonable estimate of fair value. For all the internally developed models, Global Atlantic seeks to verify the reasonableness of fair values by analyzing the inputs and other assumptions used. As of September 30, 2021, approximately 53% of these investments were priced via external sources, while approximately 47% were valued on the basis of internal models. When valuations are approved by Global Atlantic's management, the valuations of its Level III investments, as well as the valuations of Level I and Level II investments, are presented to the Audit Committee of the Board of Directors of KKR & Co. Inc. and are then reported to the Board of Directors.

As of September 30, 2021, upon completion by, where applicable, independent valuation firms of certain limited procedures requested to be performed by them on certain Level III investments, the independent valuation firms concluded that the fair values, as determined by KKR (including Global Atlantic), of those investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

There were no changes made to our Level III valuation process as a result of COVID-19.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs, and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and stockholders' equity that we report from time to time.

Changes in the fair value of investments impacts the amount of carried interest that is recognized as well as the amount of investment income that is recognized for investments held directly in Asset Management and through our consolidated funds as described below. We estimate that an immediate 10% decrease in the fair value of investments held directly and through consolidated investment funds generally would result in a commensurate change in the amount of net gains (losses) from investment activities for investments held directly and through investment funds and a more significant impact to the amount of carried interest recognized, regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. With respect to consolidated investment funds, the impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value of our consolidated funds would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments. With respect to Insurance, a decrease in investment income for certain assets where investment gains and losses are recognized through the statement of operations would impact KKR only to the extent of our economic ownership interest in Global Atlantic.

As of September 30, 2021, there were no investments which represented greater than 5% of total investments on a GAAP basis. On a non-GAAP basis, as of September 30, 2021, investments which represented greater than 5% of total non-GAAP investments consisted of PetVet Care Centers, LLC, USI, Inc. and Fiserv, Inc. valued at \$1,094.4 million, \$1,094.1 million, and \$992.5 million respectively. Our investment income on a GAAP basis and our book value can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of Fiserv, Inc. and BridgeBio Pharma Inc. See "—Business Environment" for a discussion on the impact of global equity markets on our financial condition and "—Non-GAAP Balance Sheet Measures" for additional information regarding our largest holdings on a non-GAAP basis.

### **Recently Issued Accounting Pronouncements**

For a full discussion of recently issued accounting pronouncements, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The acquisition of Global Atlantic on February 1, 2021 added certain risks to KKR, some of which represent incremental exposure to risks existing prior to the Global Atlantic acquisition, and some of which represent new risks. For additional information, please refer to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, filed with the SEC on May 10, 2021. For a discussion of current market conditions and uncertainties resulting from COVID-19, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment."

### **ITEM 4. CONTROLS AND PROCEDURES**

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

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that the information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to management, including the Co-Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives.

We carried out an evaluation, under the supervision and with the participation of our management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of September 30, 2021, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

As discussed in Note 3 of our financial statements included elsewhere in this report, we acquired Global Atlantic on February 1, 2021. We are in the process of evaluating the internal controls of Global Atlantic. However, as permitted by related SEC staff interpretive guidance for newly acquired businesses, the internal control over financial reporting of Global Atlantic was excluded from the evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2021. In the aggregate, Global Atlantic represented approximately 60% of our total consolidated assets and approximately 35% of our total consolidated revenues as of and for the nine months ended September 30, 2021.

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

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the nine months ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As noted above, we acquired Global Atlantic on February 1, 2021. We are in the process of reviewing the internal control structure of Global Atlantic and, if necessary, will make appropriate changes as we continue to integrate Global Atlantic into our overall internal control over financial reporting process.



## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

The section entitled "Litigation" appearing in Note 23 "Commitments and Contingencies" to our financial statements included elsewhere in this report is incorporated herein by reference.

### **ITEM 1A. RISK FACTORS.**

Other than as set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" in this report, there were no material changes to the risk factors disclosed in our Annual Report.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

**Share Repurchases in the Third Quarter of 2021**

Under the repurchase program, KKR is authorized to repurchase its common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any common stock repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will continue to be in effect unless the program is not extended after the maximum approved dollar amount has been completely spent. As of November 2, 2021, the current program will be extended before the current maximum approved dollar amount will be completely spent. The program does not require KKR to repurchase any specific number of shares of common stock, and the program may be suspended, extended, modified or discontinued at any time.

In addition to the repurchases of common stock described above, subsequent to May 3, 2018, the repurchase program is used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plans. From October 27, 2015 through September 30, 2021, KKR has paid approximately \$513 million in cash to satisfy tax withholding and cash settlement obligations in lieu of issuing shares of common stock or its equivalent upon the vesting of equity awards representing 21.5 million shares of common stock. Of these amounts, equity awards representing 11.0 million shares of common stock or its equivalent were retired for \$190 million prior to May 3, 2018 and did not count against the amounts remaining under the repurchase program.

The table below sets forth the information with respect to repurchases made by or on behalf of KKR & Co. Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock for the periods presented. During the third quarter of 2021, no shares of common stock were repurchased and no equity awards were retired. From inception of the repurchase program in 2015 through September 30, 2021, we have repurchased or retired a total of approximately 65.5 million shares of common stock under the program at an average price of approximately \$21.49 per share.

**Issuer Purchases of Common Stock**  
(amounts in thousands, except share and per share amounts)

	Total Number of Shares Purchased	Average Price Paid Per Share	Cumulative Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
Month #1 (July 1, 2021 to July 31, 2021)	—	\$ —	54,951,833	\$ 218,499
Month #2 (August 1, 2021 to August 31, 2021)	—	\$ —	54,951,833	\$ 218,499
Month #3 (September 1, 2021 to September 30, 2021)	—	\$ —	54,951,833	\$ 218,499
<b>Total through September 30, 2021</b>	<b>—</b>			

(1) Amounts have been reduced by retirements of equity awards occurring after May 3, 2018. On May 6, 2020, KKR announced the increase to the total available amount under the repurchase program to \$500 million.

**Other Equity Securities**

During the third quarter of 2021, no KKR Group Partnership Units were exchanged by KKR Holdings for shares of our common stock. As of October 30, 2021, limited partners of KKR Holdings have elected to exchange their interests in KKR Holdings representing approximately 12.3 million KKR Group Partnership Units into an equal number of shares of our common stock. This exchange, if it occurs, would result in an increase in our ownership of KKR Group Partnership and a corresponding decrease in the ownership of KKR Group Partnership by KKR Holdings. There can be no assurance that the exchange will occur as requested.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS.**

The following is a list of all exhibits filed or furnished as part of this report:

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
31.1	<a href="#">Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.3	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.3	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Financial Condition as of September 30, 2021 and December 31, 2020, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2021 and September 30, 2020, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2021 and September 30, 2020; (iv) the Condensed Consolidated Statements of Changes in Equity for the three and nine months ended September 30, 2021 and September 30, 2020, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and September 30, 2020, and (vi) the Notes to the Condensed Consolidated Financial Statements.
104	Cover page interactive data file, formatted in Inline XBRL and contained in Exhibit 101.

† Certain information contained in this agreement has been omitted because it is not material and is the type that the registrant treats as private or confidential.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**SIGNATURES**

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

**KKR & CO. INC.**

By:

\_\_\_\_\_  
/s/ ROBERT H. LEWIN

Robert H. Lewin  
*Chief Financial Officer*  
*(principal financial and accounting officer)*

DATE: November 5, 2021

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Joseph Y. Bae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2021 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Joseph Y. Bae

Joseph Y. Bae

*Co-Chief Executive Officer*

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Scott C. Nuttall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2021 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Scott C. Nuttall

Scott C. Nuttall

*Co-Chief Executive Officer*

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Robert H. Lewin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2021 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Robert H. Lewin

Robert H. Lewin

*Chief Financial Officer*

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of KKR & Co. Inc. (the "Corporation") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission (the "Report"), I, Joseph Y. Bae, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: November 5, 2021

/s/ Joseph Y. Bae

Joseph Y. Bae

*Co-Chief Executive Officer*

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



**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of KKR & Co. Inc. (the "Corporation") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission (the "Report"), I, Scott C. Nuttall, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: November 5, 2021

/s/ Scott C. Nuttall

Scott C. Nuttall

*Co-Chief Executive Officer*

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of KKR & Co. Inc. (the "Corporation") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission (the "Report"), I, Robert H. Lewin, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: November 5, 2021

/s/ Robert H. Lewin

Robert H. Lewin

*Chief Financial Officer*

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