

# Perspectives on Commercial Real Estate

April 2023

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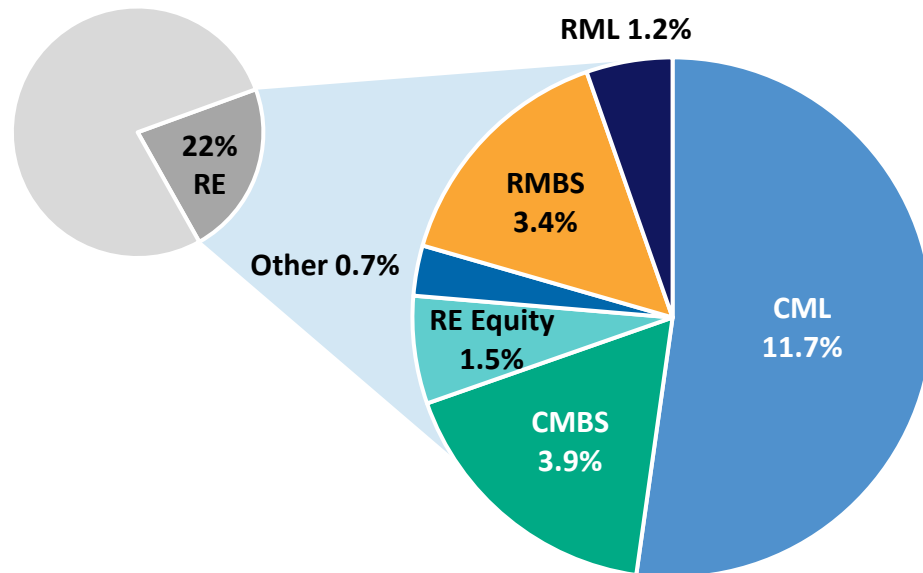
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# Industry Considerations

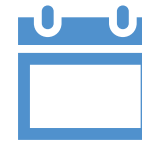
# Commercial Real Estate Always Has Been an Integral Asset Class for Insurers

- CRE has been a widely-held asset class across the insurance landscape for decades
- CRE is well-suited for insurers given the longer duration of liabilities / funding model
- CMLs help insurers to match the duration of assets and liabilities, capture risk-adjusted yield premiums, and increase portfolio diversification
- As of 2022, life insurance companies held over \$1 trillion in total real estate assets, including more than \$585 billion of CMLs

## Total Life Insurance Company Portfolio Allocation to Real Estate<sup>1</sup>



## Why Do Insurers Invest in CRE?



Long  
Dated



Low  
Historical  
Losses



Downside  
Protected

Source: SNL Financial.

1. Percentage of total general account assets for all statutory entities, as of December 31, 2022.

# Capital Requirements and Return Potential Drive Behavior

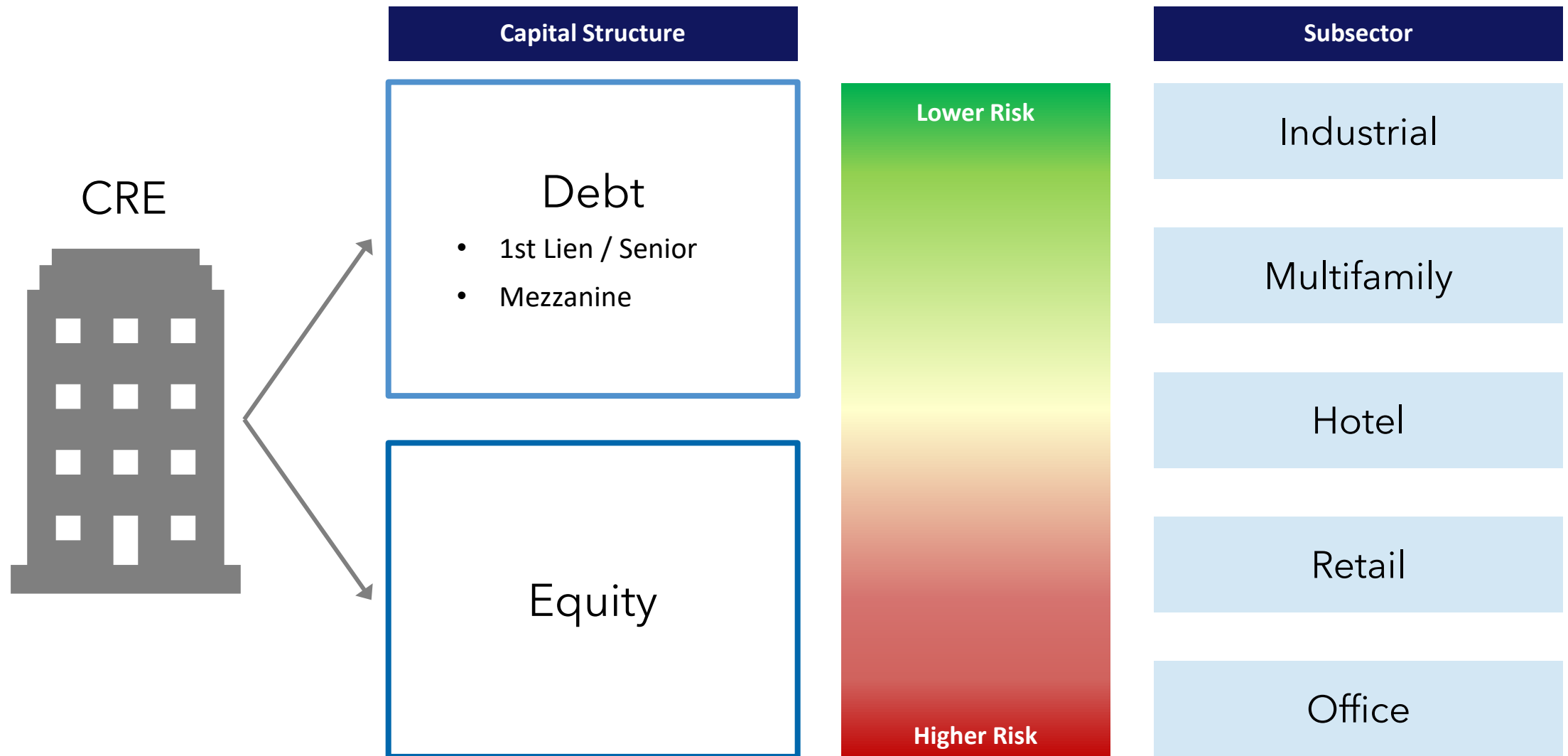
Select Asset Class	Illustrative Return Profile	NAIC Capital Requirement <sup>1</sup>
Single 'A' Corporate Debt	~5%	~1%
Single 'A' Structured Credit	~6-7%	~1%
Commercial Mortgage Loans <sup>2</sup>	~5-7%	~2%
Commercial Real Estate Equity <sup>3</sup>	~10%	~11-13%
Equities / Alternatives	~11-12%	~30-40%

## Context on CRE Capital Requirements

- The National Association of Insurance Commissioners' (NAIC) capital requirements for commercial real estate vary based on fundamental metrics (e.g. loan-to-value and debt service coverage ratio) and idiosyncratic features
- The NAIC's calculation of capital requirements are **"procyclical"** as they are based on backward looking metrics
- For example, the NAIC calculates debt service coverage ratios using 3-year trailing income earned on the properties
- This results in capital requirements that are lowest at the peak of the market, just before heading into a downturn
- In 2021, the NAIC lowered capital charges on Schedule A Real Estate Equity from 15% to 11% and Schedule BA Real Estate Equity from 23% to 13%

1. Refers to NAIC required capital levels at an illustrative 100% Risk-Based Capital (RBC) level. 2. Commercial Mortgage Loans assume CM2 under NAIC. 3. Commercial real estate equity assumes Schedule A direct real estate at low LTVs.

# Not All CRE is Created Equal – Today It's Better to Own Debt, Not Equity



# When CRE 'Cap Rates' Rise, Equity is Impaired Before Debt

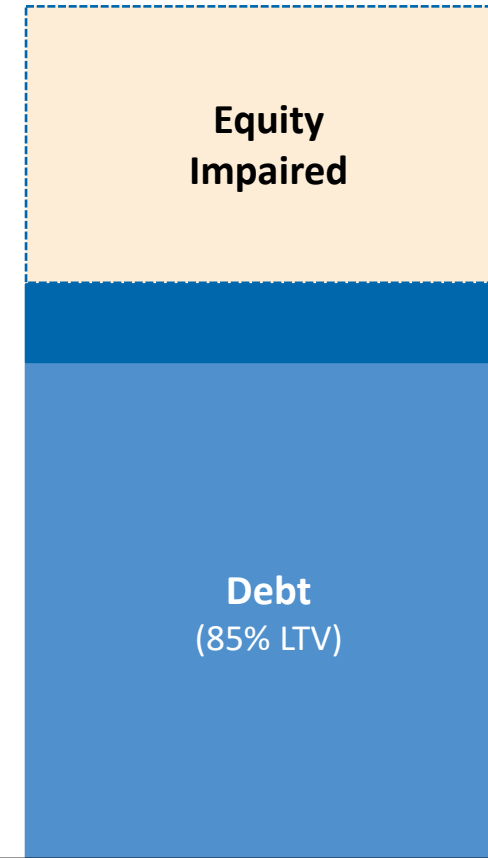
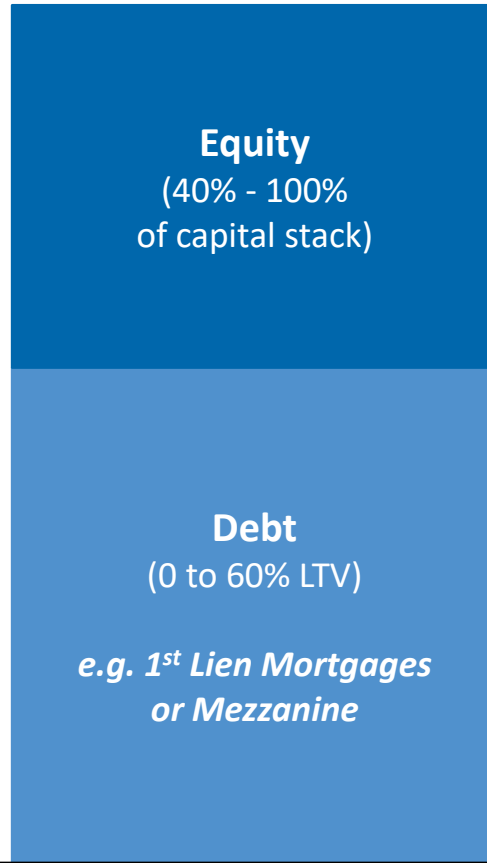
Cap Rate: 5.0%  
Value: \$100 million

↑ Cap rate: +200 bps to 7.0%  
↓ = 30% decrease in value

Debt can come in different structures

What matters is the credit quality of the debt, including Loan-to-Value (LTV) and Debt Service Coverage Ratio (DSCR), not the form

1<sup>st</sup> Lien Mortgages in one property can have a higher LTV and lower DSCR than Mezzanine debt in another



Buildings are permanent, but real estate debt is temporary

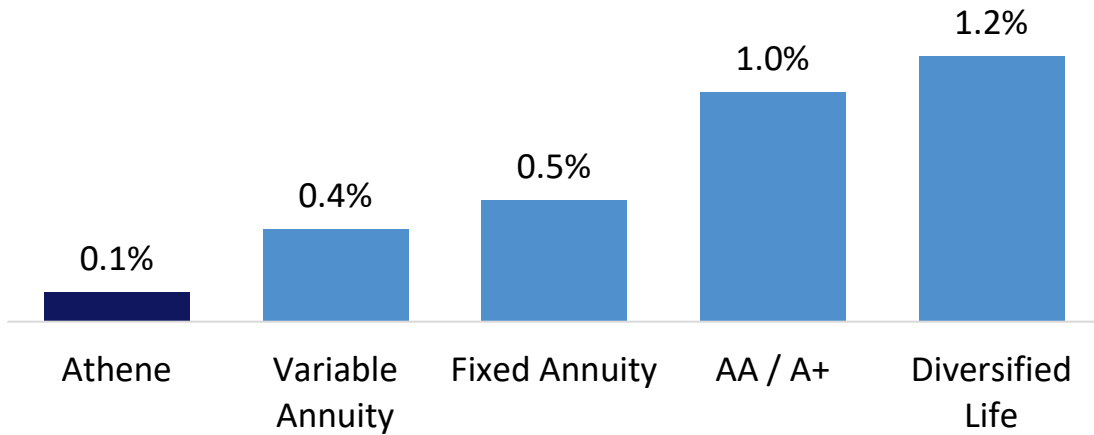
Upon debt maturity, equity will be impaired if the market value of the building is below the par value of debt

Note: Capitalization rates ('cap rates') reflect the rate of return investors can expect to earn on CRE investments (Cap Rate = Net Operating Income / Property Value). Can also be thought of as the inverse of valuation multiples. Illustration assumes no Net Operating Income growth.

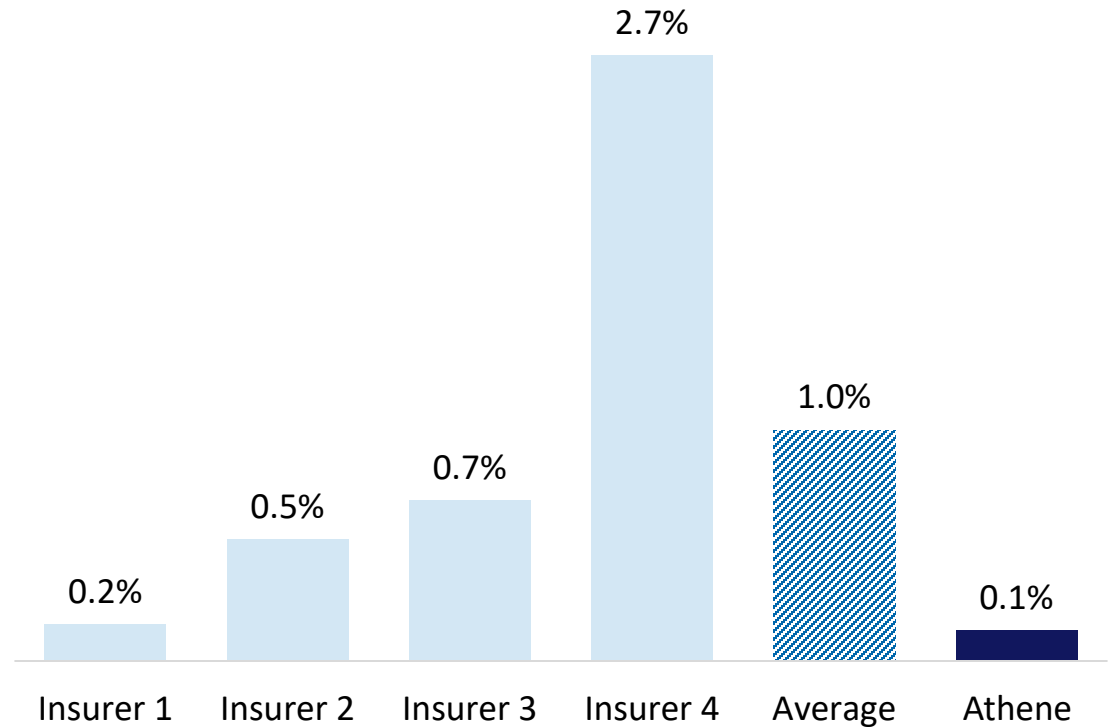
# Athene Has De Minimis Exposure to CRE Equity

## Real Estate Equity as % of Total General Account Assets

### U.S. Retirement Services Companies by Type



### Select AA/A+ Retirement Services Peers

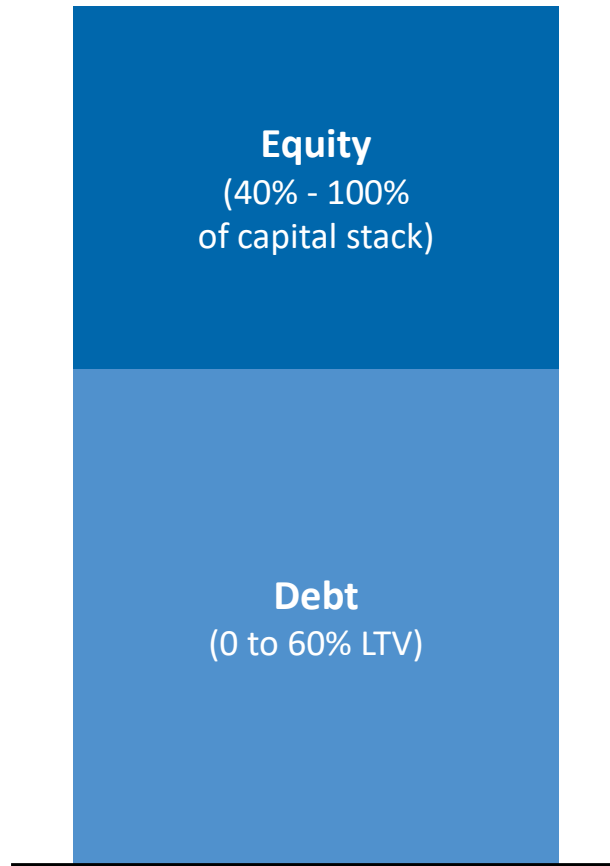


Note: CRE equity includes affiliated and unaffiliated real estate assets held by U.S.-based insurance subsidiaries from Schedule BA and Schedule A directly held real estate of statutory filings, aggregated by SNL Financial. Metrics shown as a % of invested assets as of December 31, 2022. Variable Annuity Companies include JXN, LNC, BHF, and EQH. Diversified Life Insurers include MET, PRU and CRBG. Fixed Annuity Companies include AEL, Global Atlantic, FG, and CNO; AA/A+ rated companies include MET, PRU, CRBG and EQH.



# Debt is Well Protected Even With No Net Operating Income Growth

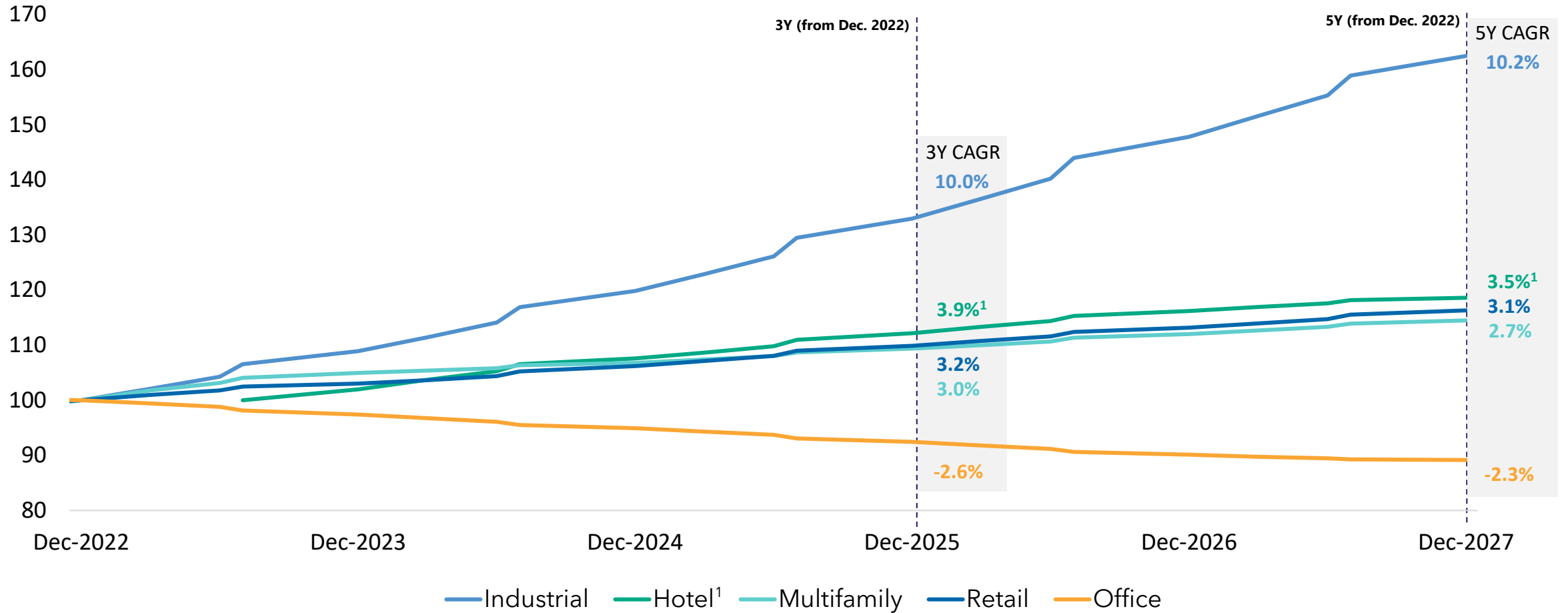
Illustrative Example  
Cap Rate: 5.0%



		Impairments Across Various Cap Rate Expansion Scenarios				
		Cap Rate Expansion	+1.0%	+2.0%	+3.0%	+4.0%
0% Net Operating Income (NOI) Growth Annually for 3 Years	Equity		(42%)	(71%)	(94%)	(100%)
	Debt		-	-	-	(7%)
5% NOI Growth Annually for 3 Years	Equity		(31%)	(63%)	(86%)	(100%)
	Debt		-	-	-	(3%)
10% NOI Growth Annually for 3 Years	Equity		(21%)	(54%)	(78%)	(97%)
	Debt		-	-	-	-

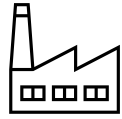
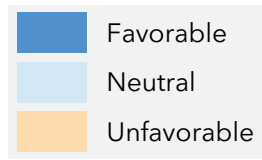
# Net Operating Income Growth Varies Significantly by Subsector

Projected Net Operating Income (NOI) Growth by Commercial Real Estate Subsector

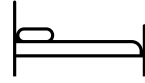


Source: GreenStreet. Note: GreenStreet forecasts NOI growth through a performance model that incorporates data from key demand and supply drivers such as employment, office-using employment, real GDP, retail sales, ecommerce, real disposable income, brick & mortar retail sales, corporate profits, and recession indicators to adjust demand and supply for each sector. 1. Hotel NOI growth excludes data from prior to Q4 2023 given hotel growth was recovering from COVID-19. CAGR calculation assumes base 100 as of December 2022.

# Each Commercial Real Estate Subsector Has Different Risk Profiles...



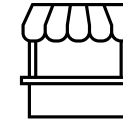
INDUSTRIAL



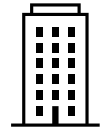
HOTEL



MULTIFAMILY

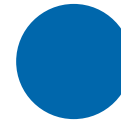
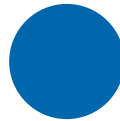


RETAIL

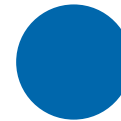


OFFICE

Demand



Occupancy



NOI Growth



Asset Values



% of CRE Market<sup>1</sup>

20%

8%

28%

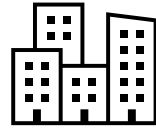
20%

24%

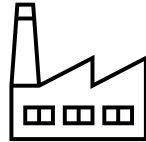
1. As of December 31, 2022; Morgan Stanley Research, BEA, Haver Analytics. Multifamily includes manufactured homes, healthcare included in industrial.

# ...And Specialty Property Types Can Provide Differentiated Risk / Reward

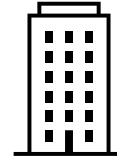
## Traditional Property Types



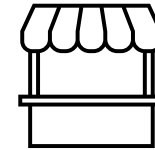
Multifamily



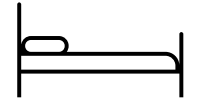
Industrial



Office



Retail

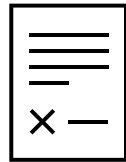


Hotel

## Specialty Property Types



Manufactured Housing



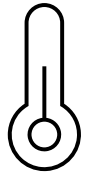
Net Lease



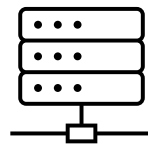
Life Sciences



Student Housing



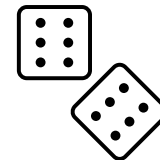
Cold Storage



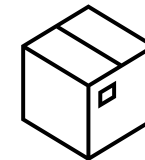
Data Center



Cell Tower



Gaming



Self-Storage



Healthcare

# Loan Sizing Historically Has Been Restricted by LTV, and in a Higher Interest Rate Environment, Refinancing will Require Substantial Equity Injection

## Sample Changes in Metrics on a Loan Refinance

### 30-Year Amortizing Loans

Metric	Loans Post-GFC	Refinances In Higher Interest Rate Environment	
Cap Rate	5.0%	7.0%	Lower asset value driven by higher cap rate
Asset Value / Net Operating Income	\$100M Value / \$5M NOI	~\$71M Value / \$5M NOI	
Interest Rate <sup>1</sup>	3.5%	6.0%	
Debt Loan-to-Value (LTV)	60% LTV	60% LTV	Smaller debt amount due to lower asset value and fixed LTV; requires equity injection
Debt Amount	\$60M	~\$43M	
Debt Service Coverage Ratio (DSCR)	1.55x	1.62x	Higher DSCR driven by lower debt service given smaller debt amount
Additional Equity Injection for Refinance	N/A	~\$17M	

Limiting factor is highlighted in table above. 1 Assumes loan is fixed rate. Loan-to-Value ('LTV') is the amount of debt financing a lender will provide as a percent of the value of the asset. Debt service coverage ratio ('DSCR') is the measurement of how many times asset-level cash flows can cover the loan's debt service. DSCR = net operating income / debt service.

# Real Estate Debt Also Benefits From Significant Protection Via Loan Structure



Credit  
enhancement  
from equity



Amortization



Structural  
protections that  
trap cash to  
support debt in  
periods of stress



Reserves set  
from cash flow to  
cover building  
operating costs

# Athene's CRE Portfolio

# Key Takeaways

- 1 SENIOR PART OF THE CAPITAL STRUCTURE**  
Portfolio is virtually all mortgage debt (i.e. not equity) which is well-suited to match Athene's long-dated funding profile
- 2 WELL-DIVERSIFIED BY PROPERTY, SECTOR, AND GEOGRAPHY**  
Top-10 loans account for only 12% of CML portfolio or ~1% of net invested assets
- 3 GENERATING ATTRACTIVE RETURNS WITH LOW HISTORICAL LOSSES**  
Athene's CML portfolio only has 2 bps of annualized losses over the last decade vs. 7 bps for peers
- 4 NOT OVERALLOCATED**  
12% allocation to CMLs is in line with Top-10 U.S. banks and lower than AA/A+ rated Retirement Services peers
- 5 POST-COVID ORIENTATION**  
56% of the CML portfolio was originated after the onset of the COVID-19 pandemic
- 6 FLOATING RATE POSITIONING IMPROVES PROFITABILITY**  
35% of Athene's CRE portfolio is floating rate, and thus earning substantially more than was modeled at initial underwriting
- 7 OPEN FOR BUSINESS**  
Athene is prudently originating new commercial mortgage loans given the wide spreads in today's market

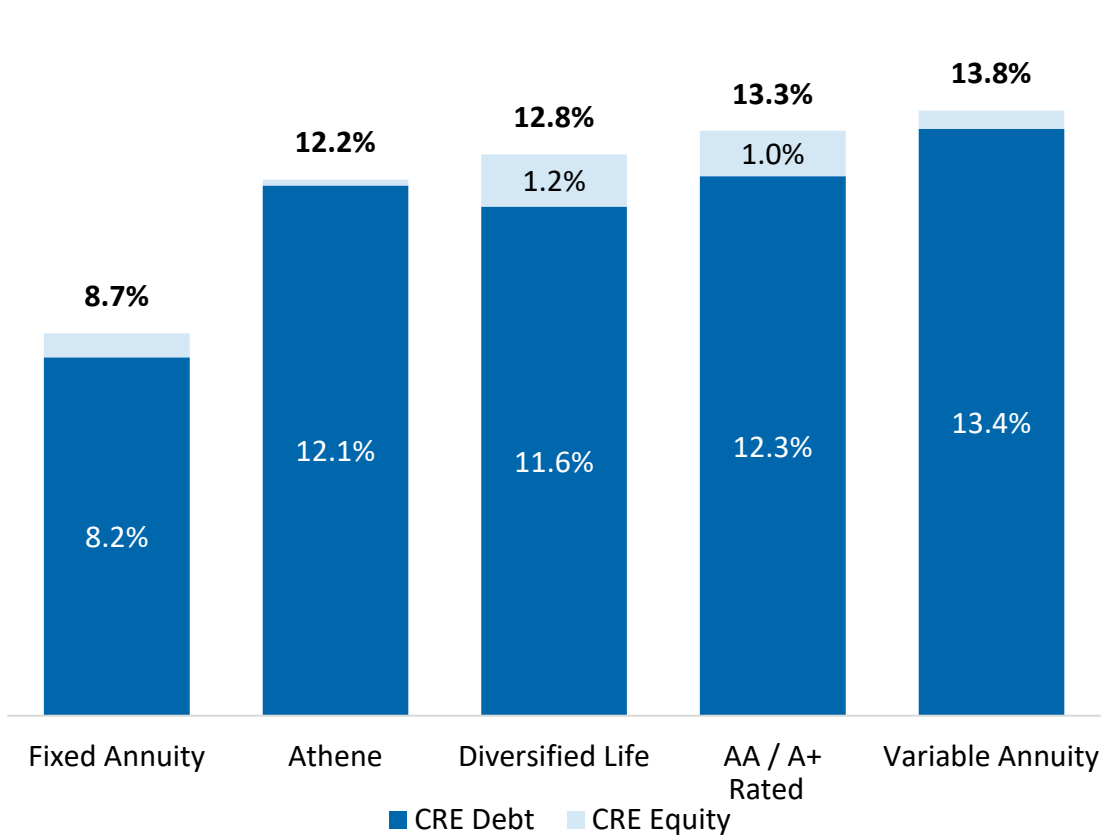
Note: Metrics as of December 31, 2022.



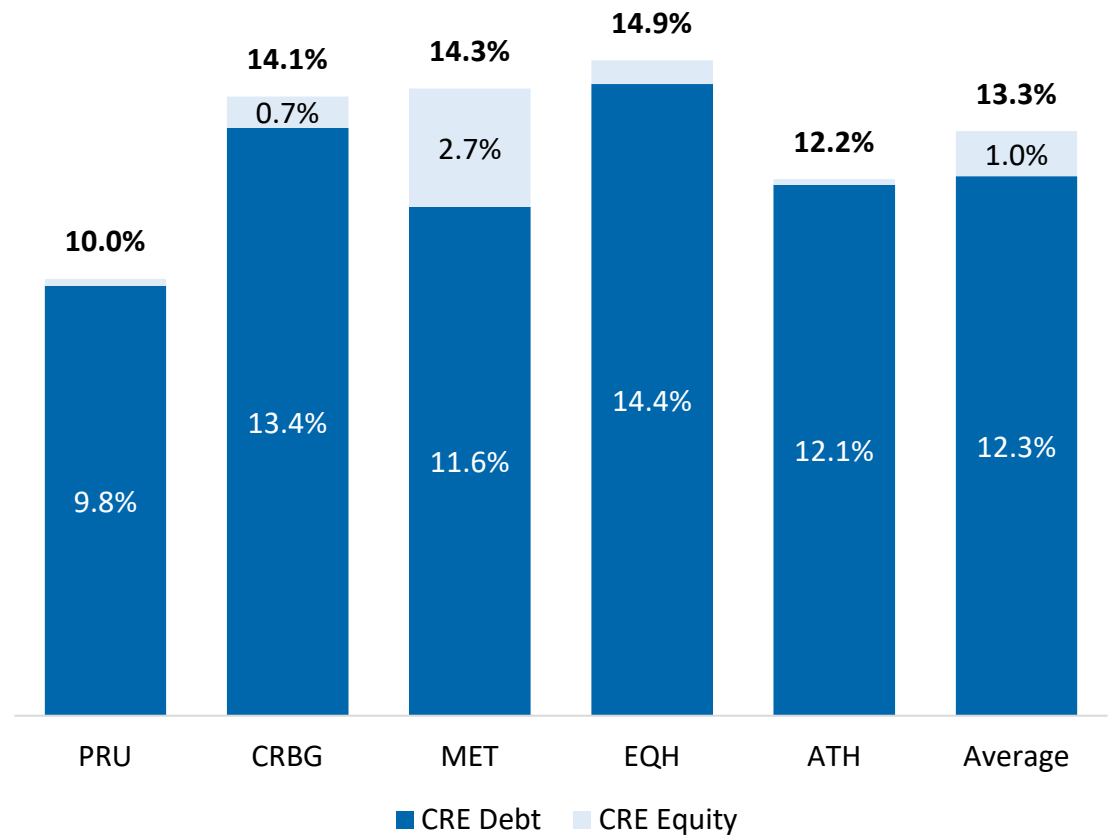
# Athene's CRE Investments Are Virtually All Debt...

## Total CRE Debt Plus Equity as % of General Account Assets

### U.S. Retirement Services Companies by Type



### Select AA/A+ Retirement Services Peers



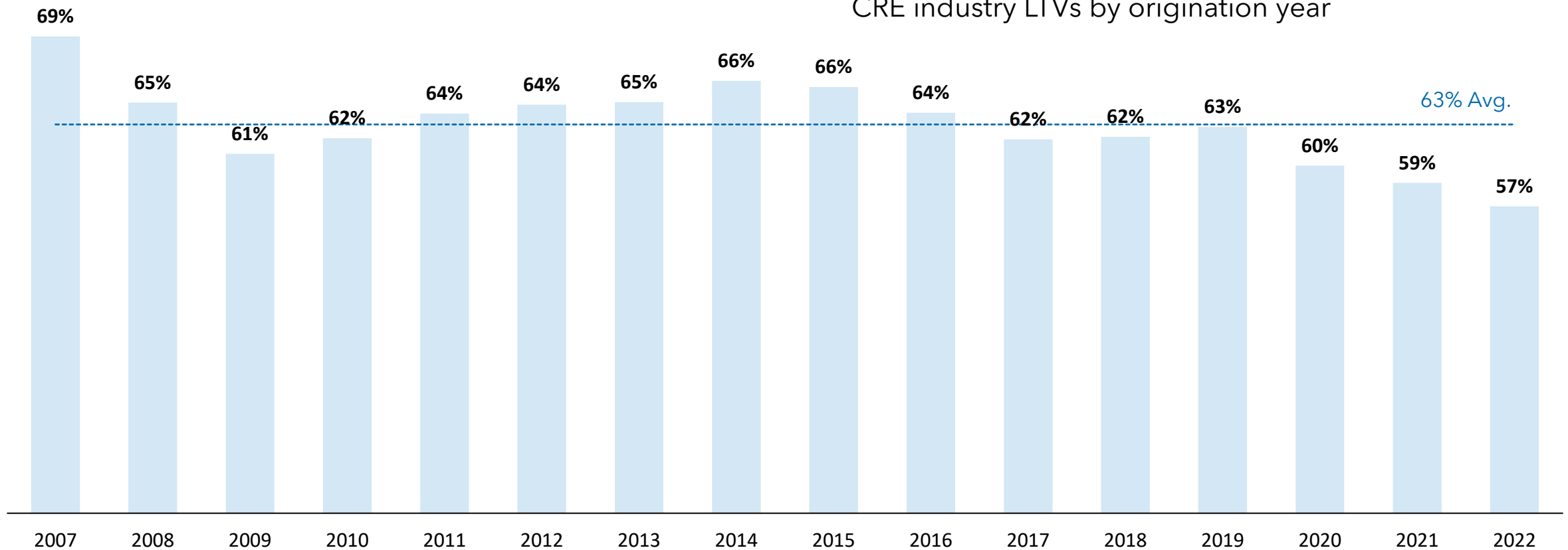
Note: Metrics based on GAAP net invested assets as of December 31, 2022.

Variable Annuity Companies include JXN, LNC, BHF, and EQH. Diversified Life Insurers include MET, PRU and CRBG. Fixed Annuity Companies include AEL, Global Atlantic, FG, and CNO; AA/A+ rated companies include MET, PRU, CRBG and EQH.

# ...Underwritten to Conservative LTVs Relative to the Industry

## Industry-Wide Average CRE Loan-to-Value by Year of Origination<sup>1</sup>

Athene's CML portfolio **weighted average LTV of 55%** is below historical CRE industry LTVs by origination year



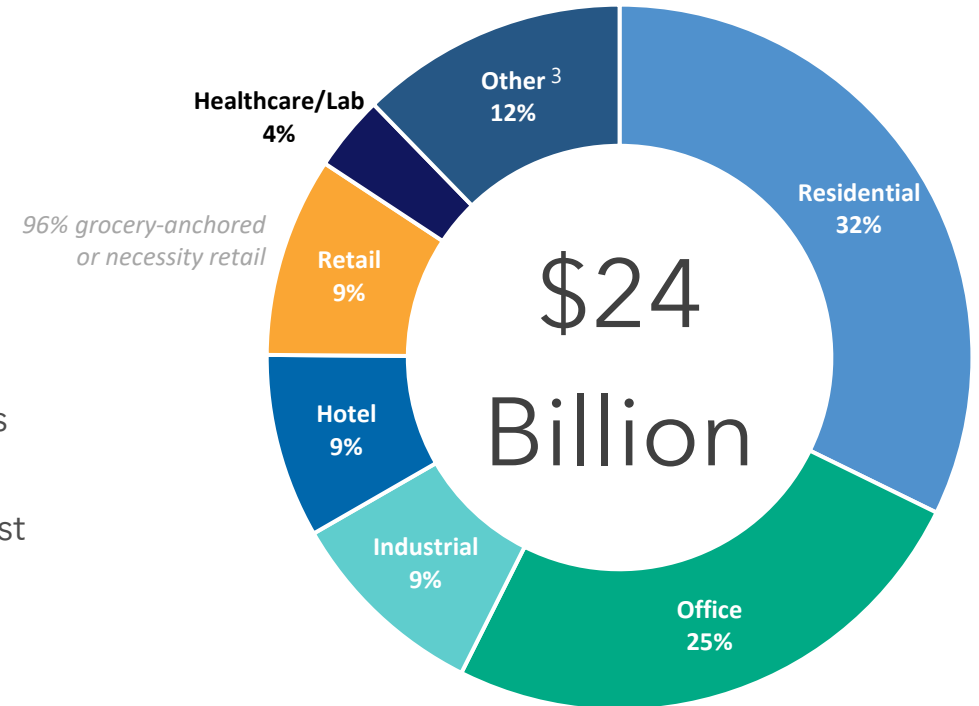
Note: Data as of March 1, 2023.  
1. Source: Real Capital Analytics.

# Athene Has a Well-Constructed CML Portfolio

## Key Portfolio Attributes

82%	35%	1.8x	55%	76%
First Mortgage	Floating Rate	Debt Service Coverage Ratio <sup>1</sup>	Weighted Avg. LTV <sup>2</sup>	CM-1&2
			54% 1 <sup>st</sup> mortgage 62% mezzanine	

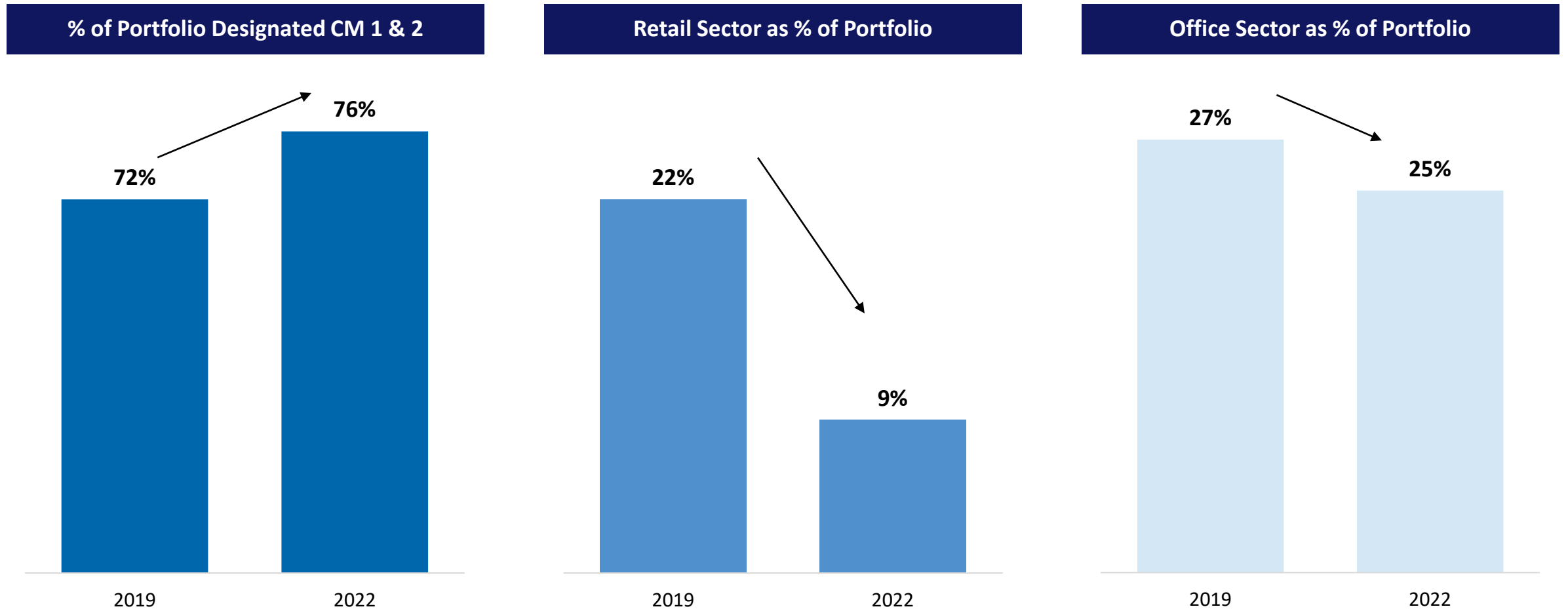
- ✓ Low-leverage senior lending with defensive, high-quality property types
- ✓ Borrowers are required to purchase interest rate caps as a hedge against rising floating rates
- ✓ >99% CML positions paid current through March 2023
- ✓ 56% LTVs on originations post onset of COVID-19



Note: Data presented on a net invested assets basis, excluding Athene's non-controlling interest in ACRA.

1. DSCR is calculated based on interest rate cap. 2. LTV figures based on original appraised values at close or most recent appraisal. 3. Other includes Schools, Student Housing, Caravan Parks, Production Studios, Parking Garages, and Self Storage.

# Portfolio Quality Improved Throughout COVID Pandemic



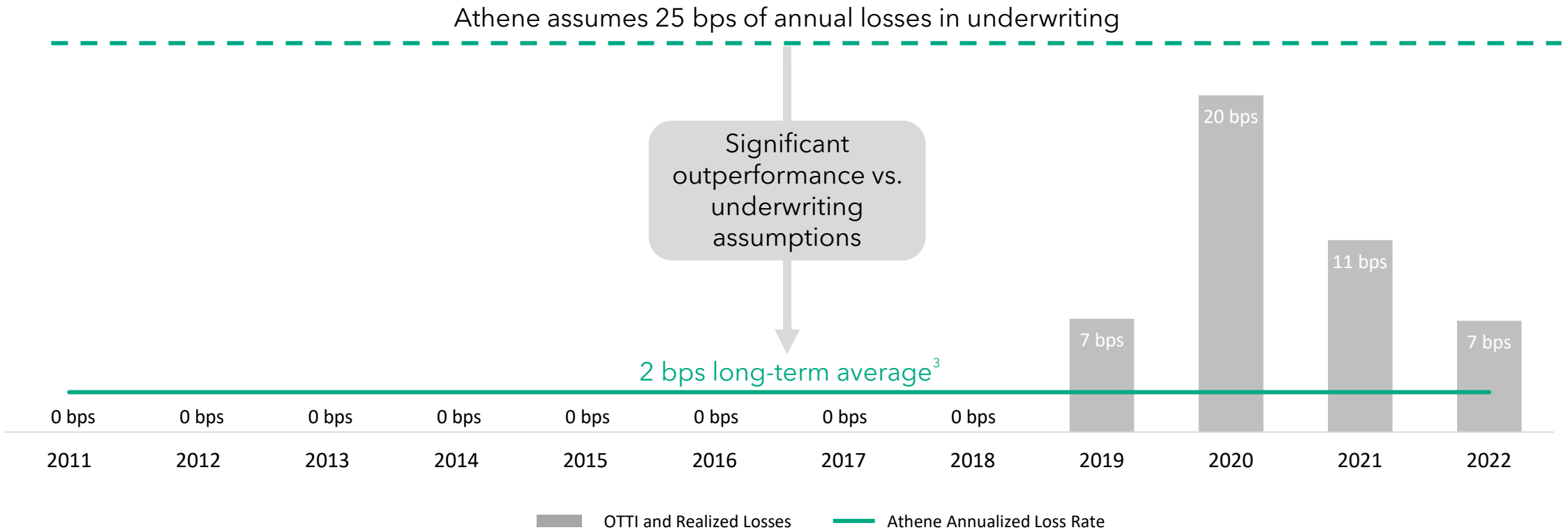
\$13B or 56% of Athene's CMLs were originated after the onset of the COVID-19 pandemic

Note: Data presented net of Athene's non-controlling interest in ACRA.

# Athene's CMLs Have Been Very Resilient, With Losses Well Below Underwriting Expectations and Industry

- Over the last decade, Athene's impairments (OTTI) have averaged 2 basis points annualized compared to 7 basis points annualized for the industry<sup>1</sup>

## Historical CML Impairments (2011 – 2022)<sup>2</sup>



Note: Data presented net of Athene's non-controlling interest in ACRA.

1. Industry average includes BHF, CNO, CRBG, EQH, LNC, MET, PRU, VOYA. Source: Barclays. 2. Represents historical impairments based on percentage of total CML as of year-end for the years 2011-2022. 3. Athene annualized loss rate represents the annualized average of realized losses and OTTI on the CML portfolio against total deployments since inception.

# Athene's CRE Portfolio Performs Well in Stress Testing

- Within the capital impacts disclosed as part of Athene's annual asset stress testing (excerpt below), losses are conservatively assumed to occur instantaneously so as to provide a view of the day one impact in the context of annual statutory earnings and excess capital
- If Athene's modeled recession scenarios were to occur, it is likely losses on the CML portfolio would emerge over time as the loans mature and incremental capital is needed at the properties, with estimated annual loss rates in the Baseline Recession and Stagflation scenarios approaching Athene's conservatively biased underwriting assumptions

## Forecasted CRE Losses in Baseline Recession, Deep Recession, and Stagflation Scenarios

[CLICK HERE TO VIEW ATHENE'S FULL ASSET STRESS TEST ANALYSIS](#)

	4Q'22 Portfolio Allocation	BASELINE RECESSION SCENARIO		DEEP RECESSION SCENARIO		STAGFLATION SCENARIO	
		Losses Impact (\$B)	Losses % of Net Invested Assets	Losses Impact (\$B)	Losses % of Net Invested Assets	Losses Impact (\$B)	Losses % of Net Invested Assets
Corporate & Gov't OTTI	44%	(\$0.3)	(0.4%)	(\$0.7)	(0.8%)	(\$0.4)	(0.4%)
Structured Assets (CLO / ABS) OTTI	20%	(\$0.2)	(0.4%)	(\$0.3)	(0.8%)	(\$0.2)	(0.5%)
Commercial Mortgages (CML / CMBS) OTTI	14%	(\$0.4)	(1.4%)	(\$0.8)	(2.7%)	(\$0.4)	(1.4%)
Residential Mortgages (RML / RMBS) OTTI	10%	(\$0.2)	(1.1%)	(\$0.5)	(2.6%)	(\$0.2)	(1.2%)
Alternatives <sup>1</sup> Mark to Market	6%	(\$1.2)	(10.4%)	(\$2.2)	(20.1%)	(\$1.9) <sup>2</sup>	(16.9%) <sup>2</sup>
Other <sup>3</sup> Losses	6%	(\$0.2)	(1.9%)	(\$0.4)	(3.0%)	(\$0.2)	(1.7%)
<b>Subtotal<sup>4</sup></b>		<b>(\$2.5)</b>	<b>(1.3%)</b>	<b>(\$4.9)</b>	<b>(2.4%)</b>	<b>(\$3.3)</b>	<b>(1.7%)</b>

Note: Data presented net of Athene's non-controlling interest in ACRA. The Baseline Recession, Deep Recession, and Stagflation scenarios are presented in accordance with the Athene Asset Portfolio Risk & Stress Considerations Update, published in February 2023.

1. Mark to market impact on alternatives is unrealized and would be expected to recover over time, consistent with historical and recent experience 2. Relative to baseline recession, incremental mark to market impact on Alternatives in Stagflation scenario is driven by higher interest rates, in addition to other downside effects of inflation on performance of certain investments. 3. "Other" includes cash and equivalents, accrued income, equity securities, policy loans and short-term investments. 4. Total loss estimate is based upon a single scenario involving a discrete set of assumptions regarding economic conditions.

# Like Corporate Bonds, Commercial Mortgage Loans Have a Ratings Framework

- ‘CM’ designations (1-7) are used by insurance companies to calculate risk-based capital (RBC) charges
- Unlike corporate bond designations, which are based on NRSRO ratings, CM designations are formulaic and driven by LTV, DSCR, without regard to idiosyncratic factors

## KEY DRIVERS

- Loan-to-Value (“LTV”)
- Debt Service Coverage<sup>1</sup> (“DSCR”)

## RATING METHODOLOGY DETAILS

- Calculated on trailing three-year weighted-average NOI
- DSCR calculation based on in-place rate caps
- Adjusted for loan credit enhancements
- Subordinated debt is notched down a rating
- Specialty real estate subject to more stringent criteria

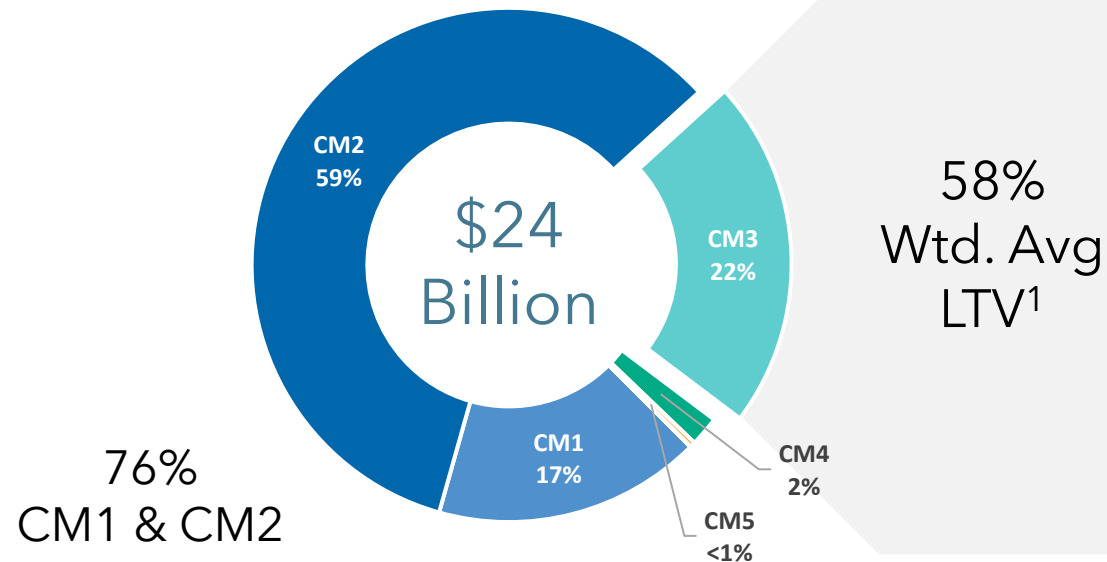
CM Rating	Required Capital	Comparative NAIC Bond Rating	Required Capital
CM1	0.9%	1	0.15% - 1.0%
CM2	1.8%	2	1.3% - 2.2%
CM3	3.0%		
CM4	5.0%	3	3.1% - 6.0%
CM5	7.5%	4	7.4% - 9.5%
CM6/CM7	18% - 23%	5	12.4% - 30%
		6	30%+

1. DSCR is calculated based on 25-year amortization.

# Highly Rated CML Portfolio; 'CM3' Designations Driven by Idiosyncratic Factors

- Most of Athene's CM3 loans have idiosyncratic features that are penalized under the CML framework
- For example, mezzanine loans are notched down from 1st lien from where their LTV / DSCR would otherwise apply, and certain specialty real estate types (i.e. parking garages and production studios) are subject to higher LTV / DSCR targets for equivalent CM designations
- CM3 loans are still viewed as high quality, since they carry a lower capital requirement than the comparable NAIC 3 bucket for corporate bonds

## Distribution of CMLs by Rating



## CM3 Composition

54%

Expected to migrate to CM2 within 12-24 months, upon expected stabilization or achievement of sponsor's business plan

15%

Subject to a more stringent grid of LTV and DSCR than standard CML types due to specialty nature

31%

Credit quality of CM2, but rated CM3 due to structure

Note: Data presented net of Athene's non-controlling interest in ACRA.

1. Weighted average LTV figures based on original appraised values at close or most recent appraisal.

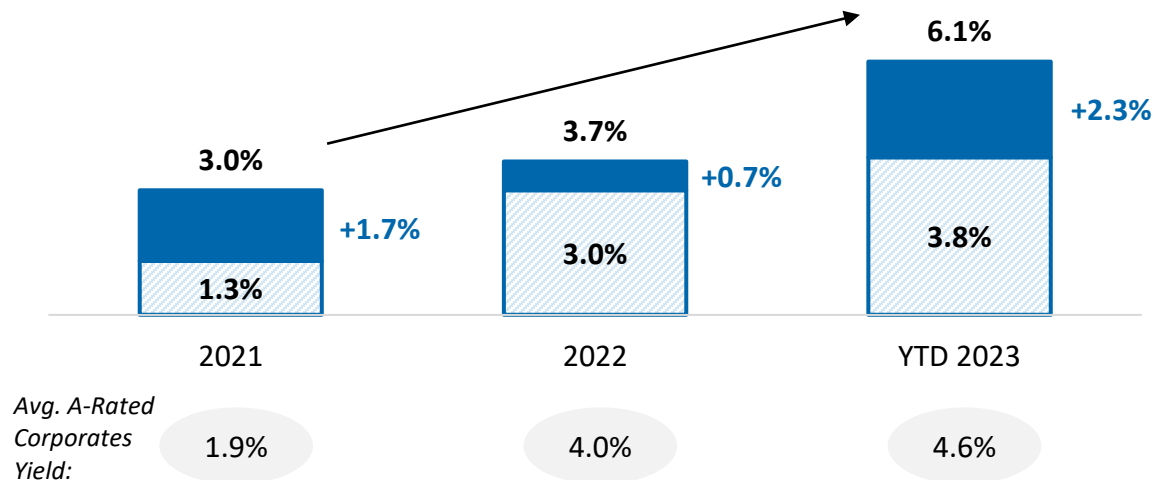


# Athene is Well Positioned to Capitalize on the Current Market Opportunity

- Athene remains an active investor in CMLs, and year-to-date<sup>1</sup> has committed over \$1 billion of capital to well-structured CMLs secured by non-office collateral
- 2023 CMLs have lower leverage and higher all-in rates than have been achieved over the past several years
- While spreads within Athene’s floating-rate CML portfolio generally remain constant, floating-rate loans continue to benefit from rising base rates
- Current projected returns for these loans are in excess of those forecasted at loan closing given increases in SOFR

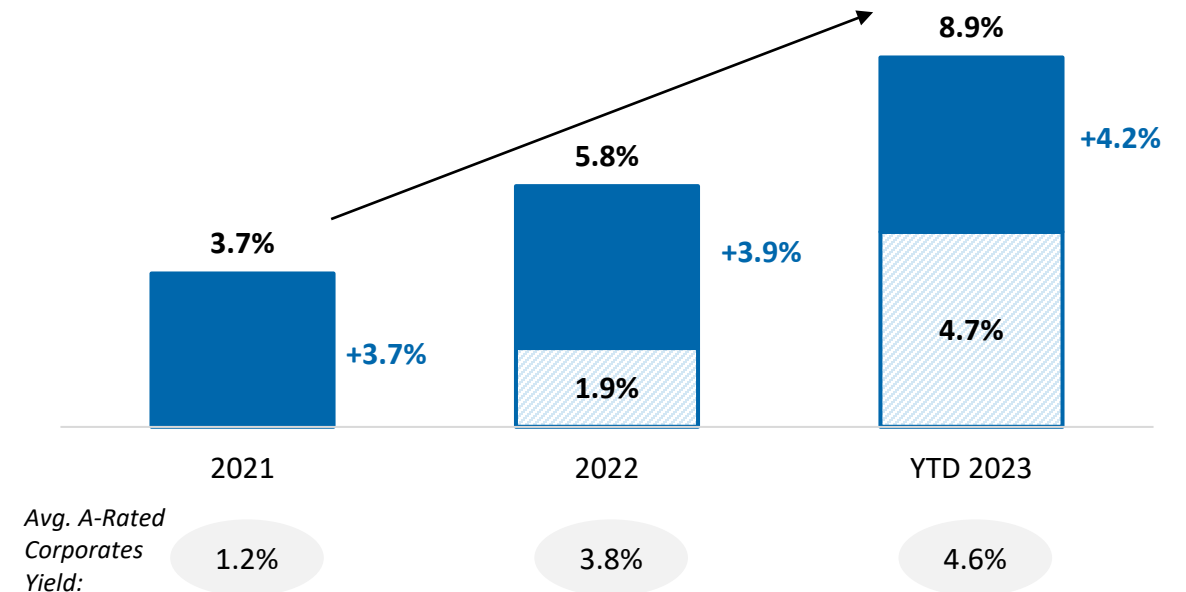
## Weighted Average Rates on Athene Fixed-Rate CMLs<sup>2</sup>

▣ Avg. UST by Wtd. Avg. Life    ■ Implied Athene Spread



## Weighted Average Rates on Athene Floating-Rate CMLs<sup>2</sup>

▣ Avg. SOFR    ■ Contractual Athene Spread



Note: Includes transactions closed to date and in closing. Coupons of fixed-rate deals in closing shown at locked rates (as applicable) or based on current UST and contractual coupon floors.

1. Data as of April 27, 2023. 2. Excludes UK/European CMLs.

# Athene's CRE Office Investments

# Athene's CML Office Investments are 100% Debt

## Office Portfolio Attributes

77%  
First Mortgage



Strong Credit Metrics and Structure

1.9x  
Debt Service Coverage Ratio<sup>1</sup>



High Quality Sponsors with Deep Pockets

57%  
Weighted Avg LTV<sup>2</sup>  
57% 1<sup>st</sup> mortgage  
59% mezzanine



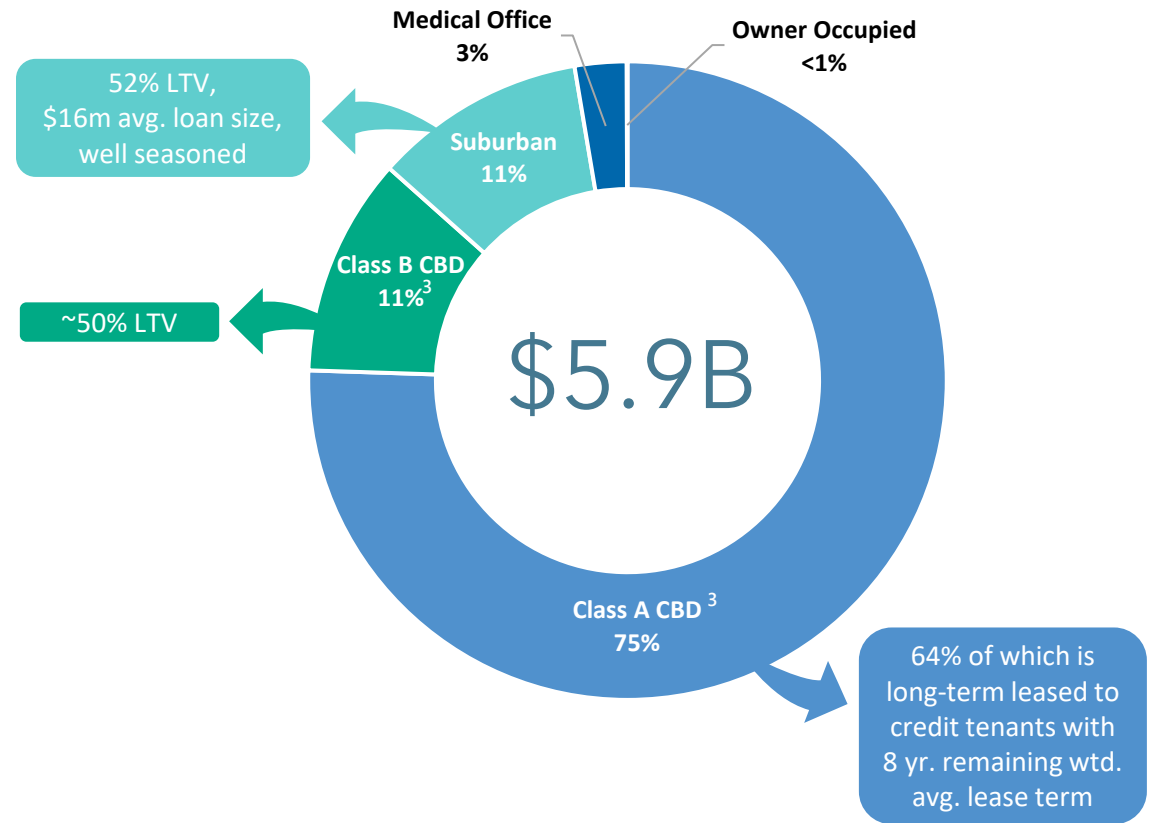
Concentrated in Loans with Class A Assets and Long-Term Leases

76%  
CM-1&2  
23%  
CM-3



Proactive Asset Management Focus

## Office Portfolio Composition

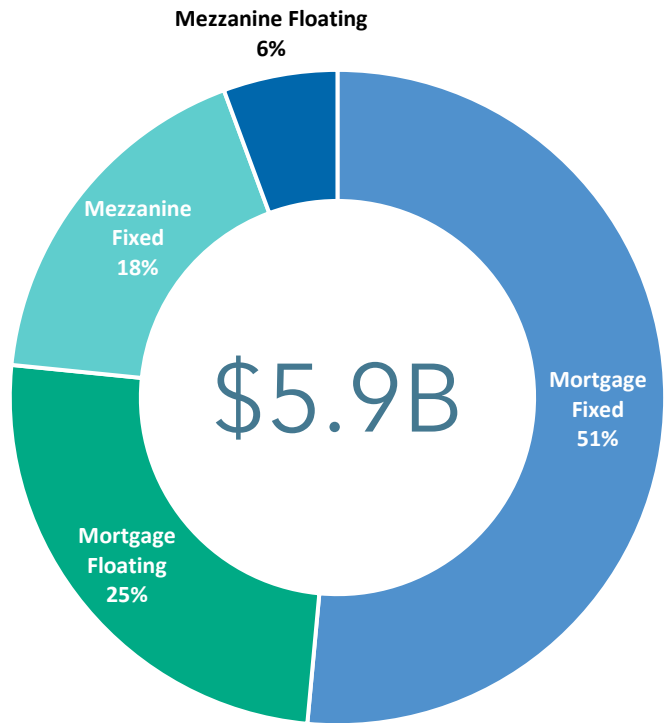


Note: Data presented net of Athene's non-controlling interest in ACRA.

1. DSCR is calculated based on interest rate cap. 2. LTV figures based on original appraised values at close or most recent appraisal 3. CBD "Central Business District".

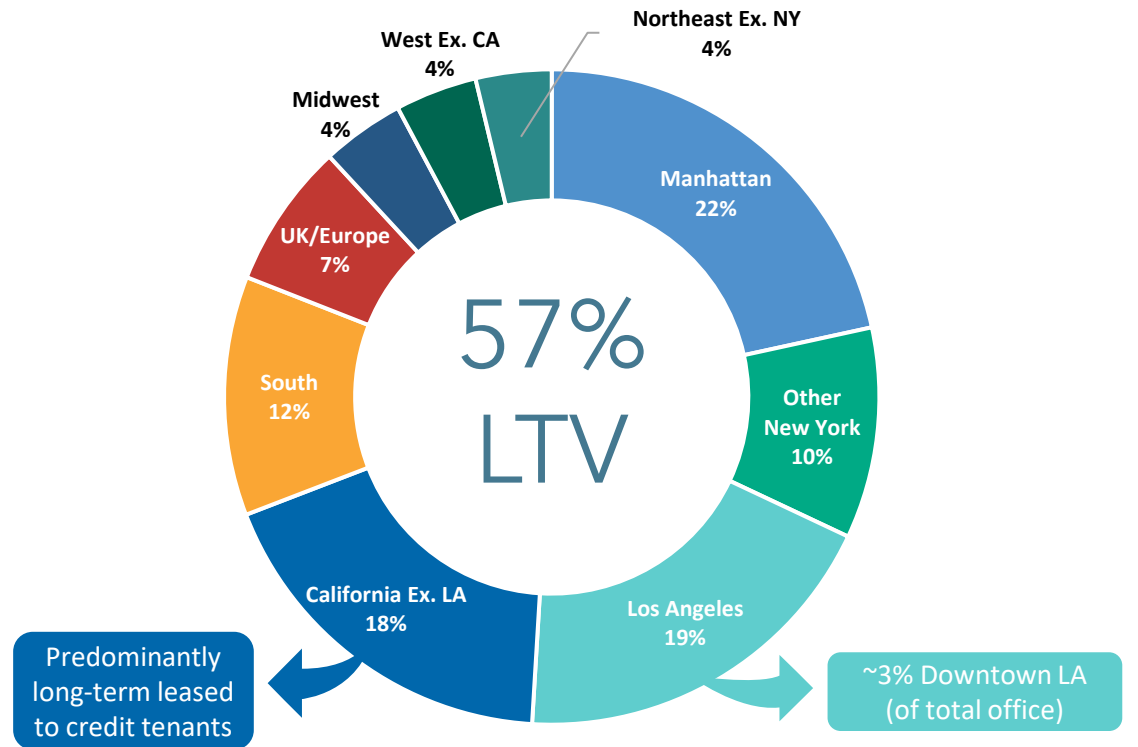
# Athene's Office CML Composition

## Position & Rate Type



77% of Office Loans are First Mortgages

## Geography

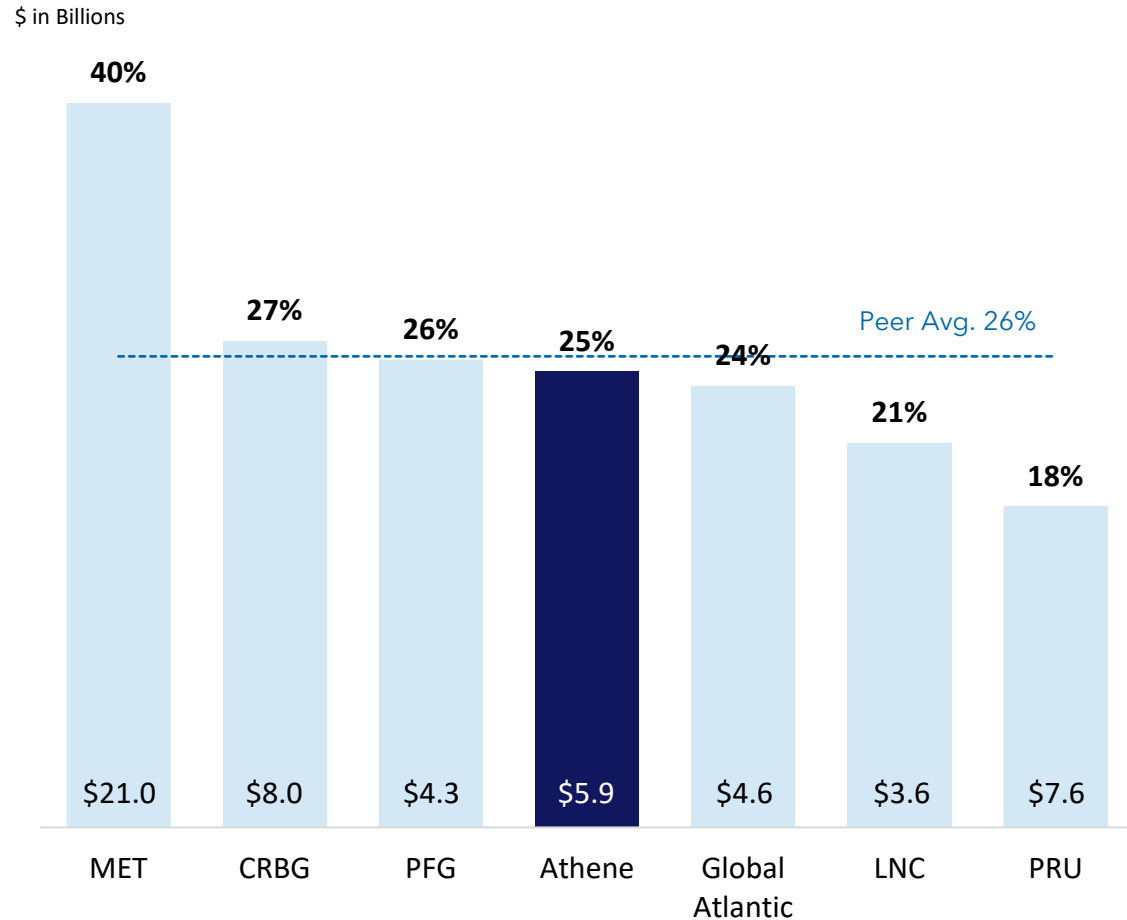


Note: Data presented net of Athene's non-controlling interest in ACRA.

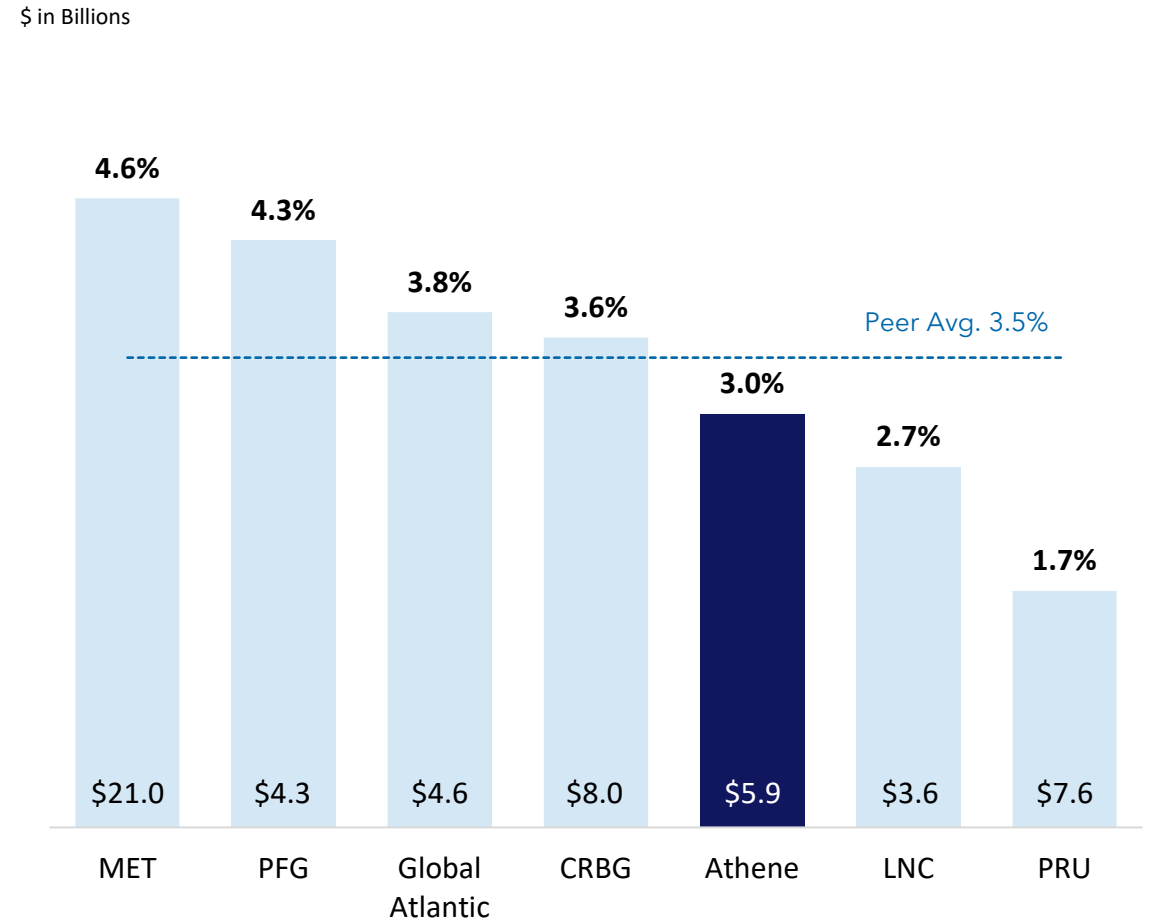
# Athene is Not Overweight Investments in the Office Sector

CML investments in Office sector are below industry average, and well below when accounting for equity investments

Office CMLs as % of Total CMLs



Office CMLs as % of General Account Assets<sup>1</sup>



Note: All metrics as of December 31, 2022. 1. Represents Office CMLs as a percentage of General Account Assets, calculated as GAAP invested assets plus cash.

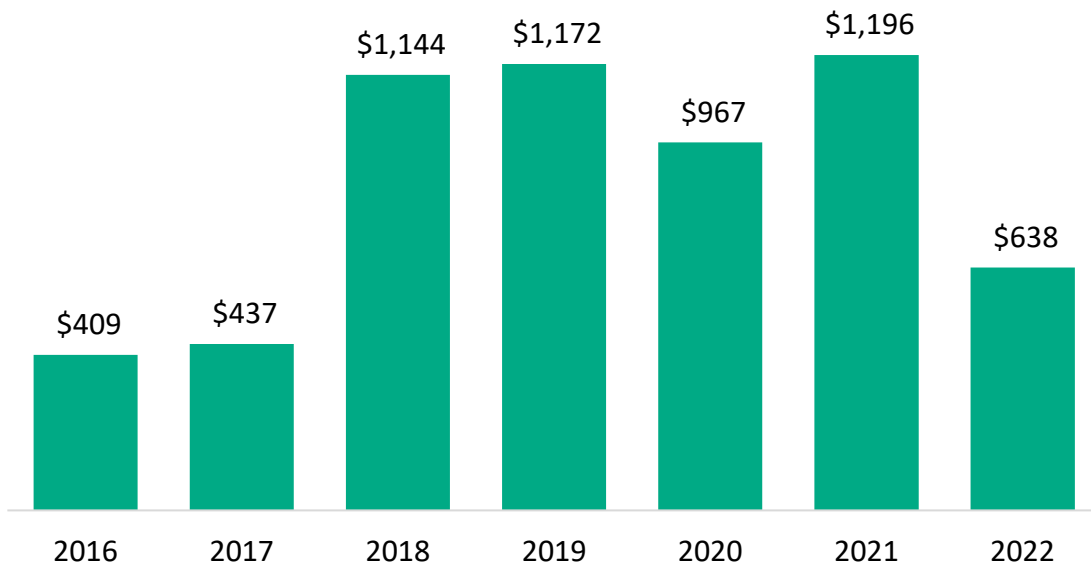
# Office Loan Volumes and Future Borrower Maturities

- ~50% of Athene’s current office portfolio was originated post-COVID, underwritten and structured with work-from-home trends and flight to quality office demand in mind
- Long maturity runway, with only 16% of office loans maturing over next couple years (2023-2024)

## Athene Office Origination Volume

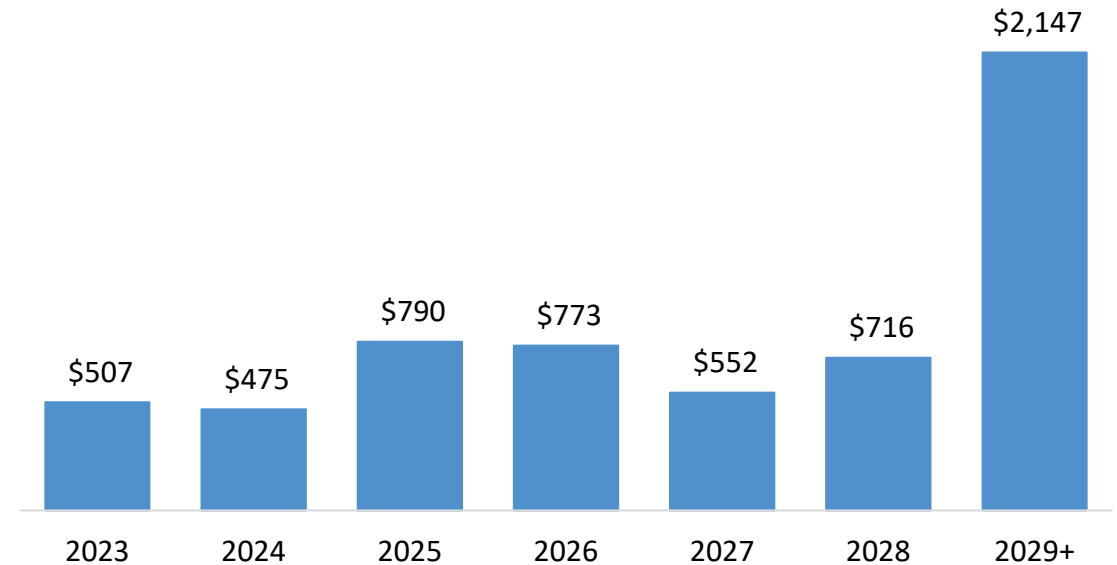
\$ in Millions

59% LTV for loans originated since 2020



## Athene Office Maturity Volume

\$ in Millions



Note: Data presented net of Athene’s non-controlling interest in ACRA.

# Non-GAAP Definitions & Reconciliations

## Net Invested Assets

In managing our business, we analyze net invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Net invested assets represent the investments that directly back our net reserve liabilities as well as surplus assets. Net invested assets is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Net invested assets includes (a) total investments on the consolidated balance sheet with AFS securities at cost or amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) VIE and VOE assets, liabilities and noncontrolling interest adjustments, (f) net investment payables and receivables, (g) policy loans ceded (which offset the direct policy loans in total investments) and (h) an adjustment for the allowance for credit losses. Net invested assets also excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). We include the underlying investments supporting our assumed funds withheld and modco agreements in our net invested assets calculation in order to match the assets with the income received. We believe the adjustments for reinsurance provide a view of the assets for which we have economic exposure. Net invested assets includes our proportionate share of ACRA investments, based on our economic ownership, but does not include the proportionate share of investments associated with the noncontrolling interest. Our net invested assets are averaged over the number of quarters in the relevant period to compute our net investment earned rate for such period. While we believe net invested assets is a meaningful financial metric and enhances our understanding of the underlying drivers of our investment portfolio, it should not be used as a substitute for total investments, including related parties, presented under US GAAP.

RECONCILIATION OF TOTAL INVESTMENTS, INCLUDING RELATED PARTIES, TO NET INVESTED ASSETS	December 31, 2022
Total investments, including related parties	\$ 196,448
Derivative assets	(3,309)
Cash and cash equivalents (including restricted cash)	8,407
Accrued investment income	1,328
Net receivable (payable) for collateral on derivatives	(1,486)
Reinsurance funds withheld and modified coinsurance	1,423
VIE and VOE assets, liabilities and noncontrolling interest	12,747
Unrealized (gains) losses	22,284
Ceded policy loans	(179)
Net investment receivables (payables)	186
Allowance for credit losses	471
Other investments	(10)
Total adjustments to arrive at gross invested assets	41,862
Gross invested assets	238,310
ACRA noncontrolling interest	(41,859)
Net invested assets	\$ 196,451