# Athene Announces Strategic Capital Solution

*Maintaining Opportunistic Focus to Build Shareholder Value*

May 7, 2019

ATHENE Driven to do more®

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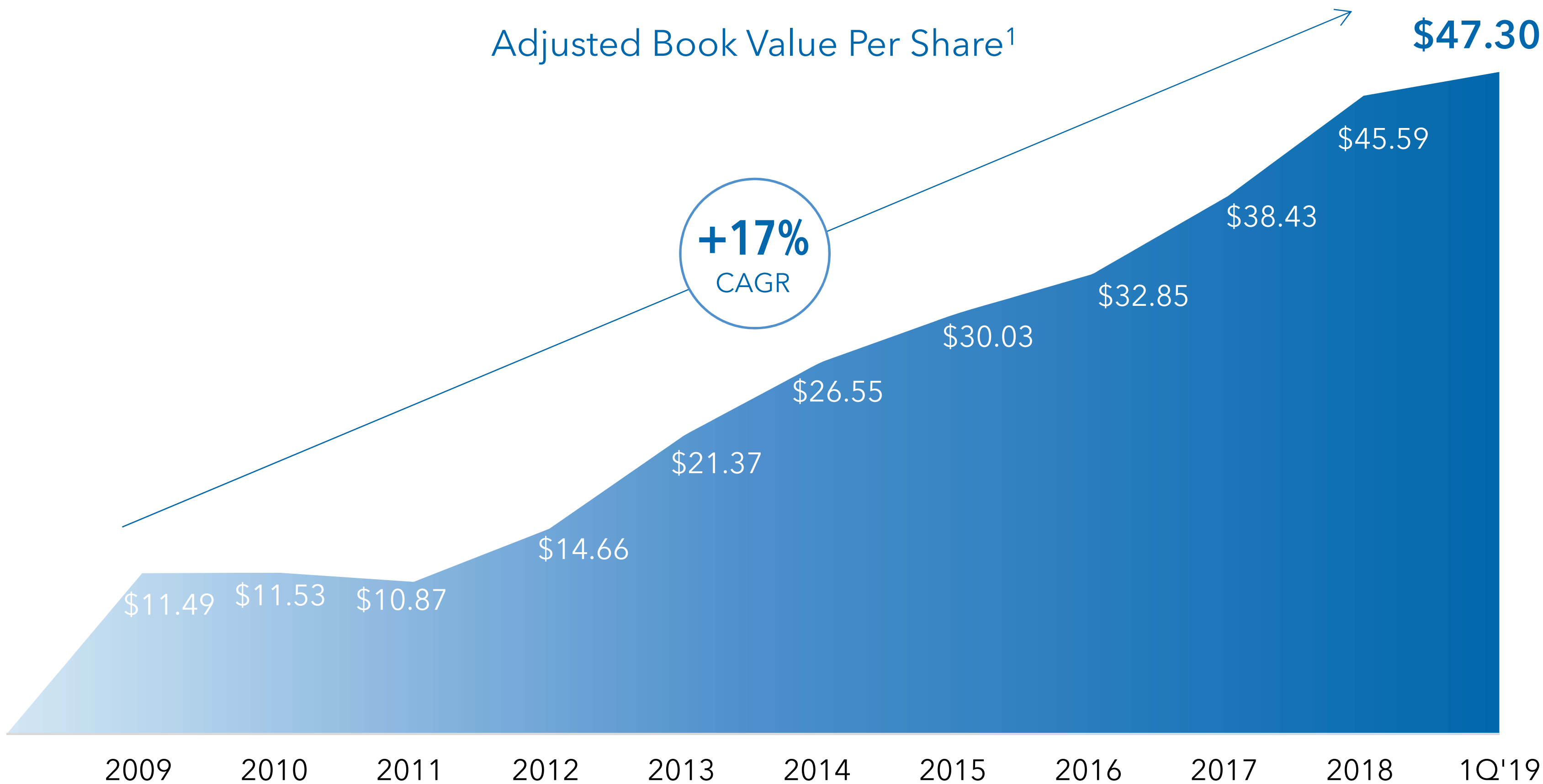
All information is as of the dates indicated herein.

The primary driver of long-term shareholder value is efficiency of capital allocation.

# Capital Allocation is Paramount to Outsized Value Creation

Significant growth in book value per share reflects our opportunistic approach to capital management and desire for long-term accretion



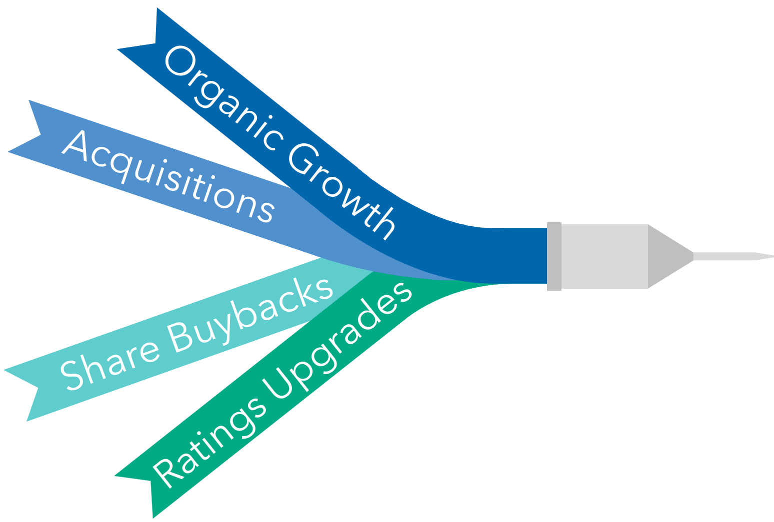

Note: Adjusted book value per share is calculated as the adjusted shareholders' equity divided by the adjusted operating common shares outstanding. Adjusted shareholders' equity is calculated as the ending shareholders' equity excluding AOCI and funds withheld and modco reinsurance unrealized gains and losses. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our AFS securities.

# What Are Our Opportunities to Deploy Capital?

| *Opportunity* | *Action* |
| --- | --- |
| Organic Growth | More than **$13 billion** of liabilities originated at **high ROEs** in 2018 |
| Acquisitions | More than **$27 billion** of inorganic growth underwritten to **high ROEs** in 2018 |
| Share Buybacks | **~$500 million authorized** over the past five months, $147 million completed to date |
| Ratings Upgrades | Now **'A' rated** across the board with future goal to achieve 'A+' ratings |

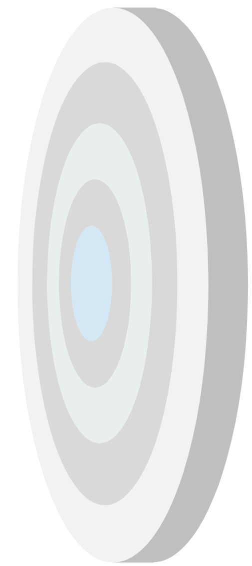
# What Are Our Targets?

Each year we make decisions on how to deploy the capital we generate




**Illustrative Annual Capital Generation**

| | |
|---|---|
| Statutory Earnings | ~$1 billion |
| In-Force Run-off | ~$1 billion |
| **Capital Available to Deploy** | **~$2 billion** |



As a prudent steward of shareholder capital, we aim for the highest risk-adjusted rate of return available

# Our Opportunity Requires More Capital

We see a growing number of opportunities to deploy capital at mid-to-high teens returns, but these opportunities only exist within the constraint of having the capital necessary

| Capital Need | Current Position |
|---|---|
| • Capitalize on industry restructuring as a solutions provider; $100bn+ **inorganic** opportunity<br>• Support annual **organic** growth<br>• Opportunistic **share repurchases**<br>• Pursue **ratings upgrades**<br>• Retain opportunistic **capacity** | **~$1 billion**<br>Excess Equity Capital<br>**+**<br>**~$2 billion**<br>Untapped Debt Capacity<br>**=** |
| **Sizable**<br>Deployable Capital Need | **~$3 billion**<br>Deployable Capital on Hand |

# We Want to Take Advantage

We have proven our ability to successfully navigate the tension between retaining opportunistic capital and deploying to generate return

**Increase Capital Base** AND **Opportunistically Deploy Significant Capital at High Returns**

**~$1 billion**
Excess Equity Capital

**+**

**~$2 billion**
Untapped Debt Capacity

**=**

**~$3 billion**
Deployable Capital on Hand

| *2017-1Q'19* | *Capital Deployed* | *Liabilities Added* |
|---|---|---|
| **New Business Volumes**[1] | ~$2bn | ~$23bn |
| **VOYA** Transaction | ~$1bn | ~$19bn |
| **LNC** Transaction | ~$700mm | ~$8bn |
| **PRT** Transactions | ~$600mm | ~$7bn |
| **Buybacks** | ~$150mm | |
| **Total** | ~$4.5bn | ~$57bn |

1 Includes retail, flow reinsurance, and funding agreements.

# How Do We Accomplish Our Goals?

We want to opportunistically deploy capital at high returns while retaining capital for ratings upgrades and to create value amid volatility

**Option #1: Access Public Markets[1]**

Raising additional balance sheet equity results in…

- ✗ ~$1.20 or 20% **dilution** to EPS
- ✗ ~320bps or 23% ROE **drag**

**Comes at a cost**

**Option #2: Create a Structured Solution**

Enables us to…

- ✓ Fund growth
- ✓ Repurchase shares
- ✓ Add to our capital base

**All at the same time**

1 Scenario assumes raising approximately $4 billion of equity capital through primary issuance. Dilutive impacts based on full year 2018 financial results for calculation purposes.

# ACRA: Shareholder-Friendly, Strategic Capital Solution

Athene Co-Invest Reinsurance Affiliate ("ACRA") offers significant, long-term, on-demand capital to fund opportunistic growth

## Targeted On-Demand Capital[1]

$4bn

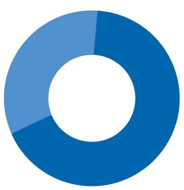
Allows Athene to pursue growth initiatives while maintaining a strong capital position

## Enhanced Strategic Flexibility

ACRA enhances Athene's flexibility to simultaneously deploy capital across multiple accretive avenues

## Fully Controlled & Aligned

Athene will own 1/3 of ACRA



Third-party investors own 2/3 of ACRA

Athene will control, consolidate, and manage ACRA to the same risk, investment, and capital standards

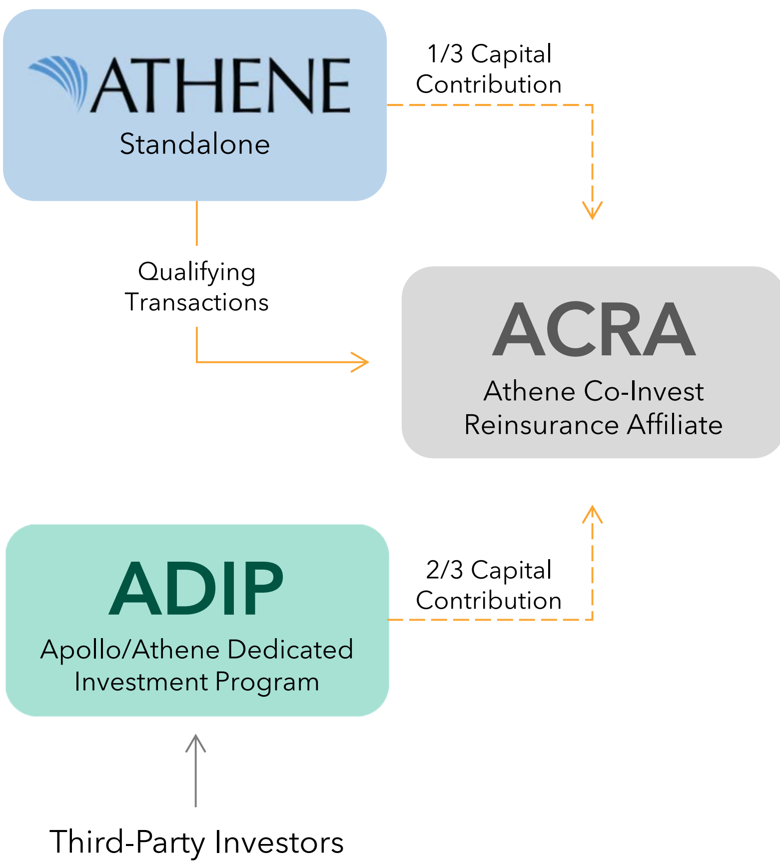
## Shareholder-Friendly Solution

On-demand equity capital supply without dilutive impact of primary issuance; no drag to ROE from unspent capital

1 Capital commitments to date approximate $1 billion with final commitments expected by the end of 3Q'19.

# ACRA Will Be Woven Into the Fabric of Athene

## ACRA will be capitalized by Athene and third-party fund investors




- ACRA provides on-demand, direct equity capital without dilution to shareholders to participate in qualifying transactions:
  - All sizable legal entity, block reinsurance, and pension risk transfer transactions
  - Flow reinsurance transactions
  - Funding agreements
- All inorganic transactions will be priced and reviewed by Athene, consistent with prior transactions
  - Same underwriting standards: assets, liabilities, and capitalization
- Like Athene, ACRA will focus only on spread-based businesses, with no exposure to VA, LTC, or other liabilities with significant actuarial or capital markets risk
- Athene will capture a wrap fee of ~15 bps on invested assets attributable to ACRA's reserves, equivalent to a ~350 basis point pick up in ROE on deals ceded to ACRA
- ACRA will pay for its share of transaction and operational expenses
- Ten years after the effective date/closing date of a transaction in which ACRA participates, Athene will have a call right at book value
- Athene may have the option to buy-in ADIP's stake in several years when Athene's capital position is even larger

# Athene's Earnings Power is Stronger with ACRA

## Illustrative accretion to earnings if Athene hypothetically deployed its current capital

**Scenario #1: Standalone ATH**

ATH deploys **$3bn** of present day capital towards an inorganic transaction

↓

to add **$36bn** of liabilities

↓

**~$1.65 or 28%** of earnings accretion from onboarded liabilities[1]

**Scenario #2: ATH + ACRA = Increased Flexibility Drives More Accretion**

ATH deploys **$2bn** toward inorganic transactions via ACRA

↓

to add **$24bn** of liabilities

↓

**~$1.15 or 20%** of earnings accretion from onboarded liabilities[1]

ADIP deploys **$4bn** toward qualified transactions

↓

to add **$48bn** of liabilities

↓

**~$0.40 or 7%** of earnings accretion from ACRA wrap fee[2]

ATH deploys remaining **$1bn** in other opportunities

↓

at **Mid-to-High** teens ROE

↓

**~$0.70 or 12%** of earnings accretion from flexible deployment[3]

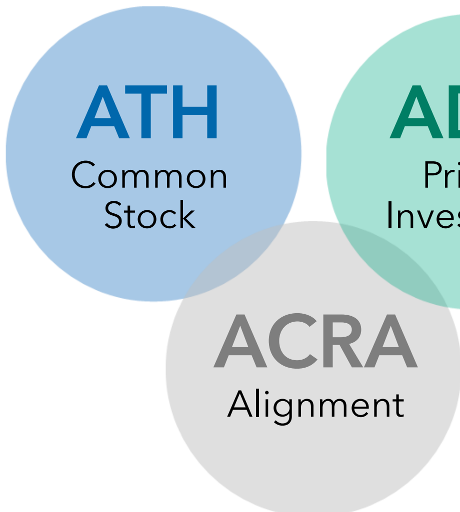
**~$2.25 or 39%** of total earnings accretion

Note: Earnings accretion calculated using full year 2018 financial results and 12x leverage ratio. 1 Assumes 15% ROE, forgone income at 4.5% NIER where applicable, and 4.0% cost of debt. 2 Assumes 15bp blended wrap fee paid to Athene. 3 Assumes 17.5% ROE on other opportunities.

# ATH and ADIP Investments are Fundamentally Aligned

## ACRA provides an efficient supplement to Athene's capital base

- Public-market-focused investors
- Exposure to all aspects of Athene's existing and future business
- Freely tradeable and offers daily liquidity via public markets
- Return profile determined by capital appreciation and capital return
- Enhanced returns due to wrap fee from ACRA




- Private market investors
- Exposure generally limited to go-forward qualifying transactions
- Non-transferable with potential for structured exit in 10+ years
- Return profile determined primarily by dividends and capital return

- All transactions underwritten by Athene, to Athene's standards
- Athene holds 100% of voting shares
- Athene to nominate 7 of ACRA's 11 directors
- Athene to control and operationally manage ACRA
- Underwriting alignment – same assets, same liabilities, same capitalizations, and no selectivity bias

# Strategic Capital Solution Aligned with Opportunistic Focus

Formation of a long-duration, on-demand capital vehicle has multiple advantages

**Strategic Flexibility**

- Enhances flexibility to simultaneously deploy capital across **multiple accretive avenues**
- Increases buying power amid insurance industry restructuring

**Shareholder-Friendly**

- **Efficiently structured**, shareholder-friendly capital solution with significant alignment
- Avoids dilution by eliminating the need for primary issuance
- Preserves leverage capacity and is ratings positive

**Value Generative**

- Reduces excess capital drag on the balance sheet
- Widens the spectrum of **potential deployment opportunities**
- Enhances Athene's earnings power

# Well Positioned with Multiple Sources of Capital

Multi-pronged capital sourcing strategy will create significant value for shareholders

| ~$1bn | ~$1bn | ~$1bn | ~$2bn | ~$4bn |
|---|---|---|---|---|
| Annual Statutory Earnings | Annual Capital Release from Run-off | Excess Equity Capital | Untapped Debt Capacity | On-Demand Capital from ACRA |

## Our Objectives

- Focus on the highest return areas of our organic business
- Seek opportunities to deploy capital inorganically at mid-to-high teen returns
- Drive ratings upgrades and maintain an adequate capital buffer
- Continue to opportunistically repurchase our shares at high-teens unlevered returns

# Appendix

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# Non-GAAP Measure Reconciliation

## Reconciliation of adjusted book value per share to its corresponding GAAP measure, book value per share

| | March 31, | December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (In millions) | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Book value per share | $ 52.12 | $ 42.45 | $ 46.60 | $ 35.78 | $ 28.84 | $ 32.26 | $ 23.84 | $ 16.61 | $ 10.92 | $ 11.64 | $ 11.62 |
| AOCI | (3.64) | 2.42 | (7.36) | (1.90) | 1.29 | (4.59) | (0.60) | (1.95) | (0.05) | (0.11) | (0.13) |
| Accumulated change in fair value of reinsurance assets | (1.59) | 0.39 | (0.82) | (0.33) | (0.10) | (0.68) | (0.90) | - | - | - | - |
| Effect of items convertible to or settled in Class A common shares | 0.41 | 0.33 | 0.01 | (0.70) | - | (0.44) | (0.97) | - | - | - | - |
| Adjusted book value per share | $ 47.30 | $ 45.59 | $ 38.43 | $ 32.85 | $ 30.03 | $ 26.55 | $ 21.37 | $ 14.66 | $ 10.87 | $ 11.53 | $ 11.49 |

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