

**March 25, 2020**  
**Athene Holding (ATH)**  
**Investor Update Call**

## **Corporate Participants**

**James Belardi**

*Chairman, CEO and Chief Investment Officer, Athene Holding*

**Martin Klein**

*Chief Financial Officer, Athene Holding*

**John Rhodes**

*Chief Risk Officer, Athene Holding*

**Bret Leas**

*Sr. Partner & Head of Global Corporate Structured Credit and Asset-Backed Securites, Apollo*

**Nancy De Liban**

*Sr. Partner & Head of Residential Credit, Apollo*

**William Wheeler**

*President, Athene Holding*

**Grant Kvalheim**

*EVP & CEO, Athene USA*

**Noah Gunn**

*Head of Investor Relations, Athene Holding*

**Jim Hassett**

*Sr. Partner & Head of Apollo Credit Los Angeles, Apollo*

**Scott Weiner**

*Sr. Partner & Global Head of Commercial Real Estate Debt, Apollo*

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**ATHENE HOLDING LTD.**

**Investor Update Call  
Moderator: Noah Gunn  
March 25, 2020  
8:30 a.m. ET**

**Operator:**

Good morning. My name is Laurie and I'll be your conference operator today. At this time, I would like to welcome everyone to this Investor Update Conference Call hosted by members of senior management from Athene Holding.

Today's call may include forward-looking statements and projections, which do not guarantee future events or performance. Athene does not revise or update such statements to reflect new information, subsequent events or changes in strategy.

The forward-looking statements made during today's call may be affected by the impact to Athene's business of the spread of COVID-19 and its effect on economic conditions and financial markets.

The extent to which COVID-19 and resulting impact on economic conditions and the financial markets may impact Athene's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Please refer to Athene's most recent annual report and other SEC filings for a discussion of the factors that could cause actual results to differ materially from those expressed or implied.

Today's participants may discuss certain non-GAAP measures on this call, which Athene believes are relevant in assessing the financial performance of its business. Reconciliations of these non-GAAP measures can be found in the presentation materials relating to this call. I'll now turn the call over to Noah Gunn, Head of Investor Relations for Athene. Please go ahead.

**Noah Gunn, Head of Investor Relations:**

Thanks, Laurie. And good morning, everyone. We'd like to thank you all for joining us on short notice to offer some perspectives about our business in the current market environment, the basis of which we released as a presentation earlier this morning.

Joining us from Athene, we have Jim Belardi, Chairman and CEO; Bill Wheeler, President; Grant Kvalheim, Executive Vice President and CEO of Athene USA; Marty Klein's Chief

Financial Officer, and John Rhodes, Chief Risk Officer.

In addition, we have several portfolio managers from the Credit Group of Apollo Global Management, our strategic asset management partner, including Bret Leas, Senior Partner and Head of Global Corporate Structured Credit and Asset-Backed Securities. Jim Hassett, Senior Partner and Head of Apollo Credit in Los Angeles; Nancy De Liban, Senior Partner and Head of Residential Credit; and Scott Weiner, Senior Partner and Global Head of Commercial Real Estate Debt.

As you might be guessing, we're hosting today's conference call from various locations, so we'd ask that you bear with us in the event of any possible interruptions. In terms of format, we have a set of prepared remarks similar to an earnings call, and we'll reserve some time for questions.

Given the number of presenters in a number of different locations to provide for an orderly Q&A, I invite you to email us your questions over the course of this call to our investor relations mailbox at [ir@athene.com](mailto:ir@athene.com).

Again, that email handle is [ir@athene.com](mailto:ir@athene.com), and I will read the questions the team following the prepared remarks. With that, I'd like to turn the call over to Jim Belardi. Jim?

**Jim Belardi, Chairman, CEO and Chief Investment Officer:**

Yes. Thanks, Noah. Good morning, everybody. We're pleased to be among the first companies in financial services to offer our perspective in this challenging environment.

We appreciate your time and your interest in Athene during these extraordinary times. In markets like these, I am reminded why I'm proud to be the CEO of a large investment grade insurance company with excess capital.

In a matter of weeks, we have witnessed unprecedented amounts of volatility and gaps in pricing, the likes of which I have not seen in my over 35-year career. While today's environment will leave no corner of the financial world untouched, we are well prepared at Athene.

We have been proactively strengthening our excess capital and liquidity positions over the past year. As we enter this market dislocation, we benefit from A ratings, \$12 billion of statutory capital, more than \$6 billion of available liquidity and \$7 billion of deployable capital, including over \$2 billion of on balance sheet excess equity capital, \$2.5 billion of unused debt capacity, and over \$2.5 billion of undrawn third-party capital in our strategic sidecar vehicle ACRA.

As you will hear throughout the call, we will look to opportunistically continue supplementing our position of strength in the industry. Of course each correction is a unique event. In the absence of perfect information, we prepare for these events in conjunction with our strategic manager, Apollo, by stressing our portfolio through the lens of historical corrections. One iteration of a correction is what we saw in 2001, a less steep decline, but a prolonged recovery.

We evaluate our portfolio under these conditions and aim to maintain our current ratings. Another iteration of a correction is what we saw during the '08 '09 financial crisis, a steep decline, but a quicker recovery.

We also evaluate our portfolio under these conditions and aim to maintain investment grade ratings. On this call, we will take you through what our portfolio looks like under similar scenarios.

While nobody knows what the next downturn will look like, we have positioned ourselves defensively. We have prioritized senior secured credit in our portfolio and where we have endeavored to create yield, we have done so by buying assets in structured form, where we can invest in senior tranches with ample subordination.

Clearly, these markets will likely provide interesting opportunities to put money to work over the coming months, as the toll of the crisis works its way through the economy and financial markets.

Through the prudence of our capital strategy, I believe we are very well positioned to capitalize on market turmoil. We will use the plentiful on balance sheet and sidecar capital resources I just cited to work productively with the industry to solve problems in mutually advantageous ways.

If my experience in the industry has taught me anything, it is to maintain a consistent, open and transparent dialogue with key constituents, rating agencies, regulators, policyholders and shareholders as we have been doing, and to ensure a sound defense before turning to offense.

To that end, we have spent the past several weeks intensely focused on the priorities outlined on this slide, which have been very purposefully ordered. Protect our people, serve as a source of strength for our policyholders and partners, go long liquidity, continuously analyze and re-underwrite our investment portfolio, and finally, prepare for offense.

Over the course of the call, the team will take you through each aspect of our strategy in today's environment, starting with Bill Wheeler, who will address our insurance operations. Bill?

**Bill Wheeler, President:**

Thanks, Jim. I'm fortunate to be able to present these upcoming slides because in this most unusual of times, Athene continues operating as close to business as usual as possible.

Our people are our most valuable asset. I'm pleased to report that the 1,336 people that Athene employs remain intently focused on execution, even as they have transitioned to a largely remote working model.

We are following CDC guidelines and other government mandates and our team is adapting admirably to current circumstances. In fact, our team is so busy that we are continuing recruiting efforts to further bolster our team and have extended contracting relationships.

Importantly, Athene continues to be a source of strength for the industry, remaining open for business to serve our 1 million policyholders and be responsive in our call centers. While others in the industry may be pulling back, our retail annuity sales remain very robust as the guaranteed nature of our products appeal to consumers in today's volatile markets.

We are writing new annuity policies daily processing new applications and providing reinsurance capacity to third parties. Contrary to what you may have assumed, we are seeing substantially stronger flows and new policy submissions since the market volatility began.

In retail, submissions for new policies are up approximately 60% over the last 30 days, and more than double the amount of submissions in just the last week, equating to approximately \$45 million per day. And we've already underwritten \$1 billion quarter to date.

In flow reinsurance, we've underwritten more than \$650 million. But interestingly \$350 million was generated just in March so far. As we've committed to all along, we're maintaining our return targets amidst the volatility and interest rates being low just means we have to be careful pricing new business, and in the context of earnings spread, we see no victory putting business on the books at subpar returns. In addition, our current policyholder behavior is very stable.

In summary, our insurance operations continue to function as anticipated. At Athene, we try to instill in each employee that need to think like an owner. At no time has that mentality been clearer in our employee base than these last few weeks. I'm tremendously proud of what they

continue to accomplish in these unprecedented times. With that, I'll hand it back over to Jim to kick off a review of our liquidity position and asset portfolio. Jim?

**Jim Belardi, Chairman, CEO and Chief Investment Officer:**

Yes. Thanks, Bill. As we transition into this next section of the presentation, I believe it is imperative to begin the discussion with a snapshot of our liquidity position. Liquidity is the necessary lifeblood of our business. You need it for defense, and you need it for offense.

While more is always better in this type of environment, we are very well positioned with approximately \$6.5 billion of available liquidity comprised of approximately \$3.5 billion of cash on hand, a \$1.25 billion undrawn revolver, and more than \$1 billion of available repo financing.

It is important to note that we always match asset maturities with repurchase maturities to avoid any roll risk. As of a couple weeks ago, we had no repo outstanding. As an insurance company with long-term illiquid liabilities, we generally do not have a need for repurchase agreements.

However, consistent with our opportunistic mindset, heading into a time of uncertainty, we capitalize on an available short-term funding channel and lined up a prudent amount of repo, about 1% of our portfolio.

Over the coming months, we're targeting even higher available liquidity levels of approximately \$10 billion. Of course, this will cost us some spread as we give up some earnings in the near term, but the economics gained on the other side will be well worth it. As always, we will manage Athene to generate significant medium-to long-term value rather than managing to a quarterly number.

Lastly, it is important to note that in addition to the liquidity numbers I quoted above, we have a liquid public bond portfolio of approximately \$35 billion, which will serve as a source of transitional liquidity and redeployment within our overall asset portfolio.

Before diving into product specifics, I want to remind you of our credit philosophy. In the insurance industry, the default setting is owning direct holdings of issuer obligations. Without differentiated asset capabilities, the only way to create yield in a direct holding strategy is often to reach down the credit spectrum.

At Athene, however, we typically invest in senior secured securities that are highly rated and defensively positioned, where we have aimed to create yield, we have prioritized generating this

yield through less liquidity rather than credit risk and insist on structural protections, rather than owning obligations of underlying issuers outright.

In terms of allocation, this means we are definitionally underweight high-yield securities and bank loans, given our preference for structural protections with substantial subordination. Ultimately, this means we will have less impairments than others who invested directly in subordinated bonds in the search for yield.

A few statistics on our \$117 billion portfolio of net investment assets: approximately half of our portfolio lies in high-quality corporate bonds and government securities, including an industry standard private corporate portfolio, and \$35 billion of highly liquid public corporate bonds, munis and government securities.

In terms of credit quality, 94% of our available for sale fixed maturity securities are investment grade rated, in NAIC 1 or 2. Outside the NAIC purview, we hold high quality first lien commercial mortgages, 96% of which have comparable investment grade designations, as well as residential mortgages, which are virtually all in good standing.

Additionally, we have significant credit enhancements in our structured products. And as you know, we employ a differentiated alternative strategy that has a defensive orientation and is less prone to binary outcomes.

As you evaluate our portfolio in the context of industry peers, our allocation will look different in three key areas – residential real estate, CLOs and commercial real estate.

Why are we invested in these assets? They provide a better risk return through the cycle than your run-of-the-mill corporate bond. And they are well supported by the persistent nature of our liability base.

We make sure of that by continually stressing these books according to downside assumptions approximating historical recessions, including the 2008 2009 financial crisis.

As a reminder, our focus at Athene, in conjunction with our asset manager, Apollo, is on principal protection, not mark to market noise. Generally, Athene has the ability to hold investments to maturity, along with a robust approach to duration matching on our assets and liabilities.

This means our economic mindset, along with our accounting regime, is focused on a book value accounting convention versus a market value framework. One exception to this is alternatives, where we will likely see substantial market volatility. However, what ultimately matters as we move through this environment is limiting loss of principal.

A combination of Athene and Apollo's senior management teams and portfolio managers have conducted a thorough re-underwrite of our portfolio, as recently as last week, and we have a high degree of comfort with where our portfolio is today.

To hopefully provide you all with a similar degree of clarity and comfort, I have invited the relevant portfolio managers for each of these areas – Nancy, Scott and Bret to walk you through their respective areas of expertise and oversight.

Before I do that, I did want to emphasize one point. Even under the deep stress scenarios they take you through, we expect that these portfolios will continue to generate a positive yield. That is incredibly powerful, because it means that even under the deep recession assumptions, we expect to generate a positive return.

I view this as a testament to the downside-oriented, credit-focused underwriting philosophy we often talk to you about. As a team, we have evaluated the portfolio and we are acutely aware where exposures lie. We understand what the pressure points are and we are currently comfortable that these impacts will be within our risk appetite. With that, I'll now turn it over to Nancy to discuss Athene's residential mortgage portfolio.

**Nancy De Liban, Senior Partner and Head of Residential Credit:**

Thanks, Jim. For those of you who don't know me, my name is Nancy De Liban, and I head residential credit for Apollo. I have managed the residential book for Athene since 2012, and have 35 years of experience that have spanned several crises.

This morning, I'd like to begin by reminding you why Athene has a residential position that may look outsized in context of the industry. Athene has a \$13 billion residential mortgage portfolio, which includes nearly \$8.5 billion of non-agency RMBS and \$4.5 billion of residential mortgage loans.

For context, the majority of this trade was put in place in the wake of the financial crisis when Athene was able to amass approximately \$8.5 billion of residential credit at a significant discount to par at a time when securities offered tremendous value.

Since the point of purchase, these securities have been meaningfully accretive to Athene's investment spread, relative to other similarly rated asset classes. Today, these assets provide a relatively de-risked source of highly attractive book yield to Athene, generating over 200 basis points of gross book yield premium to comparably rated corporate bonds.

I use the word de-risked very purposely, since 95% of these securities are investment grade rated, the vast majority of which are NAIC 1's. On average, the underlying loan to value is 61, and the average borrower FICO is 696. As a reminder, FICO scores above 620 are typically considered prime.

Importantly, the underlying borrower in Athene's portfolio is in much better shape than they were headed into the financial crisis. As you can see, the underlying borrowers in the portfolio faced 110 LTV in the depth of the crisis, and they still managed to maintain their home.

Since then, consumer balance sheets have improved significantly and you can see on page 10 that the borrowers in Athene's portfolio are in much better shape with greater amounts of equity in their home than they had heading into the 2008 2009 financial crisis.

Declining amounts of mortgage debt on the consumers balance sheet, coupled with many legacy loans having coupons or principal forgiveness assisting affordability, the net effect of these borrowers is that their mortgage payments are approximately 20% lower on average than they were prior to 2008.

These underlying consumer characteristics give us great comfort that Athene is protected from loss of principal in its portfolio. Why else does Athene feel good about the portfolio? Because the numbers say it should.

The portfolio is consistently evaluated under historical scenarios, including the 2008 and 2009 financial crisis. Under that extreme stress scenario, the model shows manageable OTTI and Athene's RMBS and residential portfolio continues to provide a better return than a non-stressed yield on comparably rated corporate bonds.

To provide you further transparency into the portfolio, I put together an illustration of what you need to believe to start seeing OTTI in Athene's non-agency residential portfolio.

As with all stress scenarios, this is part art and part science. The key underlying assumption includes approximately 2-year stress, with subsequent recovery. In this state of the world, even if

home prices fall significantly and unemployment spikes, levels of OTTI in the portfolio are manageable.

It's worth noting that at times of severe illiquidity, pricing does not always reflect the underlying credit quality. As such, there may be volatility in the portfolio mark, notwithstanding the strength of the underlying credit. With that, I'll turn it over to Bret to go through Athene CLO portfolio.

**Bret Leas, Senior Partner and Head of Global Corporate Structured Credit and Asset Backed Securities:**

Thank you, Nancy. My name is Bret Leas, and I head the structured finance business at Apollo and have principal oversight of Athene CLO portfolio. I've managed Athene's portfolio for close to 11 years and have over 20 years of experience with structured credit.

If you turn to slide 12, there are a few points I'd like to provide you with on Athene's \$10 billion portfolio. First, and most important, why does Athene invest in CLOs? Fundamentally, it's based on the ability to create safe yield.

So rather than reaching down in the credit spectrum, and owning significant amounts of high yield credit, Athene generates yield by investing in slightly less liquid senior secure products, which benefit from significant credit enhancement and portfolio diversification.

So throughout this section, I will take you through how that investment philosophy protects against impairments in a downside scenario, while also generating approximately 70 basis points of gross book yield premium to comparatively rated corporates.

Today, Athene's portfolio has almost no non-investment grade CLO's exposure, specifically 98% of the portfolio is comprised of investment grade debt. As you can see on the left, this was not always the case.

If you look back to 2015, for example, 80% of the portfolio was comprised of investment grade debt. Today's portfolio is a great example of our active management called "The Book".

As we saw the non-investment grade tranches of CLOs get overbought and therefore offer less compelling risk return, we actively upgraded the portfolio. This was a move that helped Athene in today's environment.

In terms of the underlying collateral of each CLO nearly 99% of the underlying loan composition in the CLOs that Athene owns is first lien. This portfolio has been built to have approximately 200 basis points better credit enhancement versus the market and has structural features that will allow Athene to sustain 20-plus% cumulative net losses, on average, before the portfolio sees a loss of principal. In other words, Athene has more cushion to protect against the downside, which equals a safer portfolio.

So how is Athene positioned so defensively? If you turn to page 13, the first point to consider is that Athene's portfolio was constructed in what many refer to as the 2.0 or 3.0 environment, versus a 1.0 or pre-credit crisis environment.

This means that Athene invests in CLOs that often have more credit enhancement, higher concentrations of first lien senior secured collateral, tighter documentation, shorter duration and reinvestment periods, and the alignment of interest where the managers or the fellows also have skin in the game.

The strength of the collateral underlying these post-crisis CLOs has improved as rating agency standards have tightened meaningfully from where they were heading into last correction.

Features like these provide downside protection, where buying regular way high yield bonds, or senior secured bank loans outright does not. Furthermore, in terms of underlying portfolio construction, Athene's CLO portfolio was exposed to a broad and diversified array of more than 20 business sectors, as you can see on slide 14, and the top 10 industries account for 60% of the portfolio.

The top three sector exposures include healthcare, technology, and business services, all areas which remain relatively resilient in the face of today's virus-driven dislocation. Athene's exposure to the most impacted industries right now, hotels, gaming and leisure, is underweight the market index. And in addition, I would like to note that energy is a relatively small component of the underlying CLO exposures, amounting to the 18th largest industry and only 2% of the underlying portfolio.

If there is one takeaway, therefore, that I can drive home for you all, is that, we believe, we have built a portfolio for Athene that should be able to sustain multiples of the default profile seen in the 2008 '09 financial crisis, before loss of principal in the vast majority of Athene CLO tranches.

This is what the chart on page 15 endeavors to show. Note that this slide covers the loss of principal, which is different than OTTI, which is interest on the next page. If you turn to slide 16, we know that as Jim Belardi said, no downturn was the same, and so to contextualize Athene's portfolio, this slide provides a view on OTTI across various default rate and recovery assumptions.

One stress that Athene looks at when stressing the book is the 2008 2009 financial crisis, and that is labeled on slide 16 as a deep recession. The default rates in the deep recession scenario peaked quickly at 18% during the first two years and come down gradually remaining an elevated levels even in the long term.

Loan recoveries also decline as defaults increased troughing at 45% and then gradually recover as defaults come down but still remain below the long-term historical average of the loan asset class. The recession scenario applies a similar path to both defaults and recoveries, but peaks at 14% for defaults and troughs at 50% for recoveries.

So if we look at the chart on slide 16, the deep recession scenario forecasts less than 90 basis points of OTTI on the CLO portfolio, and less than 70 basis points of OTTI in the recession scenario.

It is worth noting again, however, that Athene CLO book is currently positioned 99% investment grade, and 1% non-investment grade and current OTTI projections almost entirely limited to those bonds that are rated non-investment grade.

Thus, while the portfolio may experience some price volatility, these results suggest that it will experience de minimis loss of principal and downside scenarios. But as Jim did mentioned at the outset of the call, each correction is unique. And so one stress that Athene also looks at in CLO portfolio is how severe will the corporate default environment need to be on a sustained basis before on average Athene started to experience a loss of principal on its triple B, and single A-rated CLO positions.

The results suggest that if we assume a flat constant load recovery rate of 40%, which is 25 points below the historical nominal average recovery rate since 1987, and is even more stressful than the trough recovery rate in Athene's deep recession scenario, on average, Athene's triple B CLO positions could withstand a cumulative default rate of 41% before experiencing a loss of

principal. And on average, Athene's single A CLO portfolio could withstand a cumulative default rate of 53% before experiencing a loss of principal.

This is, obviously, in excess of what was witnessed during the last financial crisis in 2008, and 2009. And so, while there are various paths that this market can take going forward, this is a sound framework for understanding the severity that it would take to create an actual loss of principal in Athene's CLO portfolio.

And we hope that this provides comfort that Athene's CLO portfolio is well positioned to withstand severe market stresses. With that, I will turn it over to Scott Weiner to go through Athene's commercial real estate portfolio. Scott?

**Scott Weiner, Senior Partner and Global Head of Commercial Real Estate Debt:**

Thanks, Bret. My name is Scott Weiner, and I lead the Commercial Real Estate Debt business for Apollo, managing the \$14 billion portfolio of commercial mortgage loans on Athene's balance sheet and I worked as a CRE lender for 24 years.

In the search for the appropriate combination of yield, credit quality and liquidity, commercial mortgages offer attractive risk reward, and have been an important part of the asset allocation strategy for Athene since inception.

Hundreds of billions of commercial mortgages are widely held by other insurers as it is a wide and deep market sized in the trillions. So Athene is not alone in recognizing their compelling relative value.

Importantly, while every crisis is unique, this is not the first dislocation we've experienced, and we remain confident in our investment approach because of rigorous underwriting and various aspects of the portfolio construction.

More than three quarters of the portfolio is in first mortgages, and, more importantly, 96% of the portfolio have CM ratings between 1 and 3, which are akin to NAIC 1 to 2, and have capital charges equivalent to investment grade corporates.

The significant concentration of higher C.M. ratings demonstrates that while there's a mix between mortgage and mezzanine loans, we are focused on identifying opportunities backed by institutional real estate with attractive credit metrics.

Across the portfolio, the average LTV is 56% at origination, which is relatively lower than the industry and gives us additional comfort heading into near-term economic uncertainty.

Athene's portfolio is diversified by asset type, with a nearly 65% of the portfolio representing loans in the residential office, industrial or self-storage space. Within the remaining portion is hospitality and retail, which we expect to be a focus in the near-term, given the economic impact of the coronavirus containment strategies.

With that in mind, we thought it'd be helpful to add some context in both hospitality and retail to explain why we believe Athene's portfolio is well-positioned even in today's market.

Today, Athene has nearly \$1.5 billion of capital invested in hospitality assets, and when investing in hotel loans, the focus is on that identifying high-quality real estate. Athene's largest positions and its mezzanine loans are secured by top-tier, highly recognizable hotels that are prime assets within their respective markets.

By way of example, the Cosmopolitan Hotel in Las Vegas and Hotel Del Coronado in San Diego are two positions in the portfolio. Additionally, the hotels Athene lends against are backed by institutional owners with significant capital invested in the asset and who have actionable and achievable business plans and work with experienced management team and brands.

Our investment criteria has resulted in Athene portfolio, which is 92% full service luxury, with a 57% weighted average loan to value at time origination, 63% of Athene's hotel loans are first mortgages and our subordinate investments are limited to situations where we are highly confident in the hotel's differentiated market positioning, the sponsor is highly experienced and well capitalized, and where we are very comfortable with the leverage point.

In addition, in approximately half of the hotel loans Athene is senior to a mezzanine lender, who is often an owner of real estate themselves, which provides another layer of protection and certainty that Athene will get paid off even in the face of a crisis if the collateral runs into difficulties and the sponsors does not protect their investment. Thus, we don't expect to see significant defaults in the portfolio. And even if these assets do run into greater trouble than we foresee, we believe the opportunity to acquire high-quality real estate at 50 cents on the dollar is an attractive one.

To that end – and one example features in our presentation materials – you can see that just last Friday, Athene was repaid on a \$60 million senior mezzanine loan secured by two hotels, one in Miami and one in Manhattan.

Because of our conservative underwriting efforts upon initial investment in significant third-party subordinate capital, when a sale process was delayed and the loan matured, the subordinate lender opted to protect their position, which resulted in a payoff at par.

While each asset and loan has its own story, we underwrite on a bottoms-up approach while maintaining a consistent macro perspective, good real estate, significant subordinate capital both debt and equity, detailed underwriting and balance sheet transaction structuring. Because of these principals, despite the unprecedented uncertainty in the hospitality market, we feel confident in Athene's portfolio and expect it will weather the storm.

Turning to the retail side where Athene has nearly \$2.5 billion of invested assets, we obviously see a much different environment in 2020 than we saw a decade ago when we began investing on behalf of Athene, given a tremendous growth in e-commerce.

In recent years, we recognized the changing landscape, pulled back on lending on certain asset types and, ultimately, began scaling back certain existing positions. As consumers have shifted more of their spending online, we have seen a deterioration of market sentiment surrounding regional malls.

This change in sentiment is partially attributable to challenge tenant credit, as well as an outdated product. As we identified this trend, we shifted our focus away from regional malls, such that regional malls only represent 1% of Athene's total CML portfolio as a de minimis portion of Athene's overall portfolio. Within the last few years, nearly all Athene's new lending on retail properties has focused on high street retail.

Properties within this segment of the retail market, generally have high quality tenants under long-term leases with stable cash flows. These retail locations often feature significant tenant investment, are highly focused on a differentiated customer experience and are often brand flagship locations.

Instead of having exposure to the least attractive tenants in a mall, we target specific tenants in real estate we believe in long-term. Additionally, Athene's high street retail collateral is in gateway markets, such as New York, Los Angeles and Chicago, which provides an added level

of stability. While many lenders are pulling back from retail entirely, we still see opportunity in certain segments such as high street retail.

As an example, I'd like to highlight a loan Athene made on Rodeo Drive in Beverly Hills. This property is 100% occupied by three world renowned tenants on long-term triple net leases.

Consistent with Athene across Athene's portfolio, there's a defensive basis at 61% LTV, and our team was able to negotiate a very tight loan structure including amortization, and no free cash flow distributions to the sponsor, which will further enhance the credit position over time.

Taking a step back and looking at the portfolio more broadly, there are a handful of consistent themes we think are worth highlighting when we think about stressing commercial real estate.

As balance sheet lenders, when we underwrite, we apply a credit-first philosophy focused on ensuring Athene's loans have a defensive last dollar basis, and value in capital preservation above all else.

We believe that as a balance sheet lender your basis in the property is ultimately, what protects you across economic cycles. And this is a perspective we've always applied to Athene's CML portfolio.

As a result, whether we are writing a mortgage or investing in subordinated debt and transactions that have very low leverage first mortgages, we apply the same underwriting philosophy.

The loan to value ratios across our mortgage and mezzanine portfolios are generally consistent at 55% for mortgages, and 61% for subordinate debt. The loans across the CML portfolio benefit from significant third-party subordinate capital, including both more junior mezzanine loans and institutional well-capitalized sponsors.

We are highly focused on this metric. And as you can see elsewhere in our materials, including both mortgage and mezzanine loans, Athene's mix is much more conservative than the market as a whole.

Finally, it's also important to remember that Athene is investing in real estate loans. These are loans backed by hard assets and tangible collateral. As you can see in the chart, while values can change over time based on macro economic conditions, experience has demonstrated that real

estate lenders and investors that are capitalized to hold assets across cycles are rewarded over the long run.

Between the experienced team at Apollo, a quality and durability of the portfolio, and Athene's long-term investment approach, we believe Athene is well-situated to weather an economic cycle.

With that, I'll turn it back to John Rhodes, Athene's Chief Risk Officer, who will discuss the stress overlay applied to Athene's entire portfolio. John?

**John Rhodes, Chief Risk Officer:**

Thanks, Scott. As we've said before, risk management is embedded in everything we do, which means we're actively assessing risk at the point of purchase, and continually monitoring it thereafter. As you know, we regularly run the stress scenarios and perform quarterly cash flow testing.

To give you a sense of our risk appetite when it comes to dislocation, we run the company with an intention that when faced with a moderate or baseline recession scenario, we look to avoid any ratings downgrades and if we are faced with a deep recession scenario, similar to the 2008 2009 financial crisis, our intention would be to maintain investment grade levels.

At our Investor Day in September 2018, we unveiled some of the internal stress tests work we do and illustrated those results.

In the presentation we released this morning, we provided a current view of that work and we also provided another set of stress testing that we routinely perform, a deep recession view, which is along the lines of the 2008 2009 financial crisis but with some additional pads.

Some examples of these paths include applying the cumulative 2008 and 2009 corporate default rates in the instantaneous shock, effectively doubling the observed annual default rate versus the 2008 2009 financial crisis.

For CLOs, our model peak default rates are generally higher than speculative grade default rates during the Great Depression, while our modeled loss severities are more than 10 points higher than observed during the 2008 2009 financial crisis data.

Lastly, for residential mortgages, in addition to the large peak to trough 27% drop in home prices, we have modeled a recovery that is delayed by nearly three years, relative to the 2008 2009 financial crisis data.

This additional view should provide you with even more insight on how an even worse environment may impact our business. While we aren't any better than you are at predicting the ultimate severity and length of the current dislocation, we believe our various assumptions in the stress are relevant through the lens of past economic stress.

Our analysis illustrates that potential OTTI, assuming no proactive mix management actions, would total \$1 billion net of offsets, in a baseline recession case, and \$2 billion net of offsets in a deeper recession case, implying cumulative losses of 1% to 2% of net invested assets. Importantly, Athene's earnings power exceeded \$1 billion in 2019, and so, our expectation is that even when faced with losses, we'd have meaningful ability to earn our way through it.

I'd reiterate that we will actively manage our way through this challenging environment and while some level of market volatility should be expected, I believe it will be within the confines of our stated risk appetite, and OTTI expectations. With that, I will turn it back to Jim to conclude.

**Jim Belardi, Chairman, CEO and Chief Investment Officer:**

Yes. Thanks, John. For everyone on the phone, I hope that lens of how Athene is playing defense into this market environment provides you with the same level of comfort it provides me.

As John mentioned, there is no doubt we will see some level of OTTI in a recessionary environment, as will all insurance companies. However, our team is confident that the level of OTTI at Athene will be within our risk appetite.

In addition to what we've presented on the call, we've also included some information in the appendix, outlining our energy and aircraft investments, which have been the subject of a handful of questions we have received since the market volatility began.

We're happy to take questions on both areas and Q&A. But in short, we feel great about each one. Our energy investments are almost entirely in corporate bond form, 92% of which are rated investment grade NAIC 1 or 2.

Not all energy is created equal. Our particular focus is on services companies that is in the midstream space, where we're investing in transmission capabilities, such as critical infrastructure and pipelines, where the end customers are often large, resilient utility companies, which means we have less direct sensitivity to underlying commodity prices.

Where we have exploration and production exposure, we have gone through the portfolio on a bottoms-up basis to ensure we are comfortable with the liquidity and maturity profile of the underlying issuers. Our largest E&P names include Halliburton, Apache, and Occidental. While we expect these names to trade down, we do not, ultimately, believe they will be impaired.

Regarding aircraft, approximately 50% of our exposure is through the PK AirFinance portfolio we acquired last year. As we lay out on slide 27, we benefit from an attractive attachment point in PK, with hard metal collateral in a company with significant available liquidity and de minimis cash burn. Our non-PK ABS is also high quality in nature with 96% rated in NAIC one and two.

As I alluded to at the outset of the call, after a sound defense comes a move to offense. I'd like to convey that while it may take some time to emerge from the current dislocation, our team is exceedingly confident that our differentiated model, one which prioritizes effective capital allocation, to drive shareholder value, will enable us to emerge from the current environment even stronger than before.

As you know, we founded the company in the wake of market turmoil and took advantage of opportunity. We are armed with a significant amount of liquidity and deployable capital today and the potential a creative uses for this capital are growing daily.

Consistent with overall philosophy, priority one is to protect the balance sheet. We are not afraid to use capital to go on offense within our existing asset positions and drive good outcomes.

We expect to see continued restructuring in the life insurance industry, where our access to substantial third party capital can allow us to serve as a solutions provider, and we expect to see something we have not seen in recent years; the ability to buy high quality investment grade credit in public markets at wide spreads.

While the list of opportunities will change month by month, or even day by day, in today's market, our guiding principal remains the same – be disciplined stewards of capital and be as flexible as possible to respond to the shifting market conditions. With that, I'd now like to turn it back over to Noah, who will moderate the Q&A portion of our call.

**Noah Gunn, Head of Investor Relations:**

Thanks, Jim. So in respect of everyone's time, we are going to try to wrap up around market open. So we'll have about 15 minutes for Q&A. As Jim mentioned, we're going to moderate it. Thank you for everyone who's emailed during our prepared remarks. There was a lot of interest. And so we're going to kick off here:

One of the questions that came in is, can you guys talk about the level of M&A discussions currently? And have discussions been put on pause because of the uncertain environment and volatile markets? Or is there more of a sense of urgency to, potentially, get something done? I guess I turn that over to Bill to provide some comments.

**Bill Wheeler, President:**

Sure. Thanks. It's Bill Wheeler. I think that there's maybe more of a sense of urgency and that the conversations, interestingly that we were having earlier in the year are still ongoing.

And I think they are driven by less about optimizing an outcome, given where we could easily just delay it until the interest rate environment gets better and more about we need to do this for our company.

So the good news about all that is, I think a lot of our competition in M&A has probably fallen away. And, obviously, we're still open for business and I would say the industry knows that. And so I think we're going to have some interesting opportunities before this is all over.

**Noah Gunn, Head of Investor Relations:**

Great. Next question that came in is regarding retail, and specifically how much have you all had to adjust FIA pricing for year-to-date movements and interest rates and option costs? And what are we seeing generally in the market in terms of competitive actions, as the volatility has ramped up?

**Grant Kvalheim, Executive Vice President and CEO of Athene USA:**

Thanks, Noah. This is Grant Kvalheim, CEO of Athene USA. So all carriers have adjusted pricing to account for the recent decline in investment yields. But the moves by some carriers have been so large that, at least, in Athene's view, they've effectively withdrawn from the market.

And, additionally, we've seen certain carriers just suspend the sales of certain of their products or suspend the sale of any products that carry guaranteed income riders. So every company is making their adjustments as they see the marketplace.

**Noah Gunn, Head of Investor Relations:**

Right. Next question is, probably, for Marty or John Rhodes. The questioner asked, "If there is a one notch rating downgrade across the investment portfolio, could you guys size or approximate the hit to RBC?"

**Marty Klein, Chief Financial Officer:**

You know, we've not – it's Marty Klein, we have not done that in math. I think that's a highly implausible scenario, particularly given the discussion we just had. It's hard to fathom that that would happen across the entire portfolio.

If that, again, really highly unlikely scenario were to happen, I would estimate the impact would be less than 20 RBC points, but we'll have to do the math more precisely and come back with that at a later date, but I think would be very manageable, and I suspect it would be less than 20 points of risk-based capital.

**Noah Gunn, Head of Investor Relations:**

Thanks. Next question is in relation to capital deployment and, specifically, on buybacks. Questioner asked how we're thinking about buyback activity in the current environment and possibly an indication for how much has been done quarter to date. Marty, would you like to comment on that as well?

**Marty Klein, Chief Financial Officer:**

Sure, Noah. Obviously, the current environment is very different than the environment was just a few weeks ago and as Jim highlighted in a call as we're looking to assess opportunities and get ready to play offense, we've been laying a sound foundation with defense.

So, we've paused recently our buyback program as we're assessing opportunities, like, probably many other financial institutions these days. But I would say that in the quarter, first quarter, we bought back about 10.4 million shares, little over \$300 million worth.

**Noah Gunn, Head of Investor Relations:**

Great. And then the next question comes in, specifically, regarding MidCap and AmeriHome.

Questioner is looking for an update on performance or outlook or any comments we can provide around those businesses, which are a couple of our larger holdings. Jim Belardi, would you like to comment on that?

**Jim Belardi, Chairman, CEO and Chief Investment Officer:**

Yes, sure. So MidCap is doing well. You know, I just want to remind everybody about the MidCap franchise. You know, it was started in 2008, has a terrific track record of avoiding write-offs.

I mean, it's experienced cumulative losses of 15 basis points on \$29 billion of funded assets since its inception 12 years ago, a very good track record. It's very well capitalized, better capitalized than most banks. So, they're doing well.

AmeriHome has actually been a counter cyclical play for us in the first quarter. You know refis were through the roof and the first two months of the quarter and they far exceeded their business plan for profits in those two months.

And refis are starting to slow down now recently and mortgage applications are down as well. But the first quarter is going to be fantastic for AmeriHome. Just want to remind you it's a very well-hedged entity and that's one of the key risks that they manage, hedging their mortgage servicing risk.

And so, both the MidCap and AmeriHome have been a consistent double-digit return producers for Athene. There are two largest Alt's, their operating companies are well-hedged and AmeriHome, in particular, is taking advantage of the opportunity here in the marketplace so far and MidCap is relying on their accumulation of expertise and their track record and doing well as well.

**Noah Gunn, Head of Investor Relations:**

Thanks, Jim. Next question is about liquidity. In the presentation, we gave an indication of available liquidity and some targeted levels. So maybe one for Marty. Questioner is asking if we can help them think about our current levels versus the target and how do we bridge the gap and think about those two?

**Marty Klein, Chief Financial Officer:**

Sure. It's Marty. You know, obviously, we've been looking at opportunities as we're playing defense. As we're doing that, we've sold off a bit of a high-grade corporates that, obviously,

while spreads have widened, spreads have widened even more in other parts of the market, so that's been one source.

But I would also note that, as Bill mentioned, our retail and flow reinsurance sales are actually quite robust. I don't think we anticipate doing any PRT deals in the near term in the U.S., at least, and we're assessing funding agreements as well. But I would say retail and flow channels are doing quite well. And we expect that will make up a lot of the difference here over time.

**Noah Gunn, Head of Investor Relations:**

Great. And then a follow-up for you, Marty, on floating rate investments. Questioner is asking maybe if you could remind everyone on just which tenors to look at when we think about like floating rate sensitivity, and maybe an indication of relative impact to the extent we can provide.

**Marty Klein, Chief Financial Officer:**

Sure. You know, it's pretty comparable what we've said in the past with respect to the amount of floaters off of 1 and 3 month LIBOR. About 85% of the floater portfolio is really indexed to 1 and 3 month LIBOR.

Obviously from year-end with a gap down in rates in LIBOR, in particular, it will have an impact on our floaters. I think it's actually quite manageable for this year. I'd expect for the year that decrease would be roughly \$80 million for the year, probably less than \$10 million of operating income impact for the quarter. Both those numbers reference operating income impacts as opposed to investment income impacts.

I would also note that our floaters all generally have floors on them, which would be very helpful if rates continue to go down from here. In fact, about a third of our floaters have floors that are anywhere from 2% to somewhere over 4%.

**Jim Belardi, Chairman, CEO and Chief Investment Officer:**

Hey, Noah. One other thing I'd mentioned on MidCap is as does Athene, MidCap consistently stresses their portfolio to a prolonged recession etc. and on a loan by loan analysis.

And even in the very stressed scenarios with multiples of, historically high levels of losses, up to six times, historically, high levels of losses, the business at MidCap would still have a positive

return. And it could have close to 10 times, historically, losses before there even be a reduction in the book value of equity. So, they're very well protected and doing well.

**Noah Gunn, Head of Investor Relations:**

Great. We have commercial real estate question, likely addressed to Scott. Scott, questioner is wondering how much risk do we see from tenant bankruptcies or delays in paying rent? I don't know if you have any color to provide on that front?

**Scott Weiner, Senior Partner and Global Head of Commercial Real Estate Debt:**

Look, I think given the shutdown of the country, certainly tenants – certain tenants are going to be stressed. Clearly, hotels are shut down, retail tenants, I think, with today's government announcement, I think, that that is giving people hope that the government will be supporting some of the most, you know, challenged industries and we would expect landlords and tenants to work through that.

You know, obviously, we're a step removed from the ultimate tenant, right, because we have the landlord, the owner of the property between us. So, we would expect that to get all resolved over time and hope for the best with the economy.

**Marty Klein, Chief Financial Officer:**

Noah, it's Marty, real quick, just on that hypothetical question. If the entire portfolio was downgraded one notch, again a very, I think, implausible scenario, he quick math that we've done is probably an impact of less than 30 RBC points. I think I said 20 earlier, but we did some quick math here on the call and it's more like a little bit less than 30 basis points would be a best stab at that.

**Noah Gunn, Head of Investor Relations:**

Got it. Question came in regarding CLOs. And this is probably where we'll wrap up, John Rhodes or Bret can opine on it. Questioner asked what about 40% of our CLOs? I think CLOs in BBB is it realistic that we will, indeed, have only \$100 million or less of losses under our deep recession scenario for the book. So, if either of you could just reiterate some of your points around that to clear up any confusion.

**Bret Leas, Senior Partner and Head of Global Corporate Structured Credit and Asset Backed Securities:**

This is Bret Leas. It is our belief, based upon the modeling, that even the BBBs can sustain a large amount of credit stress before realizing any principal loss. Clearly, every deal's

portfolio is different and so while, on average, the book survives the stress and on a total portfolio basis, the books survives the stress, there's not an out of the realm of possibility that you have 1 or 2 idiosyncratic events. We do believe those are within the numbers that we quoted in the book today for the deep recession scenario.

**John Rhodes, Chief Risk Officer:**

And one other point I'd just add to that, if you think about the peak default rate again, to stress my earlier points, we are four or five points higher than what was experienced in Lehman and how we're ultimately determining OTTI and CLOs. And we've decreased the recoveries as well by about 20% or about 10 whole points.

So, look, there is a degree of uncertainty around this but given the credit enhancement levels, and the added degree of conservatism we've taken in the book we feel pretty good about the results you are seeing there on that page.

**Noah Gunn, Head of Investor Relations:**

Great. That completes our Q&A session for today. On behalf of our team at Athene, we'd like to thank everyone for joining this morning. We understand you made time to hear from us in a longer form call format under ongoing extraordinary circumstances.

If you have any follow-up questions regarding anything we discussed on today's call, please reach out to myself or Sue Lee. We look forward to speaking with you again on our first quarter earnings call, which is likely to be held normally in early May. Thank you, and you may now disconnect.

**Operator:**

This concludes today's conference call. Please disconnect your lines at this time and have a wonderful day.

**END**