# Athene Earnings Presentation
# Q1 2018 Review

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All information is as of the dates indicated herein.

# Q1'18 Highlights – Delivering Strong Performance

| Q1 2018 | Year over Year Change |
|---|---|
| **$2.1bn** Total Deposits | +7% |
| **$78.7bn** Invested Assets | +7% |
| **31 bps** Operating Expenses[3] | -1 bps |
| **$247mm** RS Adj. Op. Income (ex. notable items[1]) | +10% |
| **$8.0bn** Adjusted Shareholders' Equity | +18% |
| **~$2bn** Excess Capital | |

## Execution Against Growth Strategy

### Significant & Diversified Organic Growth
- Expanding and diversifying our distribution channels
- Invested assets, excluding Germany, up 15% driven by strong growth in new deposits

### Steady & Significant Base of Earnings
- Large in-force business with $76 billion of reserve liabilities
- Target annual investment margin of 2-3%

### Attractive Operating Results
- Strong investment performance
  - Increased floating rate investment income
  - Strong alternative returns of 12.34% in Retirement Services
- Lower cost of crediting (4 bps)
- Highly scalable platform - expect to convert significant portion of new business spread to operating income
- Retirement Services adjusted operating ROE, excluding notables of 18.2%

### Strong Capital Position
- Balance sheet growth increases base of earnings for future years
- Growth in capital base driven by strong earnings
- U.S. RBC ratio of 478%, ALRe RBC ratio of 557%[2]

**Strong Performance on Both Sides of the Balance Sheet Generating Shareholder Value**

(1) Notable items include $(14) million and $40 million of equity market performance impact on rider reserves and DAC amortization for Q1 '18 and Q1'17, respectively, as well as $14 million of proceeds from a bond previously written down in Q1'17 and tax effect of these items of $2 million. (2) ALRe RBC ratio is used in evaluating our capital position and the amount of capital needed to support our Retirement Services segment, and is calculated by applying the NAIC RBC factors to the statutory financial statements of ALRe and its non-U.S. reinsurance subsidiary, on an aggregate basis. (3) Retirement services operating expenses divided by retirement services average invested assets. Note: This presentation references certain Non-GAAP measures. See *Non-GAAP Measures* for additional discussion.

# Straightforward & Scalable Business Model – Q1'18 Results

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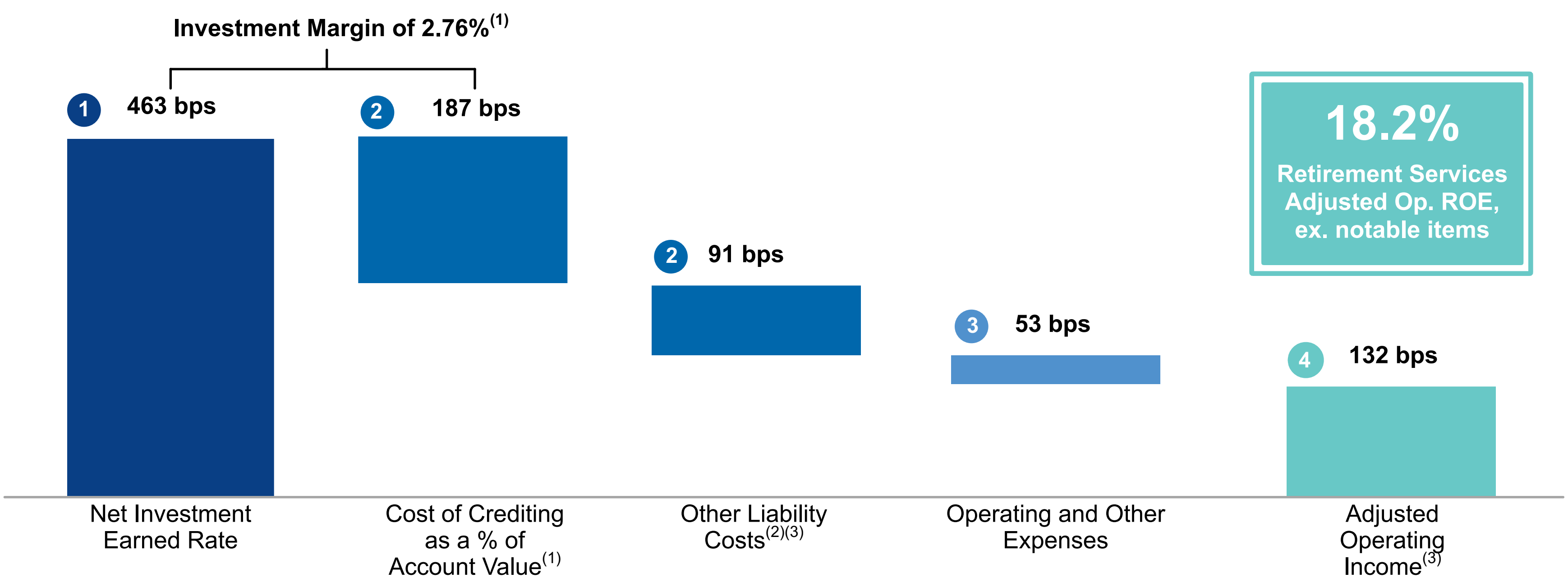
**1 Unique Investment Capabilities** + **2 Attractively Priced Liabilities** + **3 Efficient & Scalable Structure** = **4 Attractive ROE with Strong Earnings Growth Potential**




**Target Mid- to High-teen Adjusted Operating ROE in Retirement Services**

(1) Cost of crediting based on average account value of deferred annuities. Investment margin based on net investment earned rates less cost of crediting. (2) For illustrative purposes, includes adjustment due to convention of calculating cost of crediting based on average account value of deferred annuities. Excluding these adjustments, other liability costs would be 131 bps (139 bps including notable items) of average invested assets. (3) Excludes notable items of $(14) million from equity market performance impact on rider reserves and DAC amortization. Excluding these adjustments, Retirement Services other liability costs, operating and other expenses, and adjusted operating income would be 98 bps, 52 bps, and 126 bps of average invested assets, respectively.

# Multiple Distribution Channels a Competitive Advantage

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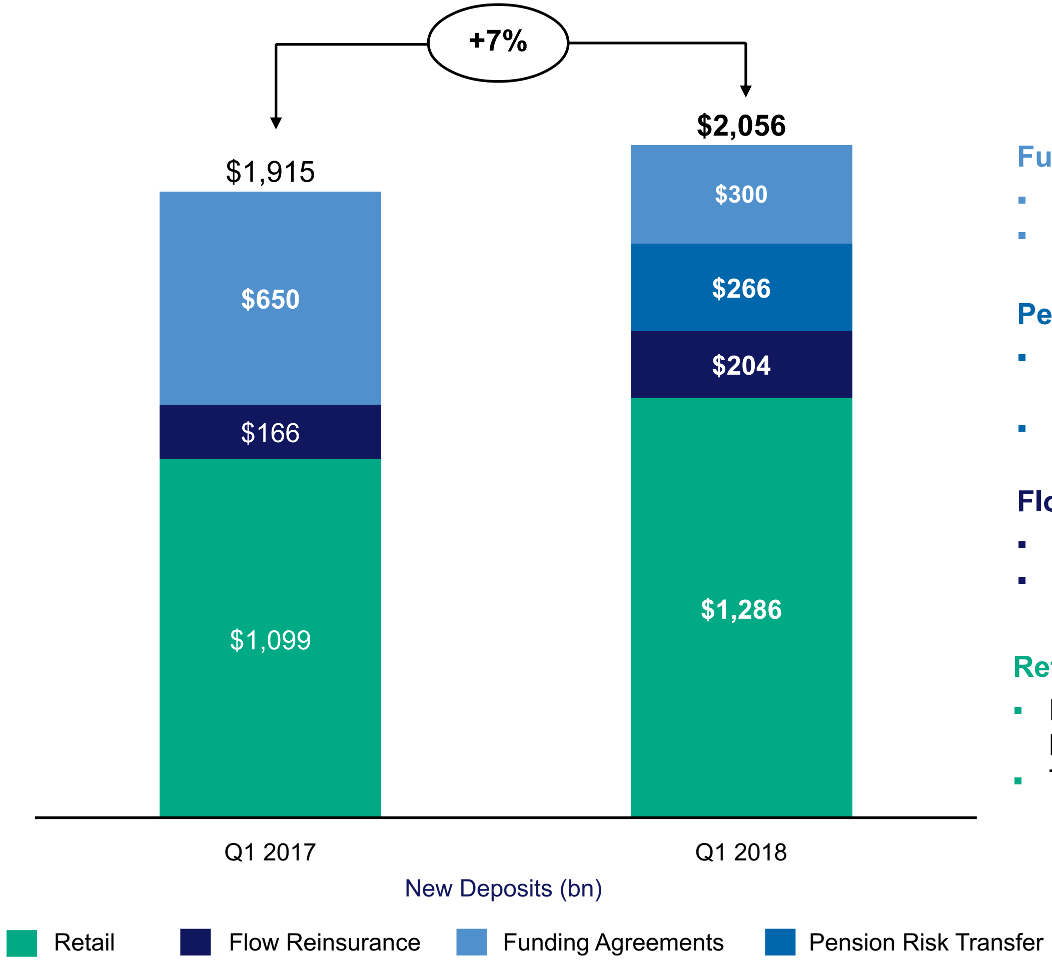
## Flexibility to respond to changing market conditions across channels to opportunistically grow liabilities that generate Athene's desired levels of profitability




**Funding Agreements of $300mm**

- Exercised pricing discipline
- Overall market issuance volume down 24% YoY

**Pension Risk Transfer deals of $266mm**

- In Q1 won fifth deal, and in Q2 to date have won one additional deal
- Robust pipeline of deals

**Flow reinsurance up 23% from prior year**

- Increased flow from new reinsurance partners
- Shifting product mix to include more FIAs

**Retail sales of $1.3bn**

- Expanded distribution with addition of new bank and broker-dealer partners
- Tripled deposits sourced from bank channel YoY

**Strong Pricing Discipline on Organic Growth**

# Liabilities Long-Dated, Persistent & Attractively Priced

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## Overview of Reserve Liabilities

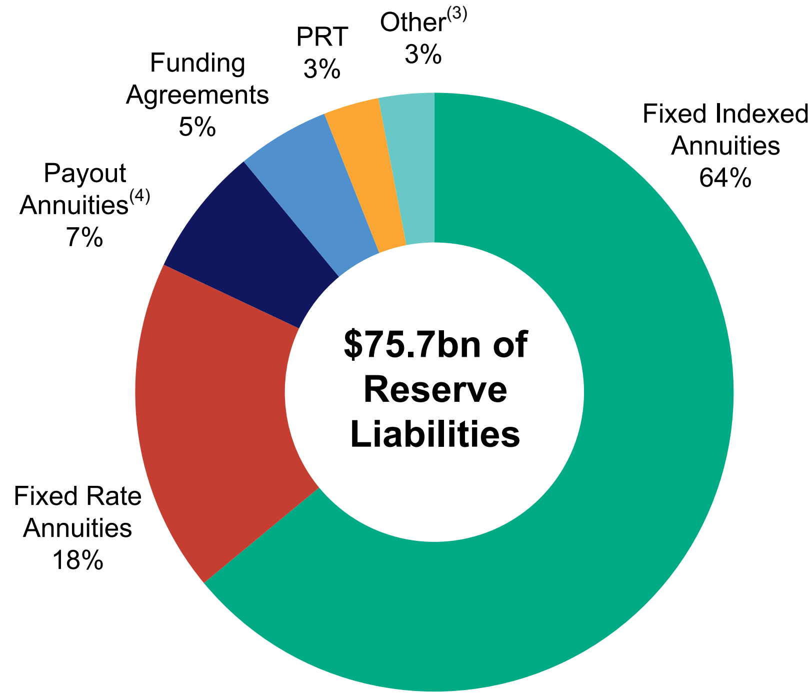
- Consolidated reserve liabilities, excluding Germany, grew $8.7 billion or 13% over the prior year
- Limited exposure to legacy liabilities
  - All pricing reflects low interest rate environment
- Expansion of institutional products diversifies risk and increases predictability of liability outflows
- Cost of crediting for FAs and FIAs improved 4 bps[1] over the prior year, to 1.87%, due to rate actions on business that renewed in 2017
- Average surrender charge remaining of 7.2%
- 72% of deferred annuities have MVAs[2][6]

## Predictable Liability Outflow Stream

**86%**
Deferred Annuities Surrender Charge Protected[2]

**100%**
Funding Agreements, PRT & Payout Annuities Non-Surrenderable

## Diversified Liability Sourcing




**9.2 years**
Weighted Average Life[5]

**Large In-force Business Produces Steady & Significant Base of Earnings**

(1) For Retirement Services segment deferred annuities for the three months ended March 31, 2018, annualized. (2) Based on fixed index annuities and fixed rate annuities only. Refers to percentage of account value that is in the surrender charge period. (3) "Other" primarily consists of the AmerUs Closed Block liabilities and other life reserves. (4) Includes Single Premium Immediate Annuities, Supplemental Contracts and Structured Settlements. (5) Weighted average life of total reserve liabilities; weighted average life on deferred annuities of 8.3 years. (6) Refers to the % of account value that is subject to a MVA.

# Unique Investment Capabilities Generating Attractive Risk-Adjusted Returns

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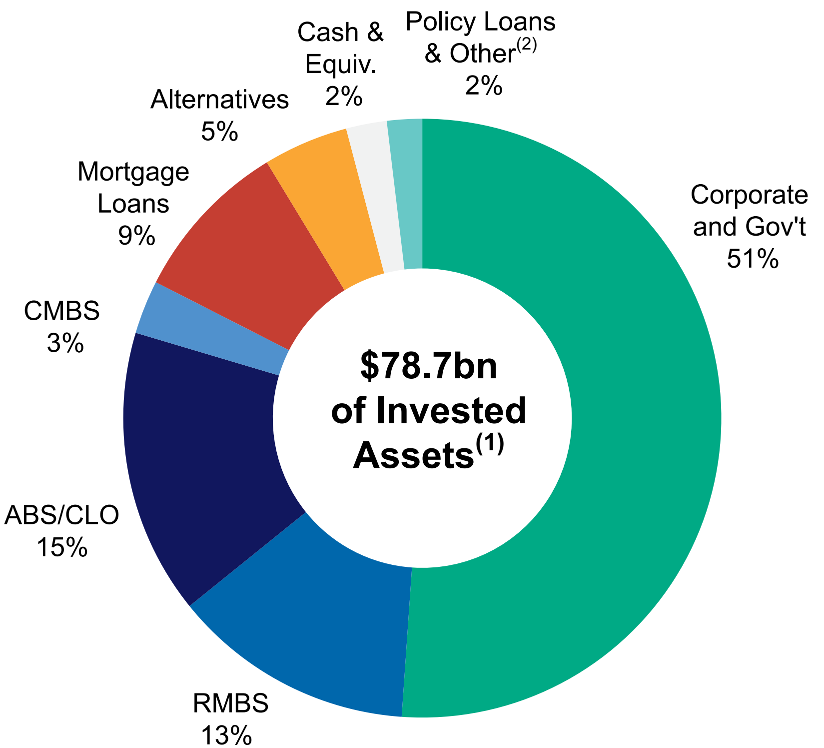
## Overview of Total Invested Assets Portfolio




**4.60%**[3]

**Q1'18 Net Investment Earned Rate**

## Portfolio Update

- Maintaining investment discipline in tight spread environment
- Total invested assets increased 15% excluding Germany from prior year, driven by new deposit growth
- Retirement Services net investment earned rate was 4.63%[4]
  - Alternatives returned 12.34%
- 22% of total invested assets in floating rate securities[5] which produce ~$25-30 million of additional adjusted operating income per year for every 25 bps increase in interest rates

## High Quality Fixed Income Investments

**94%**

**Rated NAIC 1 or 2 of AFS Fixed Maturity Securities**[6]

**2 bps**

**of OTTI on Total Average Invested Assets**[7]

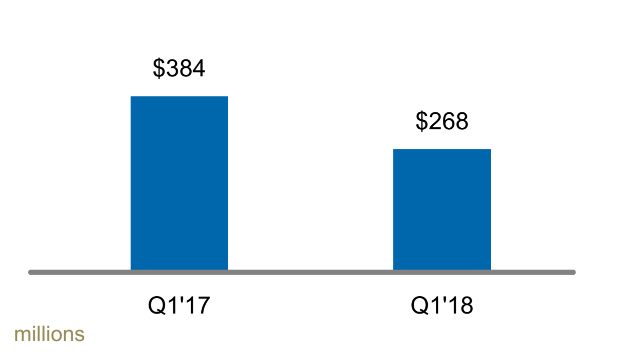
**Emphasize earning incremental yield by taking liquidity and complexity risk, not just credit risk**

(1) Invested assets as of March 31, 2018. (2) Other includes Real Estate held for investment, short-term investments and equity securities. (3) Consolidated net investment earned rate for the three months ended March 31, 2018, annualized. (4) Retirement Services net investment earned rate for the three months ended March 31, 2018, annualized. (5) In Q1'18, we refined our definition of structured securities to only include short duration securities that are directly tied or linked to an index. (6) As of March 31, 2018, including related parties. (7) OTTI recognized during the three months ended March 31, 2018, annualized.

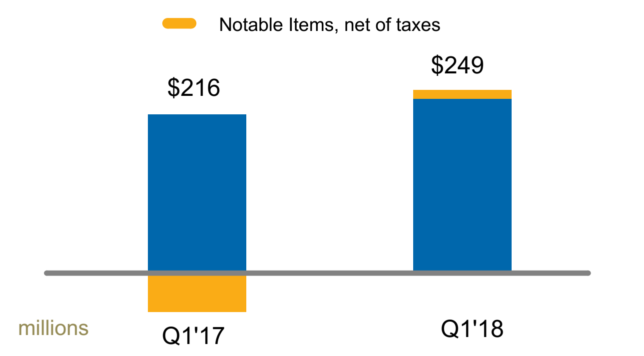
# 2018 First Quarter Operating Highlights

## Operating results driven by strength on both sides of the balance sheet

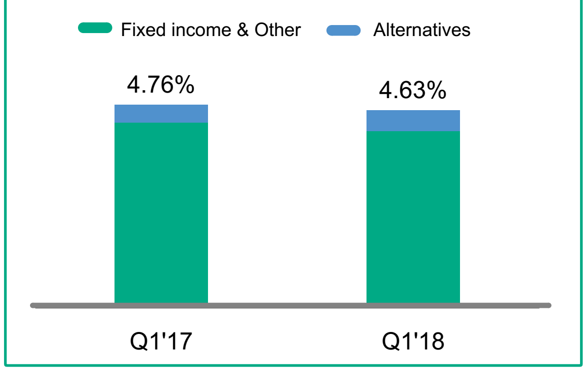
### Net Income



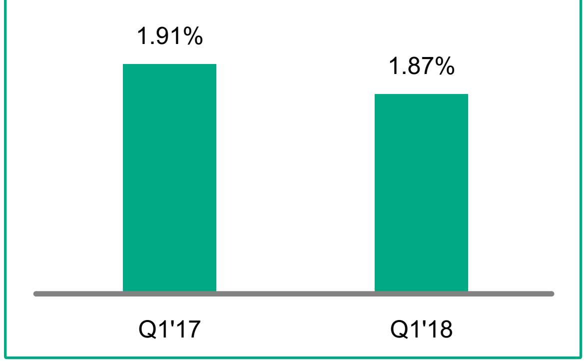

### Adj. Operating Income, ex. notables(1)




### RS Net Investment Earned Rate(2)

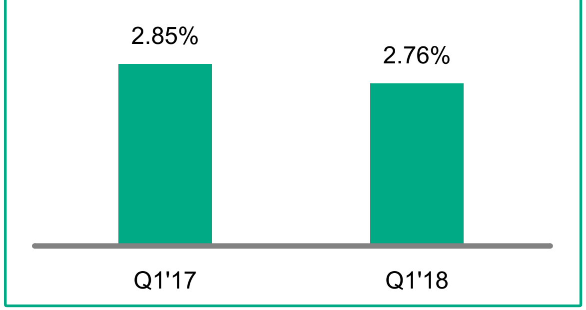



### RS Cost of Crediting(3)




### RS Investment Margin

Q1'17 includes 9 bps of proceeds from a bond previously written down.




**Retirement Services Adjusted Operating ROE, ex. notables of 18.2% (1)**

(1) Notable items include $(14) million and $40 million of equity market performance impact on rider reserves and DAC amortization for Q1 '18 and Q1'17, respectively, as well as $14 million of proceeds from a bond previously written down in Q1'17. Adjusted operating income was $237 million and $266 million for Q1'18 and Q1'17, respectively, and decreased 11% year-over year. (2) Net investment earned rate is calculated by taking net investment earnings divided by average invested assets for the relevant period. Interim periods are annualized. (3) Cost of crediting is calculated by taking the interest credited on fixed strategies and option costs on index annuity strategies divided by average account value of our deferred annuities. Interim periods are annualized.

# Strong Balance Sheet with a Growing Capital Base

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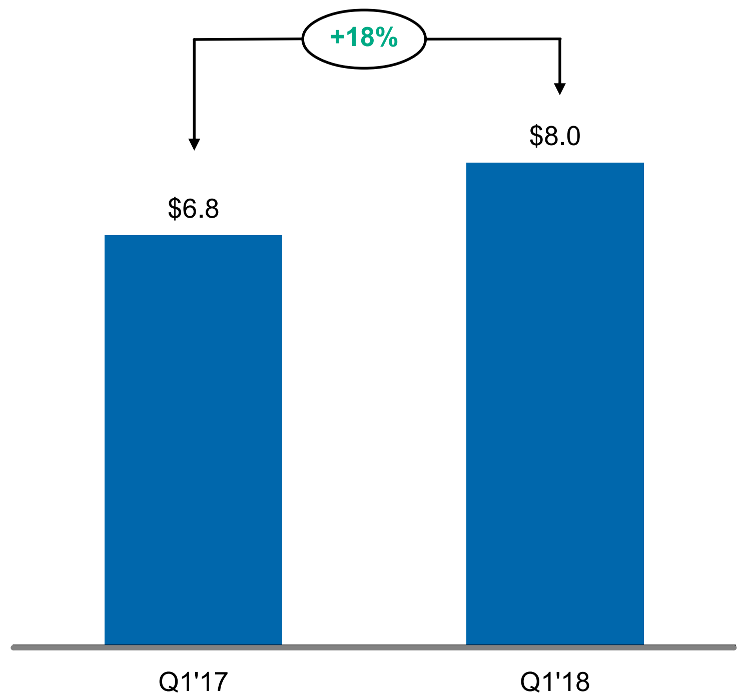
## Low financial leverage helps maintain strong rating profile and enables us to deploy capital as opportunities arise

### AHL Adjusted Shareholders' Equity (bn)(1)




### Levers for Incremental Growth

- Expect earnings will fund current organic growth
- Approximately $2bn of excess capital to support incremental growth
  - Inaugural debt issuance in January will replenish capital deployed for Voya transaction
- Large scale acquisitions or block reinsurance transactions
- Opportunistic organic growth above plan

### Strong Capital Position

| 478% | 557% |
|---|---|
| U.S. RBC Ratio(2) | ALRe RBC Ratio(2)(3) |

**Athene's strong capital base provides multiple levers for future growth**

(1) See Non-GAAP Measures and Definitions and Non-GAAP Measure Reconciliations for more information on AHL adjusted shareholders' equity. (2) As of March 31, 2018. (3) ALRe RBC ratio, which is used in evaluating our capital position and the amount of capital needed to support our segment, is calculated by applying the NAIC RBC factors to the Statutory Financial Statements of ALRe.

# 2018 Business Outlook

## Organic Growth

- Expect new deposits to surpass 2017 results, significantly exceeding liability outflows and driving asset growth
  - Liability outflows expected to be approximately 8-10% of average reserve liabilities in 2018
- Deposit mix will reflect our flexibility to pivot among channels

## Investment Portfolio

- Target investment margin on deferred annuities between 2-3%
- Consolidated Fixed and Other income NIER expected to be slightly higher than in 2017, benefiting from the deconsolidation of ~$6 billion of German invested assets offset by mid-year onboarding of lower NIER Voya assets
- Increase dollars invested to alternatives, maintaining 5-6% allocation of total invested assets, including redeployment of Voya assets
- Retirement Services Alternative Investment NIER expected to be approximately 10% for remainder of year, with quarterly volatility

## Adjusted Operating Results

- Consolidated G&A operating expenses expected to decrease slightly as a percentage of invested assets, due to efficient operating platform and mid-year closing of Voya transaction
- Quarterly cost of crediting may increase 3-5 bps for the full year, if market volatility and short-term interest rates remain at current levels
- Retirement Services other liability costs expected to be in the range of 1.35-1.45% of average invested assets
- Estimate +/- $25-30 million impact to adjusted operating income for every +/- 25 bps of change in interest rates
- Project mid to high-teen adjusted operating ROE for Retirement Services
- Corporate and Other adjusted operating income expected to be break even, and includes debt servicing costs

## Capital

- Excess capital viewed as capital in excess of 400% RBC
- Earnings expected to fund organic growth

# Components and Drivers of Other Liability Costs

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## Expect other liability costs in the range of 1.35-1.45% of Retirement Services average invested assets in 2018

Level of Volatility

| | |
|---|---|
| **Rider Reserves (30-40%)** | ▪ Change in the reserves that fund policyholder rider benefits, such as Guaranteed Lifetime Withdrawal Benefits (GLWB)<br>▪ Reserve pattern impacted by the level of current period operating profits and changes in future expectations of profits and rider benefits<br>  ▪ Unlocking of assumptions and the relationship of actual-to-expected equity market performance are two main drivers for changes in future expectations and may cause volatility in the change in reserves |
| **DAC (30-40%)** | ▪ Amortization of deferred acquisition costs (DAC), deferred sales inducements (DSI), and value of business acquired (VOBA)<br>▪ Amortization pattern impacted by the level of current period operating profits and changes in future expectations of profits<br>  ▪ Similar to rider reserves, unlocking of assumptions and the relationship of actual-to-expected equity market performance may cause volatility in the amount of amortization |
| **Institutional Costs (15-25%)** | ▪ Costs associated with our institutional channels generally reflect the coupon rate on funding agreement issuances and growth in the PRT reserves at the discount rate for each applicable deal<br>▪ Institutional costs should trend in line with changes in the size of the block and are expected to increase in line with the strategic growth initiatives for the institutional channel |
| **Other (5-10%)** | ▪ Primarily includes costs associated with payout annuities, policy maintenance costs, reinsurance expense allowances, and non-deferred acquisition costs, net of product charges (surrender and rider charges)[(1)]<br>▪ Costs generally trend in line with changes in the size of the block |

(1) In 2017, 'Other' also included excise taxes paid on business ceded internally to our Bermuda-based reinsurance entity of approximately $50 million. Currently in 2018, excise tax is not reflected in other liability costs.

# U.S. Tax Reform

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**21%**

U.S. Corporate Income Tax Rate

**20-25%**

Unaffiliated Business Not Subject to BEAT

**14-15%**

2018 Expected Overall Tax Rate

**10-15%**

Potential Impact to Overall RBC Ratio

## U.S. Tax Cuts and Jobs Act

- Reduced corporate income tax rate from 35% to 21% as of January 1, 2018
- The BEAT (base erosion and anti-abuse tax) imposes a new global minimum rate to modified taxable income and may apply to payments from a U.S. affiliate to a Bermuda affiliate that are not subject to U.S. income tax
  - 5% tax rate to modified taxable income in 2018, moving to 10% in 2019 and 12.5% in 2026
- BEAT does not apply to income originating outside of the U.S., including profits on third-party reinsurance and surplus assets held in Bermuda (20-25% of adjusted operating pre-tax income)
- 1% excise tax may continue to apply to reinsurance of U.S. risk to a non-U.S. reinsurer

## Tax Rate Guidance

- Significant uncertainty on whether BEAT is to apply to net reinsurance settlement payments comprised of premiums and investment income net of reimbursements including claims, reserve increases or expenses, or to apply to gross payments without reimbursements
- Currently anticipate 2018 annual results to reflect an overall tax rate of approximately 14-15%. Clarity on the application of BEAT to net reinsurance settlement payments would decrease this rate. Additional actions to further decrease the rate are being evaluated

## Excess Capital & RBC

- Capital levels not materially impacted by new tax rates
- Adjustments to NAIC RBC factors for the new tax rates would decrease overall RBC ratio by approximately 10-15%
- Capital ratios under rating agency models not materially impacted
- Preliminary assessment indicates no impact to excess capital levels

# Appendix

# Consolidated Results of Operations

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| *(In millions, except percentages and per share data)* | Three months ended 2018 | 2017 |
|---|---|---|
| **Adjusted operating income by segment** | | |
| Retirement Services | $ 235 | $ 275 |
| Corporate and Other | 2 | (9) |
| **Adjusted operating income** | **237** | **266** |
| | | |
| **Non-operating adjustments:** | | |
| Investment gains (losses), net of offsets | (33) | 57 |
| Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets | 95 | 94 |
| Integration, restructuring and other non-operating expenses | (8) | (9) |
| Stock compensation expense | (3) | (10) |
| Income tax (expense) benefit – non-operating | (20) | (14) |
| **Total non-operating adjustments** | **31** | **118** |
| **Net income** | **$ 268** | **$ 384** |
| | | |
| Notable items | 12 | (50) |
| **Adjusted operating income, excluding notable items** | **$ 249** | **$ 216** |
| | | |
| ROE | 12.0% | 21.3% |
| Adjusted ROE | 16.5% | 20.7% |
| Adjusted operating ROE | 12.1% | 16.1% |
| Earnings per share - diluted Class A(1) | 1.36 | 1.92 |
| Adjusted operating earnings per share(2) | 1.21 | 1.36 |
| Weighted average shares outstanding - diluted Class A(1) | 149 | 81 |
| Weighted average shares outstanding - adjusted operating(2) | 196 | 196 |

## First Quarter 2018 Highlights

**Q1 net income** was $268 million, a decrease of $116 million, or 30%, over the prior year. The decrease was driven by a $29 million decrease in adjusted operating income as well as unfavorable impacts from assumed reinsurance embedded derivatives related to increases in U.S. treasury rates.

**Q1 adjusted operating income** was $237 million, a decrease of $29 million, or 11%, over the prior year. Adjusted operating income, excluding notable items, was $249 million, an increase of $33 million, or 15%, driven by an increase in investment income due to invested asset growth and increased floating rate investment income resulting from higher short-term interest rates as well as strong performance in alternative investments.

(1) Diluted earnings per share on Class A common shares, including diluted Class A weighted average shares outstanding, includes the dilutive impacts, if any, of Class B and Class M common shares and any other stock-based awards. Based on allocated net income of $202 million (75%) and $156 million (41%)diluted Class A common shares for the three months ended March 31, 2018 and 2017, respectively. (2) Represents weighted average common shares outstanding assuming conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B and Class M common shares outstanding and any other stock-based awards outstanding, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date.

# Retirement Services Adjusted Operating Results

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*(In millions, except percentages)*

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | **2018** | **%[1]** | **2017** | **%[1]** |
| Fixed income and other investment income | $ 775 | 4.32 % | $ 712 | 4.52 % |
| Alternatives investment income | 91 | 12.34 % | 68 | 10.59 % |
| **Net investment earnings** | **866** | **4.63 %** | **780** | **4.76 %** |
| Cost of crediting on deferred annuities | (275) | (1.87)% | (263) | (1.91)% |
| Other liability costs | (259) | (0.98)% | (180) | (0.80)% |
| Interest expense | — | — % | (1) | (0.01)% |
| Other operating expenses | (58) | (0.31)% | (52) | (0.32)% |
| Pre-tax adjusted operating income | 274 | 1.47 % | 284 | 1.73 % |
| Income tax (expense) benefit - operating | (39) | (0.21)% | (9) | (0.05)% |
| **Adjusted operating income** | **$ 235** | **1.26 %** | **$ 275** | **1.68 %** |
| | | | | |
| Notable items | 12 | 0.06 % | (50) | (0.30)% |
| **Adjusted operating income, excluding notable items** | $ 247 | 1.32 % | $ 225 | 1.38 % |
| | | | | |
| Net Investment Earned Rate | 4.63% | | 4.76% | |
| Cost of crediting | 1.87% | | 1.91% | |
| **Investment margin** | **2.76%** | | **2.85%** | |
| | | | | |
| Adjusted operating ROE | 17.3% | | 24.1% | |
| Adjusted operating ROE, excluding notable items | 18.2% | | 19.9% | |

## First Quarter 2018 Highlights

**Q1 Retirement Services adjusted operating ROE** was 17.3% and **adjusted operating income** was $235 million, a decrease of $40 million, or 15%, over the prior year. Adjusted operating income, excluding notable items was $247 million, an increase of $22 million, or 10%, generating an operating ROE of 18.2%. The increase was driven by an increase in investment income of $100 million. Investment income increased primarily due to invested asset growth, $21 million of additional floating rate investment income due to higher short-term interest rates and strong alternative performance. Partially offsetting this was $10 million of cash drag, higher other liability costs due to growth in the block of business and higher income tax expense due to higher taxable income in the current year.

**Q1 investment margin** on deferred annuities was 2.76%, a decrease of 9 bps over the prior year. The net investment earned rate was 4.63%, a decrease of 4bps from the prior year, excluding notable items. Strong alternative returns of 12.34% and higher floating rate investment income in the quarter were offset by an elevated level of cash from sizable deposits in the fourth quarter of 2017.

(1) Net investment earned rate is calculated by taking net investment earnings divided by average invested assets for the relevant period. Cost of crediting is calculated by taking the interest credited on fixed strategies and option costs on index annuity strategies divided by average account value of our deferred annuities. Other liability costs, for illustrative purposes, include an adjustment due to convention of calculating cost of crediting based on average account value of deferred annuities; absent such adjustment, the value would be 1.31% (1.39% including notable items). Other operating expenses and income tax (expense) benefit use average invested assets as the denominator in the calculation. Interim periods are annualized.

# Reserve Liability Roll-forward

## Reserve Liability Roll-forward

| | Three months ended March 31, 2018 | Three months ended March 31, 2017 |
|---|---|---|
| 1 Retirement Services reserve liabilities – beginning | $ 75,378 | $ 65,745 |
| 2 Deposits | 2,135 | 2,059 |
| 3 Liability outflows | (1,755) | (1,670) |
| 4 Other reserve changes | (12) | 879 |
| Retirement Services reserve liabilities – ending | 75,746 | 67,013 |
| Germany reserve liabilities | — | 5,367 |
| Intersegment eliminations | — | (155) |
| Consolidated reserve liabilities – ending | $ 75,746 | $ 72,225 |

## Reserve Liability Roll-forward Commentary

Consolidated reserve liabilities grew $3.5 billion from Q1 2017 to Q1 2018.

1. Retirement Services reserve liabilities include deferred annuity, immediate annuity, funding agreements and life products.

2. Deposits include $2.1 billion of new deposits on retail, flow reinsurance and institutional products, as well as renewal premiums, internal product exchanges and annuitizations.

3. Liability outflows includes full surrenders, partial withdrawals, death benefits, annuitization benefits and interest payments and maturities on funding agreement products.

4. Other reserve changes primarily include fixed and bonus interest credits, change in fair value of embedded derivatives, change in rider reserves, product charges and change in life reserves.

# Non-GAAP Measures and Definitions

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**Non-GAAP Measures:**

- **Adjusted operating income** and adjusted operating income excluding notable items are non-GAAP measures used to evaluate our financial performance excluding market volatility and expenses related to integration, restructuring, stock compensation, and other expenses. Our adjusted operating income, equals net income available to AHL's shareholders adjusted to eliminate the impact of the following: (a) investment gains (losses), (b) change in fair values of derivatives and embedded derivatives - FIA, net of offsets, net of offsets, (c) integration, restructuring, and other non-operating expenses, (d) stock compensation expense, (e) bargain purchase gain and (f) income tax (expense) benefit - non-operating.

We consider these non-operating adjustments to be meaningful adjustments to net income for the reasons discussed in greater detail above. Accordingly, we believe using a measure which excludes the impact of these items is effective in analyzing the trends in our results of operations. Together with net income, we believe adjusted operating income and adjusted operating income excluding notable items, provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income and adjusted operating income excluding notable items should not be used as a substitute for net income.

- **Adjusted ROE** and **adjusted operating ROE** are non-GAAP measures used to evaluate our financial performance excluding the impacts of AOCI. AOCI fluctuates 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. Once we have reinvested acquired blocks of businesses, we typically buy and hold AFS investments to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance. Accordingly, we believe using measures which exclude AOCI is useful in analyzing the trends of our operations. To enhance the ability to analyze these measures across periods, interim periods are annualized. ROE excluding AOCI and adjusted operating ROE excluding AOCI should not be used as a substitute for ROE. However, we believe the adjustments to equity are significant to gaining an understanding of our overall results of operations.

- **Adjusted operating earnings per share and weighted average shares outstanding - adjusted operating** are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the shares included in the GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe using these measures represent an economic view of our share counts and provide a simplified and consistent view of our outstanding shares. Adjusted operating earnings per share is calculated as the adjusted operating income over the weighted average shares outstanding - adjusted operating. Our Class B common shares are economically equivalent to Class A common shares and can be converted to Class A common shares on a one-for-one basis at any time. Our Class M common shares are in the legal form of shares but economically function as options as they are convertible into Class A shares after vesting and settlement of the conversion price. In calculating Class A diluted earnings per share on a GAAP basis, we are required to apply sequencing rules to determine the dilutive impacts, if any, of our Class B common shares, Class M common shares and any other stock-based awards. To the extent our Class B common shares, Class M common shares and/or any other stock-based awards are not dilutive they are excluded. Weighted average shares outstanding - adjusted operating assume conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares on a one-for-one basis, the impacts of all Class M common shares net of the conversion price and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date. For certain historical periods, Class M shares were not included due to issuance restrictions which were contingent upon our IPO. Adjusted operating earnings per share and weighted average shares outstanding - adjusted operating should not be used as a substitute for basic earnings per share - Class A common shares or basic weighted average shares outstanding - Class A. However, we believe the adjustments to the shares are significant to gaining an understanding of our overall results of operations.

- **Adjusted debt to capital ratio** is a non-GAAP measure used to evaluate our financial condition excluding the impacts of AOCI and funds withheld and modco reinsurance unrealized gains and losses, net of DAC, DSI, rider reserve and tax offsets. Adjusted debt to capital ratio is calculated as total debt excluding consolidated VIEs divided by adjusted shareholders' equity. Adjusted debt to capital ratio should not be used as a substitute for the debt to capital ratio. However, we believe the adjustments to shareholders' equity are significant to gaining an understanding of our overall results of operations and financial condition.

- **Investment margin** is a key measurement of the financial health of our Retirement Services core deferred annuities. Investment margin on our deferred annuities is generated from the excess of our net investment earned rate over the cost of crediting to our policyholders. Net investment earned rate is a key measure of investment returns and cost of crediting is a key measure of the policyholder benefits on our deferred annuities. Net investment earned rate, cost of crediting and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our core deferred annuities business. We believe measures like net investment earned rate, cost of crediting and investment margin on deferred annuities are effective in analyzing the trends of our core business operations, profitability and pricing discipline. While we believe net investment earned rate, cost of crediting and investment margin on deferred annuities are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for net investment income and interest sensitive contract benefits presented under GAAP.

  - **Net investment earned rate** is a non-GAAP measure we use to evaluate the performance of our invested assets that does not correspond to GAAP net investment income. Net investment earned rate is computed as the income from our invested assets divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. The adjustments to arrive at our net investment earned rate add alternative investment gains and losses, gains and losses related to trading securities for CLOs, net VIE impacts (revenues, expenses and noncontrolling interest) and the change in reinsurance embedded derivatives. We include the income and assets supporting our assumed reinsurance by evaluating the underlying investments of the funds withheld at interest receivables and we include the net investment income from those underlying investments which does not correspond to the GAAP presentation of reinsurance embedded derivatives. We exclude the income and assets supporting business that we have exited through ceded reinsurance including funds withheld agreements. We believe the adjustments for reinsurance provide a net investment earned rate on the assets for which we have economic exposure.

  - **Cost of crediting** is the interest credited to the policyholders on our fixed strategies as well as the option costs on the index annuity strategies. With respect to FIAs, the cost of providing index credits includes the expenses incurred to fund the annual index credits, and where applicable, minimum guaranteed interest credited. The interest credited on fixed strategies and option costs on index annuity strategies are divided by the average account value of our deferred annuities. Our average account values are averaged over the number of quarters in the relevant period to obtain our cost of crediting for such period. To enhance the ability to analyze these measures across periods, interim periods are annualized.

- **Invested assets** represent the investments that directly back our policyholder liabilities as well as surplus assets. Invested assets is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Invested assets includes (a) total investments on the consolidated balance sheets 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) the consolidated VIE assets, liabilities and noncontrolling interest, (f) net investment payables and receivables and (g) policy loans ceded (which offset the direct policy loans in total investments). 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 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. Our invested assets are averaged over the number of quarters in the relevant period to compute our net investment earned rate for such period.

- **Reserve liabilities** represents our policyholder liability obligations net of reinsurance and is used to analyze the costs of our liabilities. Reserve liabilities includes (a) the interest sensitive contract liabilities, (b) future policy benefits, (c) dividends payable to policyholders, and (d) other policy claims and benefits, offset by reinsurance recoverables, excluding policy loans ceded. Reserve liabilities is net of the ceded liabilities to third-party reinsurers as the costs of the liabilities are passed to such reinsurers and therefore we have no net economic exposure to such liabilities, assuming our reinsurance counterparties perform under our agreements. The majority of our ceded reinsurance is a result of reinsuring large blocks of life business following acquisitions. For such transactions, GAAP requires the ceded liabilities and related reinsurance recoverables to continue to be recorded in our consolidated financial statements despite the transfer of economic risk to the counterparty in connection with the reinsurance transaction.

- **Sales** statistics do not correspond to revenues under GAAP, but are used as relevant measures to understand our business performance as it relates to deposits generated during a specific period of time. Our sales statistics include deposits for fixed rate annuities and FIAs and align with the LIMRA definition of all money paid into an individual annuity, including money paid into new contracts with initial purchase occurring in the specified period and existing contracts with initial purchase occurring prior to the specified period (excluding internal transfers).

# Non-GAAP Measure Reconciliations

## Reconciliation of adjusted operating earnings per share to basic earnings per Class A common shares

| | Three months ended March 31, 2018 | Three months ended March 31, 2017 |
|---|---|---|
| Adjusted operating earnings per share | $ 1.21 | $ 1.36 |
| Investment gains (losses), net of offsets | (0.17) | 0.30 |
| Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets | 0.49 | 0.48 |
| Integration, restructuring and other non-operating expenses | (0.04) | (0.05) |
| Stock compensation expense | (0.01) | (0.05) |
| Income tax (expense) benefit – non-operating | (0.10) | (0.07) |
| Total non-operating adjustments | 0.17 | 0.61 |
| Effect of items convertible to or settled in Class A common shares | (0.02) | 0.03 |
| Basic earnings per share – Class A common shares | $ 1.36 | $ 2.00 |

## Reconciliation of Retirement Services adjusted operating income excluding notable items to net income

| *(In millions)* | Three months ended March 31, 2018 | Three months ended March 31, 2017 |
|---|---|---|
| Retirement Services adjusted operating income excluding notable items | $ 247 | $ 225 |
| Rider reserve and DAC amortization equity market performance impact | (14) | 40 |
| Proceeds from a bond previously written down | — | 14 |
| Tax effects of notable items | 2 | (4) |
| Retirement Services notable items | (12) | 50 |
| Retirement Services adjusted operating income | 235 | 275 |
| Corporate and Other adjusted operating income | 2 | (9) |
| Adjusted operating income | 237 | 266 |
| Total non-operating adjustments | 31 | 118 |
| Net income | $ 268 | $ 384 |

# Non-GAAP Measure Reconciliations

ATHENE

## Reconciliation of basic weighted average Class A shares to weighted average shares outstanding - adjusted operating

| | Three months ended March 31, | |
|---|---|---|
| *(In millions)* | 2018 | 2017 |
| Basic weighted average shares outstanding – Class A | 148.7 | 78.2 |
| Conversion of Class B shares to Class A shares | 41.1 | 110.8 |
| Conversion of Class M shares to Class A shares | 5.8 | 6.2 |
| Effect of other stock compensation plans | 0.4 | 0.4 |
| Weighted average shares outstanding – adjusted operating | 196.0 | 195.6 |

## Reconciliation of shareholders' equity to adjusted shareholders' equity

| | March 31, | |
|---|---|---|
| *(In millions)* | 2018 | 2017 |
| Total shareholders' equity | $ 8,695 | $ 7,561 |
| Less: AOCI | 585 | 673 |
| Less: Reinsurance unrealized gains and losses | 107 | 107 |
| Total adjusted shareholders' equity | $ 8,003 | $ 6,781 |
| | | |
| Retirement Services | $ 5,552 | $ 4,710 |
| Corporate and Other | 2,451 | 2,071 |
| Total adjusted shareholders' equity | $ 8,003 | $ 6,781 |

## Reconciliation of total capitalization to total adjusted capitalization

| | March 31, | |
|---|---|---|
| *(In millions)* | 2018 | 2017 |
| Total debt | $ 992 | $ — |
| Total shareholders' equity | 8,695 | 7,561 |
| Total capitalization | 9,687 | 7,561 |
| Less: AOCI | 585 | 673 |
| Less: Reinsurance unrealized gains and losses | 107 | 107 |
| Total adjusted capitalization | $ 8,995 | $ 6,781 |

# Non-GAAP Measure Reconciliations

### *Reconciliation of GAAP net investment income to net investment earnings and earned rate*

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| *(In millions)* | Dollar | Rate | Dollar | Rate |
| GAAP net investment income | $ 855 | 4.41 % | $ 786 | 4.32 % |
| Reinsurance embedded derivative impacts | 45 | 0.22 % | 45 | 0.25 % |
| Net VIE earnings | 15 | 0.08 % | 11 | 0.06 % |
| Alternative income gain (loss) | 1 | 0.01 % | (13) | (0.07)% |
| Held for trading amortization | (23) | (0.12)% | (15) | (0.08)% |
| Total adjustments to arrive at net investment earnings/earned rate | 38 | 0.19 % | 28 | 0.16 % |
| Total net investment earnings | $ 893 | 4.60 % | $ 814 | 4.48 % |
| | | | | |
| Retirement Services | $ 866 | 4.63 % | $ 780 | 4.76 % |
| Corporate and Other | 27 | 3.76 % | 34 | 1.88 % |
| Total net investment earnings | $ 893 | 4.60 % | $ 814 | 4.48 % |
| | | | | |
| Retirement Services average invested assets | $ 74,735 | | $ 65,576 | |
| Corporate and Other average invested assets | 2,844 | | 7,123 | |
| Average invested assets | $ 77,579 | | $ 72,699 | |

### *Reconciliation GAAP interest sensitive contract benefits to Retirement Services' cost of crediting on deferred annuities*

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| *(In millions)* | Dollar | Rate | Dollar | Rate |
| GAAP interest sensitive contract benefits | $ 19 | 0.13 % | $ 692 | 5.02 % |
| Interest credited other than deferred annuities | (40) | (0.27)% | (26) | (0.19)% |
| FIA option costs | 174 | 1.18 % | 145 | 1.04 % |
| Product charges (strategy fees) | (22) | (0.15)% | (17) | (0.12)% |
| Reinsurance embedded derivative impacts | 3 | 0.02 % | 9 | 0.07 % |
| Change in fair values of embedded derivatives – FIAs | 133 | 0.90 % | (534) | (3.87)% |
| Negative VOBA amortization | 10 | 0.07 % | 12 | 0.09 % |
| Unit linked change in reserve | — | — % | (18) | (0.13)% |
| Other changes in interest sensitive contract liabilities | (2) | (0.01)% | — | — % |
| Total adjustments to arrive at cost of crediting on deferred annuities | 256 | 1.74 % | (429) | (3.11)% |
| Retirement Services cost of crediting on deferred annuities | $ 275 | 1.87 % | $ 263 | 1.91 % |
| | | | | |
| Average account value on deferred annuities | $ 58,993 | | $ 55,154 | |

# Non-GAAP Measure Reconciliations

ATHENE

**_Reconciliation of total investments, including related parties to total invested assets_**

| *(In millions)* | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Total investments, including related parties | $ 80,261 | $ 75,119 |
| Derivative assets | (2,031) | (1,708) |
| Cash and cash equivalents (including restricted cash) | 2,822 | 2,636 |
| Accrued investment income | 620 | 575 |
| Payables for collateral on derivatives | (1,145) | (1,681) |
| Reinsurance funds withheld and modified coinsurance | (467) | (410) |
| VIE assets, liabilities and noncontrolling interest | 810 | 926 |
| AFS unrealized (gain) loss | (1,332) | (1,561) |
| Ceded policy loans | (286) | (333) |
| Net investment receivables (payables) | (529) | — |
| Total adjustments to arrive at invested assets | (1,538) | (1,556) |
| Total invested assets | $ 78,723 | $ 73,563 |

**_Reconciliation of total liabilities to total reserve liabilities_**

| *(In millions)* | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Total liabilities | $ 84,862 | $ 81,632 |
| Long-term debt | (992) | — |
| Derivative liabilities | (186) | (32) |
| Payables for collateral on derivatives | (1,145) | (1,681) |
| Funds withheld liability | (395) | (382) |
| Other liabilities | (1,277) | (985) |
| Liabilities of consolidated VIEs | (1) | (37) |
| Reinsurance ceded receivables | (4,834) | (5,960) |
| Policy loans ceded | (286) | (333) |
| Other | — | 3 |
| Total adjustments to arrive at reserve liabilities | (9,116) | (9,407) |
| Total reserve liabilities | $ 75,746 | $ 72,225 |