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Athene Holding Ltd. (ATH.PRA)

Investor Meeting - Fixed Income

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Athene Fixed Income Investor Conference Call. At this time, all participants have been placed on a listen-only-mode and the floor will be open for your questions following the presentation. [Operator Instructions] So, others can hear your questions clearly, we ask that you pick up your handset for best sound quality. [Operator Instructions] . We must remind you that today's call may include forward-looking statements and projections which do not guarantee future events or performance.

We do not undertake any duty to revise or update such statements to reflect new information, subsequent events, or changes in strategy. Please refer to Athene and Apollo's most recent quarterly and Annual Reports and other SEC filings for a discussion of the factors that could cause actual results to differ materially from those expressed or implied.

We will be discussing non-GAAP measures on this call, which we believe are relevant in assessing the financial performance of the business. And you'll find reconciliations of these metrics within our materials available at ir.athene.com.

I would now like to turn the call over to Noah Gunn, Head of Investor Relations. Please go ahead.

Noah Gunn

Managing Director & Global Head of Investor Relations, Apollo Global Management Inc.

Thanks, Todd. And welcome, everyone, to today's call. As many of you know, Athene has historically been a regular issuer in the bond markets for senior debt, as well as an issuer of preferred equity. Athene also sponsors a funding agreement backed note program, which issues notes in the bond markets. This call is specifically geared for this important investor constituency, as we'd like to ensure continued connectivity.

We believe our public market credit spreads are too wide relative to similarly rated companies. Within our remarks, I urge you to listen closely to our philosophy around assets, liabilities and capital, which provide important context for the prudent way in which we manage the business. We expect that our superior credit worthiness will become increasingly clear and drive an appropriate tightening of our credit spreads.

We have a great lineup for you this morning with a variety of members from Athene senior management team, including Jim Belardi, Chairman and CEO; Grant Kvalheim, President; Marty Klein, Chief Financial Officer; and Mike Downing, Chief Operating Officer.

Earlier today, we posted two items to Athene's Investor Relations website, including an updated fixed income investor presentation, as well as a special presentation on Athene's fund perspective on surrender trends. Since our last call in February, we also published a special presentation on Athene's commercial real estate portfolio. All of this material is being provided as part of our ongoing commitment to be transparent, provide leading disclosure, and be responsive to your questions.

With that, I will now turn the call over to Jim.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Thanks, Noah, and good morning, everyone. Since we hosted our last business update, the market has begun to witness the consequences of artificially low interest rates over the past decade. Against this backdrop of significant dislocation and market volatility, we've remained focused on executing our core strategy and driving strong operating performance.

In the first quarter alone, we generated \$12 billion of organic inflows as well as a record quarterly spread related earnings on a normalized basis. Importantly, we're producing these financial results while remaining a stable and secure steward of capital.

In February, we spoke about how 2022 was a record year for Athene on all fronts. I'm pleased to say that 2023 is already off to a strong start and is on track to be even better than 2022. In the current environment, we've seen the impact of higher interest rates and liquidity concerns negatively affect a range of markets and financial institutions.

Whereas other financial institutions may have suffered disruption to their business model or growth ambitions, Athene's fortress balance sheet and long running strategy of operating with significant excess capital truly stand out in times like this.

Our strategy is delivering the win-win combination of competitive products for our clients coupled with attractive spreads and profitability for our shareholders. Athene has a simple business model, make more on our assets

than we pay down our liabilities. By issuing, re-insuring and acquiring retirement savings products, we are provided with long-dated funding entrusted to US by our clients.

We then leverage Apollo's asset management capabilities to invest these funds into a high-quality investment portfolio, which is duration matched against our liabilities, targeting only 30 basis points to 40 basis points of outperformance versus competitors. We benefit from keeping 100% of the upside from our investments. The significant growth we've delivered since our founding would not be possible without the support and disciplined management of our fortress balance sheet.

We have always run the business with an orientation toward holding excess capital as we are not near-term profit maximizers. We have proven over time that this approach provides strategic flexibility to be opportunistic when the moment is right and a prudent margin of safety when dislocation occurs. Athene continues to be very well capitalized, with approximately \$20 billion of regulatory capital and \$2 billion of excess equity capital as of March 31, including \$1 billion in excess of S&P AA levels.

Additionally, Athene's strong financial profile has been consistently recognized by third-party rating agencies. Maintaining strong ratings is a key element of our efforts to continue building the business in a prudent and disciplined manner, and we are continuing to run the company to AA standards.

Next, I'd like to provide some helpful context for how we manage our balance sheet before offering some supportive stats. At Athene, we generate alpha through illiquidity and structural premia, not incremental credit risk. 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, we believe that we will have fewer impairments than those who reach for a yield down the credit risk spectrum. And our 14-year track record confirms this.

Now, a few statistics on our \$207 billion net invested asset portfolio. Approximately 42% of our portfolio is invested in high quality corporate bonds and government securities, including \$57 billion of highly liquid public corporate bonds, munis and government securities, and an industry standard private corporate portfolio.

In terms of credit quality, 96% of our available for sale fixed maturity securities are investment grade designated NAIC 1 or 2. Outside the NAIC purview, we hold high quality first lien commercial mortgages, 98% of which have comparable investment grade designations, as well as residential mortgages, of which 96% are in good standing.

Additionally, our structured credit portfolio has significant credit enhancements that makes it safer than individual bonds. Athene's alternatives portfolio returned 6% on an annualized basis in the first quarter, below our normalized rate of return of 11%. Our historical returns have been less volatile than the broader equity market, with only two negative return quarters over the trailing 26 quarters versus 5 for the S&P 500. Additionally, our alternatives portfolio has a differentiated defensive allocation and is less prone to binary outcomes.

As Noah mentioned, we published an informative presentation on commercial real estate in April, which provides a deep dive on our portfolio and illustrates our guiding principles around investing in this asset class. Here are some of the highlights around Athene's portfolio. First, virtually all of our CRE investments are debt, not equity. These investments are a good match for Athene's long duration liability profile and have demonstrated strong credit quality, generating just 2 basis points of annualized losses over the last decade.

Most of our debt investments are in high-quality first mortgage positions, with a low 55% weighted average LTV and a strong 1.8 times debt service coverage ratio. More importantly, over half of our positions were originated

after the onset of COVID-19, in an environment where we were able to reflect the impact of pandemic-related trends and asset values and occupancy levels in our underwriting process.

Further, our portfolio allocation to this asset class is not out of the ordinary. In fact, our overall CRE allocation is in line with top 10 banks and lower than some of our AA and A-plus rated peers. We provide further detail within the analysis, which I would urge investors to review. But to summarize, we feel very good about how this portfolio will perform through stress.

Turning to our investment activity, the investing backdrop in early 2023 has been very attractive, amid rising rates and wide spreads in the first quarter, we invested more than \$5 billion of incoming flows at higher on the margin yields than we had originally anticipated. The weighted average yield in our fixed income purchases was more than 150 basis points higher, net of fees than the BBB corporate bond index in the first quarter, versus only approximately 25 basis points higher for all of 2022.

Most of our purchase activity primarily fell into three categories. First, we saw significant volumes of attractive commercial and residential mortgage loans, which accounted for approximately 38% of our purchases. Second, we found attractive opportunities in structured securities like CLOs and asset-backed securities, which collectively accounted for 32% of our purchases.

We focus on the senior investment grade tranches of these securities, which benefit from significant credit enhancement and enable us to pick up a substantial amount of incremental yield at a similarly high ratings profile compared to our corporate purchases. As of March 31, more than 99% of our CLOs and approximately 95% of our asset backed investments were investment grade.

Third, we found increasingly attractive value throughout the year in public and private corporate bonds, which accounted for nearly 23% of our purchases. In the immediate aftermath of the disruption caused by regional banks, we intentionally increased our cash position to nearly \$13 billion at the end of the first quarter, or roughly double our average level. This positions us with greater flexibility to play offense and capitalize on future opportunities in the market.

Lastly, I'd like to take a moment to discuss our perspectives on a few factors that make Athene different versus the broader industry. As investors, we believe you should be looking for companies with simple businesses backed by hard capital. By hard capital, we mean equity raised from third-party investors that can be used to fund growth or pay losses. Athene's business model is simple, because it is a spread-based business at its core. We have de minimis tail risks related to policyholder behavior or guarantees of unhedged market returns.

Athene's fortress balance sheet holds substantial excess hard capital that allows us to be flexible and pursue profitable opportunities when they arise. Over the last decade, Apollo has raised over \$16 billion of hard capital to support the US and European retirement services industry.

In contrast, our competitors have been unable to raise hard capital and have focused on returning the capital they do have to shareholders. Over the past decade, US and European life insurers have returned capital to shareholders, equal to about 80% of their current market capitalization. We've observed that competitors tend to exhibit three behaviors when they become capital constrained.

First, they maximize the use of soft capital, which is afforded by rating agencies and regulators for perceived diversification into risky liabilities like variable annuities with living benefit guarantees, universal life with secondary guarantees or long-term care.

Every few years, these higher risk liabilities have caused the industry considerable stress, including most recently in late-2022. Under some rating agency and regulatory models, the benefit for diversifying into these risky liabilities can be as large as 10% to 20% of insurer's capital. But recent transactions suggest that these liabilities would wipe out 10% to 20% of some competitors capital if they were appropriately mark to market.

Second, companies without capital rely on asset classes that provide an efficient return relative to required capital, but not necessarily relative to economic risk. For example, in 2021, the NAIC lowered capital factors on schedule BA real estate equity from 23% to 13%, and some US insurers may have crowded into commercial real estate equity. Since then, there's been a massive shift in real estate markets, and some equity investments in certain subsectors may now be at risk.

Third some undercapitalized companies utilize significant amounts of wholesale funding sources, such as FHLB borrowings. Each of these decisions increases the risk of large structural issues and erodes profitability over time. Against this backdrop, we feel strongly that investors should place greater value on companies like Athene, which have proven themselves to consistently be stronger stewards of hard capital.

This is what you should take away for Athene. Simple liabilities and plentiful access to hard capital that allows us to pursue the risks we want and avoid the risks we don't. With that, I'd like to turn the call over to Grant, for an overview of our liability origination activities.

Grant Kvalheim

Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

Thanks, Jim, and good morning, everyone. Athene's organic growth engine produced \$12 billion of inflows in the first quarter, including a quarterly record \$8.6 billion of retail annuity sales. As we've said for years, Athene has the ability to pivot across channels in order to pursue growth in the products and markets where we can do so profitably.

During the first quarter, we continued to capture attractive underwriting net spreads supported by the higher interest rate environment and our strategic product positioning. The blended underwritten return on our inflows in the first quarter was in line with our profitability targets, which as we've stated, is mid-teens or better.

So, what are we seeing as trends across our channels? In the first quarter, as I mentioned, approximately \$8.6 billion or 72% of total organic inflows were driven by our retail channel. LIMRA released data yesterday that shows Athene was the largest seller of annuities in the first quarter.

As a result of our leading market position, we are large beneficiaries of a very strong momentum across the industry. For the past few quarters, retail annuities have been in such high demand that we deem this period the golden age of annuities. Not surprisingly, consumers prefer a 5% handle to a 2% handle in fixed annuities, a reprice to the benefit of policyholders faster than other alternatives. Annuities are also differentiated by their tax deferral and principal protection features that provide significant value against a backdrop of general market uncertainty.

Athene's success in this channel is being driven by more than just a rising industry tide. We spent years expanding our distribution capabilities into new or under-penetrated channels. Creating differentiated asset origination capabilities via Apollo and by building up capital resources to support the growth of our platform. This has led to growing market share.

Over the past year, we've made notable progress toward the expansion of Athens distribution capabilities to financial institutions. And riding more business through banks and broker dealers elevates our platform, creates more scale potential, further diversifies our underlying sources of new business origination. In the first quarter, driven by robust demand from MYGA product, we generated 75% of Athene's retail inflows from financial institutions, a record high. In addition, early in the second quarter, we successfully launched multiple Athene products at UBS and have seen strong initial traction. Over the next few quarters, we expect to complete product launches with other new financial institutions and continue to expand in recently entered institutions.

Turning to flow of reinsurance where we effectively reinsured the retail business of other carriers. We have made significant progress in adding to and scaling our counterparty relationships. We produced 1.8 billion of inflows in the first quarter, marking the strongest first quarter for reinsurance result for Athene ever. Importantly, we've had strong success with the two counterparty relationships that we have in Japan and in the first quarter we added a third flow relationship there. We're also making significant inroads across Asia-Pacific broadly with additional counterparty relationships in various stages of development. In the US, we also have additional flow partners slated to come online later this year. For the full year, we expect the flow reinsurance volumes will approach [ph] 10 billion (00:21:14), which would be a new annual record. In pension group annuities volumes in the first quarter were subdued, not fairly typical for the beginning of the year. Earlier this month, we had a huge win with a large blue chip client with a deal size of about \$8 billion. The largest pension group annuity transaction in Athene's history.

[indiscernible] (00:21:44) another testament to the scale, flexibility and leading market position that Athene has built in the pension group annuity market. We've completed 44 transactions since entering the market in 2017 and have worked with many well-known Bluechip clients in the process, including names like Alcoa, JCPenney, Lockheed Martin, GE and others. Looking forward, we expect to remain active in this market, especially with pension plan funding ratios remaining at or above 100%.

In our funding agreement channel, we generated \$1.5 billion of inflows in the first quarter through two FHLB issuances. It's now more than a year since we've issued a dollar FABN and as we've stated in February, we will only issue if it meets our return thresholds. That being said, we look forward to re-engaging as market conditions allow.

Overall, the breadth and diversity of our organic channels is a meaningful differentiator for a theme, and we've demonstrated the ability to pivot among them, to dial up or dial down, depending on achievable returns. The first quarter represented a very strong start to the year and the second quarter will certainly continue this trend considering the existing momentum and the large PGA win. We have clear line of sight to at least \$17 billion in organic inflows in the second quarter. This would be a record total for quarterly organic inflows and puts us being on track to achieve another record organic growth year with strong profitability in 2023.

With that, I'll now turn the call over to Mike Downing, who will discuss a few observations about our funding model and perspectives on surrender activity.

Michael S. Downing

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Operating Officer, Athene Holding Ltd.

Thanks, Grant. As Noah mentioned earlier, we published a special presentation earlier today explaining the strength of our funding model and our observations around surrender trends. This is a helpful resource to answer questions and provide context on how the spread-based savings products we offer are sticky due to the role these products play in retirement, their structural protection and their predictable consumer behavior observed over many years. There are five key points we'd like to convey on this topic. First, annuities have structural protections

such as surrender charges and market value adjustment mechanism that disincentivize policyholders from surrendering their policy before their term is complete. 83% of our liabilities are either non-surrenderable or have an active surrender charge and much of the 17% is out of its surrender charge period has other characteristics which we believe also make it persistent business. Second, the typical buyer of an annuity is using the product as a permanent anchor within their retirement stack to meet their financial objectives. They are long-term minded purchasers who do not view this money as a cash surrogate, but rather as a fixed income replacement. They value principal protection, tax deferred growth and have historically shown a strong aversion to paying fees like surrender charges because of the direct hit to principle. Third, the combination of rising interest rates and market volatility have caused annuities to be an increasingly popular product benefiting the industry, and Athene with inflows from new sales that are multiples of observed outflows, said another way excess new business generation has far exceeded any excess laps or surrender activity.

Furthermore, as the leading provider of fixed annuities in today's marketplace, we stand to benefit from industry surrenders. We see roughly 30% of our retail sales originated in conjunction with surrender activity at other carriers or recycling, recycling as a result of the permanency of annuities in individual portfolios. Because many types of annuity products have a natural maturity date, policyholders exchange all policies that are free of surrender charges for new ones. Or given the long duration of our liabilities, the structural protections and the persistency of consumer behavior, we have high visibility and predictability when it comes to outflows from the business.

We bucket them across four types. The first type is maturity-driven contractual-based outflows. These are maturities from funding agreements, contractual withdrawals from pension group annuities, as well as outflows from MYGA products that have reached their contractual term and have a predictably high lapse rate. These are the most forecastable outflows and can be lumpy quarter-to-quarter based on the timing of when new business was added in the past.

The other types of outflows are considered policyholder driven. These include income-oriented withdrawals, outflows from policies out of the surrender charge period, and outflows from policies in their surrender charge period. Only the latter is what we would consider unplanned from both our and the policyholder perspective. And you can see within the informational table on page 24 that these outflows have been de minimis.

The last key point we want to convey is that we are positioned to benefit when more mature policies lapse, because we hold roughly 30% to 40% more capital against those policies and can redeploy it to support a greater amount of new business with full surrender charge protection, thereby extending our funding, expanding spread earnings power, and locking in more years of attractive spread earnings generation.

To allay concern about potential mass lab scenario that we frankly do not see as even a remote possibility, we ran a scenario whereby we analyzed what would happen if all policies out of the surrender charge period lapsed instantaneously. The punch line in this highly unlikely scenario is that we could manage through without issue and would result in a net increase in our capital position.

In summary, after 12 months of elevated interest rates, we continue to observe that our funding remains highly durable. We expect this will continue and that our products will continue to be in high demand under the higher interest rate backdrop.

I'll now turn it over to Marty to continue our prepared remarks.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

Thanks, Mike. Good morning, everybody. Last week, Athene reported normalized spread related earnings of \$810 million. This marks a new quarterly record and translates to approximately 160 basis points of net spread. Everything worked for Athene in the first quarter and these results significantly exceeded our earlier expectations. Let me take you through some of the pieces.

Last year, Athene generated \$2.3 billion of normalized SRE. During Apollo's fourth quarter earnings call in February, we said normalized SRE growth expectations of approximately 20% in 2023 with a net spread range of 135 basis points to 140 basis points, which at the time implied approximately \$2.75 billion of normalized SRE in 2023. Subsequently, Athene released recast 2022 results to adjust for the new, long duration targeted improvements insurance accounting standard known as LDTI, which drove a favorable impact to a normalized SRE of \$220 million in 2022 or 12 basis points on a net spread basis.

We expect this benefit to persist in the future, adding roughly 10 basis points to our original 2023 normalized net spread guidance. In addition, amid the shifting macro backdrop, we've been able to deploy incoming flows at a higher on the margin yields than we originally forecasted, which we expect to drive an additional 5 basis points to our net spread in 2023.

Taken together, these developments imply a normalized range of 150 to 155 basis points and SRE is slightly exceeding \$3 billion for 2023. Importantly, this is well ahead of where we had expected to be at this point in the trajectory of a five-year plan that was first laid out at Apollo's 2021 Investor Day.

I'd like to make one more point on an SRE before moving on to other topics. The adoption of LDTI requires us to amortize deferred acquisition costs or DAC in a different way than we did before. So, it is no longer an offsetting item with our net floating rate asset sensitivity. Previously, every 25 basis points of parallel shift in interest rates resulted in approximately \$30 million to \$40 million of annual SRE. But now, as a result of LDTI changes, that sensitivity is approximately \$45 million to \$55 million.

Turning to capital, we run Athene with a fortress balance sheet that enables us to play offense in times of market dislocation. This requires maintaining discipline in capital management, regardless of the environment. Athene has demonstrated this strategy successfully multiple times in just the past few years, including early in the pandemic and again amid the recent market volatility. In times of severe market turmoil, it is also important to remember that Athene's funding sources are fundamentally different and we think better than those utilized by many other financial institutions.

As Mike outlined, our funding comes from products which are predictable and long dated in nature, allowing us to maintain a balance sheet that is duration, convexity and cash flow matched. We maintain the integrity of our matchbook with a robust risk management structure. We conduct quarterly stress testing on both sides of the balance sheet, which plays a key role in defining our risk appetite. We even go a step beyond and publish these results at least annually, which is unique in our industry and underscores our commitment to transparency.

Our capital allocation framework reflects our three primary objectives. First of all, maintaining our fortress balance sheet by preserving excess capital at AA levels with the mid-teens adjusted debt-to-capital [indiscernible] (00:32:44). Second, supporting continued profitable growth from organic and inorganic means. And finally, third, returning capital via a dividend to the Apollo HoldCo.

As of March 31, Athene has a robust capital position with \$2 billion of excess equity capital, including \$1 billion in excess of [indiscernible] (00:33:05) levels. We have approximately \$20 billion of regulatory capital, which represents roughly 11% of statutory reserves. Over 20% more than the 9% level of other A-plus and AA minus rated companies. According to the latest data available, our annual credit losses over the last five years through 2022 have averaged 9 basis points, well below the industry average of 14 basis points. As of March 31, we had \$7.5 billion total deployable capital, comprised of \$2 billion of excess equity capital, \$3.2 billion of untapped debt capacity, and the remainder coming from available undrawn third-party capital within ADIP, a pool of third-party capital which fuels our ACRA sidecar pro forma for the initial closing of ACRA 2 expected to occur in July. In addition to the strong capital position, we have over \$78 billion of available liquidity, including cash and equivalents. Our liquid corporate bond portfolio committed repo loans, a traditional holding company revolver as well as a liquidity revolver and uncapped capacity at the FHLB.

We rely on many sources of capital to grow the business, including strong earnings generation and capital released from runoff, accessing the capital markets through the debt and preferred equity markets, and strategic on-demand third-party capital via our ACRA sidecars. Raising third-party equity capital for growth distinguishes our strategy from others in the industry who largely return capital to shareholders via share buybacks and dividends and enables us to grow while maintaining AA capital levels, with only mid-teens adjusted debt to capital ratios. We continue to expect our ACRA sidecar to support approximately 40% of Athene's organic business volumes in 2023, which helps preserve Athene's excess capital and target capital ratios and enhances our return on retained business.

Importantly, we expect the second vintage of the Athene's Strategic Third-Party Capital Sidecar to retroactively assume its proportionate share of inflows from the first half of 2023 early in the third quarter. As of March 31, Athene had an adjusted debt to capital ratio of 14.7%, well below the 23% debt to capital of double and single A rate insurers. As we continue to prudently grow our balance sheet, we expect to utilize the capital markets to maintain our target leverage. Last, I'll touch on Athene's ratings profile, which is an area of ongoing importance to the business. We continue to have A or A+ rating from each of our four rating agencies. Fitch recently reaffirmed their A+ rating on a theme with a stable outlook, which serves as a strong evidence of our continued commitment to balance sheet quality and financial transparency. Our ratings are a major focus of ours, and we aspire to reach AA- ratings over time. We thank you for your time today. And now we'll turn the call over to the operator to take your questions.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for your questions. [Operator Instructions] Our first question comes from Benjamin Sinclair with Odium Brown.

Benjamin Sinclair

Analyst, Odium Brown Ltd.

Q

Hi. A couple for me. First, there was a recent FT article about one of your large competitors working with banks to relieve their balance sheets. And clearly, this is something that's a priority for you guys as well. So, I am just sort of wondering what kind of opportunities would these be? What kind of structures would this be? Would this mainly come from within Atlas or elsewhere? And what would it look like for the asset side of Athene's balance sheet?

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Yeah. Thanks. Benjamin. This is Jim. Look, as we said in our remarks, we hold significant amount of excess capital and a huge amount of excess liquidity to be opportunistic and which we value – and to do things that are value-add to the business. So, anything we do in any crisis is still going to be consistent with the profile of our existing assets. But hopefully, you get value-add yields that value add prices, that would make a difference. So, it'd be consistent with what we're doing. But we have expertise and most asset categories within fixed income. So, we have flexibility as to what to pursue.

Benjamin Sinclair

Analyst, Odium Brown Ltd.

Q

Okay. Thanks. And then just one more probably for Marty. I know you guys have touched on this in the past, so sorry if I'm asking you to repeat yourself, but I'm wondering if you could give a little bit of a refresher on statutory earnings. What makes it a less useful metric for calculating profitability at Athene level? And what other considerations there should be with LDTI in force now?

A

Yeah. Sure. I wouldn't say, statutory is less useful, but it is useful in different contexts. I think our spread related earnings metric that we report with Apollo's FRE metrics are really among the most important measures that we have, which really indicate the overall earnings growth that we have. And those are well, they're non-GAAP measures. They follow a lot of GAAP principles which, for example, take expenses and amortize them for the period in which you expect to benefit from the investment in those expenses. Statutory earnings are much more of a kind of a cash basis. They also often have much more conservative reserving standards and some other differences. But ultimately, capital and available capital [indiscernible] (00:39:51) is driven by statutory earnings and statutory reporting.

So, statutory earnings are very important in that context. So we – capital is very important to us. We're constantly modeling and forecasting our capital projections or regulatory capital projections and measuring those versus our own internal capital model, various rating agency models and RBC. And we've reported on those excess numbers. For example, we have \$2 billion of excess capital now as we think about our overall \$20 billion plus of regulatory capital, this new accounting standard, LDTI, is a GAAP reporting construct only. So, it has no impact on statutory earnings and it has no impact on capital. Is that helpful?

Benjamin Sinclair

Analyst, Odium Brown Ltd.

Yeah, thanks a lot.

Q

Operator: Thank you. Our next question comes from Marc Cohen with Guggenheim Partners.

Marc Cohen

Analyst, Guggenheim Partners

Good morning, gentlemen. Thank you very much for the disclosures on the surrender activity. I did not have much time to digest the information, so my apologies if some of these questions are redundant in respect that it's presented. I'm looking at Page 24 which you kind of highlights the differentiation between planned and unplanned withdrawals. My question is, and we've seen this with a lot of the public peers of what withdrawals have kind of been accelerated in the past quarter or two given the dynamics in the market. My question to you is, do you see some other dynamic shift where unplanned withdrawals or even planned withdrawals would accelerate beyond your best estimate modeling beyond the historical numbers in respect to what you anticipate? And I understand you highlight your excess capital capacity and liquidity measures to make those presentations.

And the second question I have is, I appreciate the organic inflows of \$12 billion, specifically \$8 billion in the retail channel. But when you highlight recycling of annuity sales or I guess sales from other sources, can you maybe spend some time and discuss with us the market dynamics or the competitive dynamics in terms of pricing of those new annuities versus your peers? Is there some factor that may generate more sales given the more aggressiveness in terms of the product profile?

And then my last question. My last question, and I'll stop there. My apologies. I understand the different channels that you have in terms of your funding mechanisms, both on the wholesale, on the retail. Without giving, I guess, the ingredients of how things work, but could you give us some indication and you may have mentioned this in the past, the return on capital profile between retail or between funding agreements. And I know right now you mentioned funding agreements is less being focused on versus retail. And I know the dynamic on that is also the institutional investor demand of that product. But what channels are more profitable or what products have a greater return on capital than the other products within the various warehouses that you highlight? And I appreciate the ability to ask these questions.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Yeah. Thanks, Mark. So first, let's start with Mike and then we'll go to Grant.

Michael S. Downing

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Operating Officer, Athene Holding Ltd.

All right. Thanks, Marc. So, to give you some color on how we think about outflows of the business and to kind of tie it back to your question on rates, that's a key reason why we've broken out in terms of the increased transparency, the buckets into the ones we've chosen. So, if we think about rates, rate sensitivity and the policies that lapse behavior [ph] will be (00:44:15) most based on rates, it's really the art of surrender business, which is one of our components of the plan, the lapses. And so, what we have in our outflow projection there is really our best estimate today based on the fact that rates have been elevated for about 12 months already at kind of current levels and kind of recognizing the trend that we've seen so far and projecting those trends over the next two to three or four quarters.

A

A

So, to give you a little bit more color on that segment by itself, if rates continue to rise even further, we may see that bucket move up a little bit further as again, those policyholders [ph] per my (00:44:53) opening comments decide may – new policyholders may decide to kind of exchange these old policies with low rates for new policies with much higher rates. The other buckets we expect to remain very stable and predictable. So, the income-oriented bucket, this is largely policyholders that are collecting basically coupons off their annuities for the rest of their lives. And so, they're going to continue to take 2%, 3%, 4% out every year, and that's going to be very stable because it's meeting their retirement income needs. The maturity driven is lumpy, as I said earlier, but again, not rate sensitive. In a low rate environment, we would expect those policyholders to mature and move and in a high rate environment, we would expect those policyholders to change and move. And so, it's really insensitive to rates. It's just a function of how those contracts are designed. And then the final bucket, the unplanned fees, the in surrender, that's why we focus on all the protections that we have in place. And that also remains very stable. And it's one where the incentives to the policyholder really hang on to the policy because the hit to their principal is just too significant. So hopefully that kind of answers the question on the color.

I'll turn it back to Grant to kind of cover the dynamics of recycling and how Athene is a large beneficiary of that when we think about a competitive footprint.

Grant Kvalheim

Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

A

Yes. So, Marc, maybe to handle the second part of the question first. We love all our channels and we hold them all to the same standard of return on equity, Right? So, the reason we're not issuing in the funding room back no market is we can't get our return hurdles. And so, we don't issue, we do nothing for the sake of volume, right? If it doesn't meet our net spread and return on capital metrics, we don't pursue growth for growth sake or volume for volume sake. With respect to product, we are the largest factor in the annuity market. And yet we have a lot of able competitors, right? We have a growing market share. And yet our overall market shares is roughly 10% of the annuity market, right? So, we have a lot of able competitors, but how are we able to continue growing as we are? Part of it starts with, the relationship we have on the asset management side with Apollo. We believe we have superior asset management capabilities. We believe we have superior reliability construction capabilities and we also pursue a philosophy of fair but lower commissions than most of our competitors pay, which allows us to put more of the economics into the consumer benefit, which increasingly wins with the consumer.

So, to Mike's comment, look as the market share leader and as the business when policy surrender, they don't leave the insurance ecosystem, right? They just buy a new policy. And as the market share leader, we're picking up incrementally on that, particularly when you think about where Athene was 10 years ago, we were basically just starting. So, the business that's lapsing today is really old business where we had far less market share versus where we stand today and our ability to attract the recycling of lapsed policies into new policies. So, as Mike said, we think about excess lapses, but we also think about excess sales to our forecast. And the excess sales are radically outstripping any increase in lapses. So, we view the current environment of somewhat elevated lapses as a big growth opportunity for Athene, not only, not something not to be worried about, a big growth opportunity for Athene.

Operator: [Operator Instructions] . Our next question comes from Bala Prakash with JPMorgan.

Balakrishnan Prakash

Analyst, JPMorgan Asset Management

Q

Hi. Thanks for taking my call. I have a question about CML portfolio, particularly CM3, it's around about 20%. You talk about those things [indiscernible] (00:49:30) may migrate to CM2. Can you give some color on CM3 bucket? Is that a capital arbitrage compared to other asset classes there? Thank you.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Yeah. Hi, this is Jim. No, I don't think I'd call it a capital arbitrage. Look, what we're relying on in our commercial mortgage portfolio is our solid underwriting, which has been the case from the inception of Athene. We said 55% LTV is mainly first mortgages, essentially no equity, all debt. I mean, we recently did a deep dive review with all the senior people in Athene and Apollo on this portfolio, item by item, sector by sector. And the real conclusion, the main conclusion from that review was we're in good shape. We can play offense but really happy. We're not in the equity. And so, we have almost no equity, very few as a percentage subordinated tranches. It's mainly CML [ph] 1s (00:50:33).

So, it's a high quality portfolio. But still, we want to make sure that we get an illiquidity premium for buying these assets, which we do. So, it's been a of a well-performing portfolio knowing that there's going to be some issues going on the road. Office has fundamentally changed from the pandemic. Good thing is, as we said in the comments, a lot of our portfolio was underwritten during and after COVID, where the dynamics have changed and we can factor that into our underwriting going forward. And that's been a plus for us as well. So, we're happy with our portfolio.

Balakrishnan Prakash

Analyst, JPMorgan Asset Management

Q

Okay. Go ahead, sorry.

A

There are a number of factors which kind of have kept them in some cases from being CM2s of some of it's just the structure itself even though from a credit lens standpoint would meet the criteria of CM2, structurally they're kind of kicked out of that, but we do expect probably the lion's share of probably over half of the CM3s we have to become CM2s probably in the next year or two and we're very comfortable with the holdings we have there.

Balakrishnan Prakash

Analyst, JPMorgan Asset Management

Q

Okay. Thank you.

Operator: Thank you. And our next question comes from Ryan – I'm sorry, Alex Blostein with Goldman Sachs.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Hey, everybody. Good morning. Thank you for taking the question. I was hoping to dig in a little more on slide 24, I appreciate the actual disclosure there and really thinking through the economics on the surrenders that you expect over the next 12 months versus the new business that you're putting on. I know you highlighted more attractive spreads, but if you could maybe quantify the SRE spread on the outflows that you anticipate versus the new business that you're writing, that would be helpful.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Mike or Marty?

A

Michael S. Downing

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Operating Officer, Athene Holding Ltd.

Yeah. I'm happy to take that. So, if we think about our out of surrender business in a couple of ways. So, one is, as I mentioned earlier, it attracts a lot more capital. So, it's about 30% to 40% more capital to actually back the business. So, when you just think of the business by itself on a pure capital basis, brand new business compared to old out of surrender business the same amount of capital can support 30% to 40% more. So, on a constant spread basis, that's already – you're getting about 30% to 40% more spread earnings. And then secondarily, with the out of surrender business, the ALM is very difficult because we don't know if it's going to be around for a year, two years, three years, policyholder has immediate unrestricted rights to take the benefits.

So, typically, the assets backing the out of surrender charge period will be more liquid and lower in yield. So, it's difficult to directly quantify, but clearly, new business is going to attract a wider spread than the old out of surrender business, and it's going to be around a lot longer. And again, it's because of the capital efficiency, you're going to be able to, for the same basic capital, support 30% to 40% more volume and that's the simple math.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Got it. That's helpful. And then – yes. Sorry, go ahead.

Q

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

Okay. I was just going to add, - I think we have said this in our prepared remarks. When the business is out of the surrender charge period, we actually don't want it to really stay in our books. We generally lower rates as much as we can, because the nature of our business model is to have longer term protected liabilities. Once the business is out of the surrender charge period, that's no longer the case.

So, we want business to surrender and it's a win-win when it does, people can go on and get higher rates somewhere else and we can take the capital that's released when it lapses and deploy it in higher returning business that doesn't have – that has a lot more [ph] certain (00:54:18) cash flow. So, what we're seeing now in this higher rate environment is the business that we actually kind of want to lapse off [indiscernible] (00:54:25) so that's a good thing.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Great. All right. That makes sense. And then maybe just...

Q

Grant Kvalheim

Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

If I can just add something to that, which is that while we've made these additional disclosures in that deck, all of them had previously been baked into the 2023 outlook that we provided. So nothing presented today changes that.

A

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Yes. That is super clear. My quick follow-up for you guys is just a more of clarification question. It would be helpful if you could update us on the percentage of the book that's floating both on the asset side and liability side now. And then, when you talk around the sensitivities for interest rates, I think you said 25 basis points with new accounting standards is now \$45 million to \$55 million in SRE, is that on the way up and down, so it's the same. And how are you thinking about potentially hedging that if rates go lower?

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Marty?

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

Yeah. We have, I think it's about \$35 billion of net floating rate exposure assets versus liabilities, and that's what really creates the kind of variability as rates go up or down with this LDTI accounting standard, just real quickly, DAC amortization had been – it would increase when earnings were higher, it would decrease when it was lower.

So, it was sort of – a bit of an offset when we had a lot more income or less income on floaters and that's now gone away, so that sensitivity to rates is higher than it had been. And it's not always symmetric, if rates are really low, there's not that much downside because you start to hit floors on the floaters.

But at this point, with rates at elevated levels, it's pretty symmetric around both sides, up or down. As we think about managing that, I think we're comfortable with the exposure we have currently, but it's something we talk about with a fair amount of frequency and it's easy to hedge because the way we would do that is take some of our fixed rate funding agreement liabilities and just swap more of those to floating to create more of an offset to the floaters. But we are comfortable with where we are at this point in time and where we are with rates, but it's something we do from time to time.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Yeah, I would just add that, earlier this year we decided that we would keep the dollar amount of our net floating exposure, meaning the difference between floating assets and floating liabilities constant in dollar terms. So, as the [ph] footings (00:57:00) grow, the percentage will gradually decrease over time.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Great. Thank you for taking the questions.

Operator: Thank you. [Operator Instructions] Our next question comes from Ryan Krueger with KBW.

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hey. Thanks. Good morning. Couple of quick questions. One was, can you just tell us what the duration of your overall assets and liabilities are at this point?

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Marty, do you want to take that?

A

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

Yeah. I don't have the precise numbers in front of me. We're very well matched at this point in time. I think it's probably around eight or so years on both sides. Obviously, that moves around a bit depending on the business mix we have. And obviously we just did \$8 billion in this PRT transaction, but it's kind of right around eight years, Ryan, and it's very, very well matched at this point in time in the cycle, probably over the last one year or so, this is about as tightly a duration and cash flow match that we've had.

A

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Got it. Thanks. And then you showed that you have a somewhat higher amount of policies coming out of surrender charge over the next couple of quarters. Is that – will that be funded with the excess liquidity that you're currently holding or do you also have higher maturities of assets over the next couple of quarters as well to fund that?

Q

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

Yes.

A

Grant Kvalheim

Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

Yeah. That's part of our normal ALM matching. So, when we wrote that business, we knew exactly when it was going to run off. So that's part of the maturity, predictable cash flows. The day we put the business on, we've already modeled them to be off the books in three to five years and our ALM is around that.

A

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

Yeah. The extra cash we're holding, some of that, maybe a tiny business for that. But really that's mostly to take advantage of opportunities we see. I think we learned during COVID and saw during COVID that there were a lot of opportunities created and it's important if you want to take advantage of it to have cash available. And so partly why we've decided to ramp up our cash just is to be very proactive in these volatile markets. And we've had some success in that, as we said earlier in the first quarter. And hopefully that will continue if the volatility continues.

A

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Thanks. And then one final question was on the hypothetical scenario of all policies out of surrender period lapsing, which I know would never happen, but just on the \$2 billion of profit that you'd immediately generate, should I think of that as, that's the release of the rider reserves on those policies that generate that profit. And is that net of losses you'd have from selling assets or is that – can you just give a little bit more detail there?

Q

Grant Kvalheim

Partner-Apollo Global Management, Inc., Chief Executive Officer & President-Athene USA and President, Athene Holding Ltd.

Yeah, it's net on asset. So, I think the way we put the exhibit together, we did a whole stair step of cash, corporate bonds that we would have to sell. I think there's a haircut on those corporate bonds of about \$1.5 billion. That would be a reduction in capital.

But then there's a significant release in capital on those liabilities. Some of it is the rider reserves that would be released. But a big chunk of it is simply just because they're out of surrender. They just carry a much higher capital charge. So, the simple math is you can take the \$31 billion times about 10% or 11%, which is pretty consistent for statutory reserves without surrender liabilities in conjunction with the assets.

And the math is that simple. So, the amount of capital freed up is a lot higher than the capital consumed. And that's why we get excited about sort of the slightly elevated lapses because we can just continue to redeploy it in the new business.

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

And I would just add Ryan that, [indiscernible] (01:01:03) business rider reserves is actually fairly predictable MYGA business doesn't have rider reserves, so when it's out of that surrender period, it generally just about lapses right away. But the rider reserves have a lot of value to the policyholder, so they tend to stick around, That's kind of what helps create stickiness of the business in that particular part of the market. So, it has value and like Mike said, if the folks chose to walk away, they wouldn't realize that value and that becomes a capital good guy for us in that scenario.

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Great. Thanks, everyone.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Ryan I would just add, I think you asked about duration of assets and liabilities. I think they're both in the low fives on [indiscernible] (01:01:46) average life is longer, but duration I think is low fives, just to clarify that.

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Yeah. Thanks, I was referencing average life. That's right. Thanks.

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

Yep.

Operator: Thank you. Our next question comes from [indiscernible] (01:02:01) with State Street.

Q

Hello and thanks for holding the call. Have you talked about any stress tests you performed on the CRE portfolio? And if you have, what are the assumptions under the various scenarios?

James R. Belardi

Partner-Apollo Global Management, Inc. and Co-Founder, Chairman, Chief Executive Officer & Chief Investment Officer, Athene Holding Ltd.

A

Well, what's in the deck that we posted is there.

Q

I didn't see any of it. Maybe I overlooked it, I don't know.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

So, there's the commercial mortgage deck that we recently posted. And if you look in there, there's a stress test. And we do stress testing typically under a couple of scenarios. We've added a third one recently, we've always looked at kind of a baseline "normal recession", if there is such a thing. But then we've also looked at very deep recessions, which are very much akin to what we saw in the 2008 financial crisis.

And then more recently, given the economic situation these days, we've also model this stagflation scenario. So, within that we've kind of stressed commercial mortgages and really just done it in line with what we saw in the space in those particular times. So, the deep recession you can go back and look and see what happened to commercial mortgages [indiscernible] (01:03:21) 2008 financial crisis.

We look and see what the losses had been in a variety of other recessions. And those assumptions are detailed in our stress test index as well as in this commercial mortgage deck that was recently posted.

Q

Can you maybe remind us then what those assumptions are in terms of declines in real estate values? In other words, what is your stress test and base test assume in terms of declines in, say, office and everything else? And what is the effect that you modeled on RBC under base and stress and how does that compare to your organic capital generation in terms of RBC? Do you have those at hand or can you point them to me [indiscernible] (01:04:12) sorry.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

Yeah. I will pointed to the – the stress testing deck that we have recently posted has the assumptions that we've used in detail. The mortgage materials [indiscernible] (01:04:24) detail on the assumptions so if you want to look at all the assumptions which are enumerated there, go to the stress testing deck and that gives you that background.

And then when we do our stress testing and look at the impact on capital, we look at obviously losses that we actually have. We look at declines in credit quality, which means you have business including mortgages, but, bonds and so forth that get downgraded and have higher capital requirements.

So, all that goes into the mix as we look at the impact on our capital, not just the losses, but also the increased capital on any holdings that we have that deteriorate in their ratings, which we also model in line with those particular scenarios, looking at, like the Lehman crisis, 2008 deep recession as well as other recessions.

Q

Yeah. I'm looking at those and that's where I don't – I see what your losses are under models, but I don't see what – and you say, well, it's under this scenario, but I don't know what the assumption is on a broad base. In other words, if I see real estate values decline by X, it would be interesting to know if that meets the stress test that you run, so that's what I'm missing and that's what I'm trying to get. And also, it doesn't outline the effect on RBC. I think that's what I would be interested in finding out, if you have that anywhere.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

We have that. What I would suggest is we will – as we look at our next stress testing update and maybe we'll go back and provide those details and this one will include those details. But that's absolutely part of the process.

Q

Okay. Last question for me again, how is the book value of assets on special mention changed sequentially since Q4 through Q1? Did you outline that anywhere? And also for a watch list?

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

The first part of your question, I didn't quite catch I'm sorry, how does...?

Q

Book value of assets on special mention, how has that changed sequentially? And also the book value of assets on watch list? How has that changed sequentially.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

it changed materially, sequentially, quarter-over-quarter. Obviously, one thing that's happened during this year was the regional bank situation and we had, like other companies, insurance companies, had some modest exposure to the regionals, and so that's in the first quarter results.

I think we had like \$80 million of OTTI in the first quarter from that, which is I think kind of in line if not slightly below what I think others have. And so I would say there the watch list and a couple of regional holdings have increased. But otherwise the watch list has been pretty constant over the last quarter or two.

Q

All right. Thank you.

Operator: Thank you. Our next question comes from Raquel McLean with Cohen & Steers.

Raquel Episcopio McLean

Analyst, Cohen & Steers Capital Management, Inc.

Q

Hi, Just a very quick question for me. I see that your consolidated RBC ratio, I believe ended the quarter at 416%, if I'm not mistaken. Can you just refresh us on your target RBC ratios on a consolidated basis?

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

Sure, it's Marty. I think the numbers in the deck are actually referencing our year-end RBC numbers for what it's worth.

Raquel Episcopio McLean

Analyst, Cohen & Steers Capital Management, Inc.

Q

Okay.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

And we haven't published them for the quarter, but our excess capital is kind of close to – slightly a little bit lower. I think we had \$2.3 billion of access at the end of the year, \$2 billion now. So, it's down a bit. We look at capital from a variety of lenses. I think we want to make sure we're maintaining AA capital with most of the [indiscernible] (01:08:31) models.

We also look at capital using our internal capital model. From an RBC perspective, our kind of threshold that we want to be above is 400% RBC. It used to be 370% RBC and we actually raised the bar over the last year to 400%. So, that's sort of the RBC threshold that we want to try to be at or above.

Raquel Episcopio McLean

Analyst, Cohen & Steers Capital Management, Inc.

Q

Perfect. Thank you.

Martin P. Klein

Partner-Apollo Global Management, Inc. and Executive Vice President & Chief Financial Officer, Athene Holding Ltd.

A

I would just note by the way that includes Bermuda, which we hold to the same reserving standards that we do in the US and we also look at RBC in Bermuda as well, so that's – we manage that business in Bermuda, the same way we do in the US.

Operator: Thank you. We have reached our allotted time allowed for Q&A. I will now turn back the call to Noah Gunn for any additional or closing remarks.

Noah Gunn

Managing Director & Global Head of Investor Relations, Apollo Global Management Inc.

Great. And thanks for your help this morning Todd. And thanks to everyone else for spending the time with us. If you have any questions about anything discussed on this morning's call, please feel free to reach out to us directly. Thanks again for the time.

Operator: Thank you. This concludes today's Athene fixed income investor conference call. Please disconnect your line at this time and have a wonderful day.

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