

May 7, 2019



Athene Holding Ltd. Reports First Quarter 2019 Results

PEMBROKE, Bermuda--(BUSINESS WIRE)-- Athene Holding Ltd. ("Athene") (NYSE: ATH), a leading provider of retirement savings products, today announced financial results for the first quarter 2019.

Net income for the first quarter 2019 was \$708 million, or \$3.64 per diluted Class A share ("diluted share"), compared to net income for the first quarter 2018 of \$277 million, or \$1.40 per diluted share. The increase from the prior year quarter was driven by favorable changes in the fair value of reinsurance assets¹ related to the decrease in Treasury rates.

Adjusted operating income² for the first quarter 2019 was \$287 million, or \$1.50 per adjusted operating share, compared to adjusted operating income for the first quarter 2018 of \$241 million, or \$1.23 per adjusted operating share. The increase from the prior year quarter was primarily driven by higher investment income related to invested asset growth.

Highlights

- Athene announces formation of strategic capital solution, Athene Co-Invest Reinsurance Affiliate ("ACRA"), which is expected to provide Athene with up to \$4 billion of on-demand, third-party equity capital, enabling Athene to support a variety of business objectives
- With enhanced strategic flexibility resulting from ACRA, Athene's Board of Directors has increased the share repurchase authorization to \$350 million, effective immediately
- On April 30, 2019, Fitch Ratings ("Fitch") upgraded the financial strength ratings of Athene's operating companies to 'A' from 'A-'
- Book value per share of \$52.12, an increase of 23% and 18% for the quarter-over-quarter and year-over-year periods ended March 31, 2019, respectively
- Adjusted book value per share of \$47.30, an increase of 4% and 17% for the quarter-over-quarter and year-over-year periods ended March 31, 2019, respectively
- ROE of 30.8%, Consolidated adjusted operating ROE of 12.8%, and Retirement Services adjusted operating ROE of 14.4% for the quarter ended March 31, 2019
- ROA of 2.19% and adjusted operating ROA of 1.02% for the quarter ended March 31, 2019
- Total deposits of \$4.8 billion underwritten to target returns for the quarter ended March 31, 2019
- Estimated ALRe RBC of 405%³ and U.S. RBC of 412% as of March 31, 2019

"Our business continues to drive 17% compound annual growth in adjusted book value per share," said Jim Belardi, CEO of Athene. "We are extraordinarily well positioned with a multi-channel distribution platform that provides sustainable and opportunistic growth with very attractive profitability. Given the growing number of opportunities we see to drive long term value creation, we are excited to announce the formation of a strategic, on-demand capital vehicle that will allow us to achieve a variety of business objectives simultaneously, and in a shareholder friendly manner."

Mr. Belardi continued, "In recognition of our superior financial performance, market leadership, and improved business diversification, Fitch upgraded the financial strength ratings of Athene's operating companies to 'A' on April 30, 2019. We are now positioned with 'A' ratings from all agencies who cover us, and we look forward to additional ratings upgrades over time. Our increasing presence in the marketplace as an A-rated company will enable us to establish new partnerships and further our position as a financial solutions provider to a broader market."

1 Formerly described as changes in reinsurance embedded derivatives.

2 This news release references certain Non-GAAP measures. See *Non-GAAP Measures* for additional discussion.

3 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 in effect as of December 31, 2018 to the statutory financial statements of ALRe and its non-U.S. reinsurance subsidiary, on an aggregate basis.

First Quarter 2019 Results

Net income for the first quarter 2019 was \$708 million, an increase of \$431 million, or 156%, from the first quarter 2018. The increase over the prior year quarter was driven by favorable changes in the fair value of reinsurance assets, partially offset by an unfavorable change in FIA derivatives. The change in the fair value of reinsurance assets resulted from a decrease in Treasury rates and tighter credit spreads, while the unfavorable change in FIA derivatives resulted from a change in discount rates, partially offset by equity market appreciation.

Adjusted operating income for the first quarter 2019 was \$287 million, an increase of \$46 million, or 19%, from the first quarter 2018, driven by higher investment income, stable cost of funds, and increased operating leverage. The increase in investment income over the prior year quarter was driven by invested asset growth and increased floating rate investment income, partially offset by lower alternative investment income due to the lagged impact of wider credit spreads in the fourth quarter 2018.

Deposit Highlights

For the first quarter 2019, Athene generated organic deposits of \$4.8 billion, an increase of 131% compared to the first quarter 2018, driven by broad-based strength across channels. Notably, the liabilities supporting these deposits were underwritten to the same return standards as previously generated business.

Retail: In the first quarter 2019, Athene generated \$1.8 billion of new deposits, up 41% from

the prior year quarter, driven by the introduction of new products and growth in the Financial Institutions channel, both of which have expanded our market share.

Flow Reinsurance: In the first quarter 2019, Athene generated \$1.1 billion of new deposits, up 400% from the prior year quarter, driven by new business partnerships formed in the second half of 2018.

Institutional: In the first quarter 2019, Athene generated \$1.9 billion of new deposits from two pension risk transfer transactions.

Selected Results

	As of and for the three months ended March 31,	
<i>(In millions, except percentages and per share data)</i>	2018	2019
Return on assets (ROA)	1.14%	2.19%
Adjusted operating ROA	1.24%	1.02%
Net investment spread – Retirement Services	1.79%	1.36%
Return on equity (ROE)	12.4%	30.8%
Adjusted operating ROE	12.4%	12.8%
Adjusted operating ROE – Retirement Services	17.8%	14.4%
Book value per share	\$ 44.05	\$ 52.12
Adjusted book value per share	\$ 40.37	\$ 47.30
Common shares outstanding ¹	197.2	194.1
Adjusted operating common shares outstanding ²	196.8	192.4
Investments, including related parties	\$ 80,273	\$ 115,687
Invested assets	\$ 78,723	\$ 113,771
Debt to capital ratio	10.2%	8.9%
Adjusted debt to capital ratio	11.1%	9.8%
Total shareholders' equity	\$ 8,687	\$ 10,117
Adjusted shareholders' equity	\$ 7,946	\$ 9,102
Organic deposits	\$ 2,056	\$ 4,759
Inorganic deposits	—	—
Total deposits	<u>\$ 2,056</u>	<u>\$ 4,759</u>

¹ Represents common shares outstanding for all classes eligible to participate in dividends for each period presented. Used for the book value per share calculation.

2 Adjusted operating common shares outstanding assumes 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 outstanding on a one-for-one basis, the impacts of all Class M common shares outstanding net of the conversion price and any other stock-based awards outstanding, but excluding any awards for which the exercise or conversion price exceeds the market value of Class A common shares on the applicable measurement date. 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. We believe this non-GAAP measure is an appropriate economic representation of our share counts for use in an economic view of book value metrics.

<i>(In millions, except per share data)</i>	Three months ended March 31,	
	2018	2019
Net income	<u>\$ 277</u>	<u>\$ 708</u>
Non-operating adjustments		
Investment gains (losses), net of offsets	(33)	458
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	86	(27)
Integration, restructuring and other non-operating expenses	(8)	(1)
Stock compensation expense	(3)	(3)
Income tax (expense) benefit – non-operating	(6)	(6)
Less: Total non-operating adjustments	<u>36</u>	<u>421</u>
Adjusted operating income	<u><u>\$ 241</u></u>	<u><u>\$ 287</u></u>
Adjusted operating income by segment		
Retirement Services	\$ 239	\$ 286
Corporate and Other	2	1
Adjusted operating income	<u><u>\$ 241</u></u>	<u><u>\$ 287</u></u>
Earnings per share – basic ¹	\$ 1.40	\$ 3.65
Earnings per share – diluted Class A ²	\$ 1.40	\$ 3.64
Adjusted operating earnings per share ³	\$ 1.23	\$ 1.50
Weighted average shares outstanding – basic ¹	197.1	194.0
Weighted average shares outstanding – diluted Class A ²	149.0	161.7
Weighted average shares outstanding – adjusted operating ³	196.0	192.2

1 Basic earnings per share, including basic weighted average shares outstanding includes all classes eligible to participate in dividends for each period presented.

2 Diluted earnings per share on a GAAP basis for Class A common shares, including diluted Class A weighted average shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. Such dilutive securities totaled 441,061 weighted average shares for the quarter. Diluted earnings per share on a GAAP basis for Class A common shares are based on allocated net income of \$589 million (83% of net income) and \$209 million (75% of net income) for the three months ended March 31, 2019 and 2018, respectively.

3 Weighted average shares outstanding – adjusted operating assumes 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 Class A common shares on the applicable measurement date. 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. We believe this non-GAAP measure is an appropriate economic representation of our share counts for use in an economic view of adjusted operating earnings per share.

Segment Results

Retirement Services

For the first quarter 2019, Retirement Services adjusted operating income was \$286 million, an increase of \$47 million, or 20%, from the first quarter 2018, resulting in an adjusted operating ROE of 14.4%. The increase in adjusted operating income over the prior year quarter was primarily driven by higher investment income, stable cost of funds, and increasing operating leverage. Notably, investment income increased by \$305 million over the prior year quarter primarily due to invested asset growth.

The net investment spread, which measures net investment earnings less cost of funds, was 1.36% of average invested assets for the first quarter 2019, a decrease of 43 basis points from the first quarter 2018. The decrease from the prior year quarter was driven by lower net investment earned rates attributed to lower alternative investment performance as well as lower returns on the Voya and Lincoln assets.

The net investment earned rate ("NIER") was 4.21% for the first quarter 2019, a decrease of 42 basis points from the prior year quarter, reflecting lower alternative investment returns, which were negatively impacted by the lag effect of weak equity markets and wider credit spreads in the fourth quarter 2018 on nearly two-thirds of the portfolio. The annualized return on alternative investments during the first quarter 2019 was 2.13%, compared to 12.34% in the prior year quarter. Invested asset purchases increased by \$800 million, or 11%, to \$7.9

billion with meaningfully higher yields compared to the prior year quarter.

Cost of funds, which is comprised of the total cost of crediting on deferred annuities and institutional products as well as other liability costs, was 2.85% for the first quarter 2019, an increase of 1 basis point from the first quarter 2018. Total cost of crediting was 1.92% for the first quarter 2019, an increase of 20 basis points from prior year quarter, driven by higher option costs for deferred annuities, higher crediting rates for the onboarded Voya and Lincoln blocks, and the increase in institutional deposits within the overall business mix. Cost of crediting on deferred annuities was 1.98% and the cost of crediting on institutional business was 3.69%. Beginning in the first quarter 2019, institutional costs, previously recognized within other liability costs, were moved to cost of crediting; all prior periods were recast to reflect this change. As such, other liability costs were 0.93% for the first quarter 2019, a decrease of 19 basis points from the prior year quarter primarily due to equity market appreciation, partially offset by growth in the block.

Corporate & Other

In the first quarter 2019, Corporate & Other adjusted operating income was \$1 million, in line with the first quarter 2018.

Share Repurchase Activity

From December 10, 2018 through May 6, 2019, Athene repurchased 3.7 million shares of its common stock for \$147 million under a previously announced share repurchase program. During this period, shares were purchased at an average cost of \$40.20 per share. This activity includes 1.2 million shares repurchased during the first quarter 2019 for \$47 million.

Athene's Board of Directors has increased the share repurchase authorization to \$350 million, effective immediately.

Athene Announces Strategic Capital Solution

In order to support a growing number of capital deployment opportunities, including continuing profitable organic growth, acting as a solutions provider within the restructuring insurance industry, maintaining capital for opportunistic investment, repurchasing common shares at attractive returns, further strengthening the balance sheet, and pursuing ratings upgrades, Athene has established a long-duration, on-demand capital vehicle. Athene Co-Invest Reinsurance Affiliate ("ACRA"), currently is a wholly owned subsidiary of Athene that is expected to participate in qualifying transactions by drawing two-thirds of the required capital for such transactions from third-party investors. ACRA will be managed to the same investment, risk, and capital standards as all other Athene subsidiaries. ACRA will have access to a pool of third-party capital, targeted at up to \$4 billion in total. Uncalled capital commitments currently approximate \$1 billion. This shareholder-friendly, strategic capital solution will allow Athene the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong balance sheet position. With this solution, Athene will be able to achieve various business objectives in a manner that is accretive to shareholders, minimizes the potential need for additional primary issuance in the future, and eliminates the impact undeployed on-balance sheet capital has on key financial measures, such as ROE. Additional information on ACRA can be found in a presentation posted on

Athene's website at ir.athene.com.

Conference Call Information

Athene will host a conference call today, Tuesday, May 7, 2019, at 10 a.m. ET. During the call, members of Athene's senior management team will review Athene's financial results for the first quarter ended March 31, 2019, as well as discuss ACRA. This press release, the first quarter 2019 earnings presentation and financial supplement as well as the ACRA presentation will be posted to Athene's website at ir.athene.com.

- Live conference call: Toll-free at 1-866-901-0811 (domestic) or 1-346-354-0810 (international)
- Conference call replay available through May 23, 2019 at 1-800-585-8367 (domestic) or 1-404-537-3406 (international)
- Conference ID number: 8645809
- Live and archived webcast available at ir.athene.com

About Athene Holding Ltd.

Athene, through its subsidiaries, is a leading retirement services company that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs. The products offered by Athene include:

- Retail fixed and fixed indexed annuity products;
- Reinsurance arrangements with third-party annuity providers; and
- Institutional products, such as funding agreements and group annuity contracts related to pension risk transfers.

Athene had total assets of \$132.9 billion as of March 31, 2019. Athene's principal subsidiaries include Athene Annuity & Life Assurance Company, a Delaware-domiciled insurance company, Athene Annuity and Life Company, an Iowa-domiciled insurance company, Athene Annuity & Life Assurance Company of New York, a New York-domiciled insurance company and Athene Life Re Ltd., a Bermuda-domiciled reinsurer.

Further information about our companies can be found at www.athene.com.

Non-GAAP Measures

In addition to our results presented in accordance with GAAP, we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant GAAP measures, provides information that may enhance an investor's understanding of our results of operations and the underlying profitability drivers of our business. The majority of these non-GAAP measures are intended to remove from the results of operations the impact of market volatility (other than with respect to alternative investments) as well as integration, restructuring and certain other expenses which are not part of our underlying profitability drivers, as such items fluctuate from period to period in a manner inconsistent with these drivers. These measures should

be considered supplementary to our results in accordance with GAAP and should not be viewed as a substitute for the corresponding GAAP measures. See *Non-GAAP Measure Reconciliations* for the appropriate reconciliations to the corresponding GAAP measures.

Adjusted operating income is a non-GAAP measure 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 adjusted to eliminate the impact of the following (collectively, the “non-operating adjustments”):

- Investment Gains (Losses), Net of Offsets
- Change in Fair Values of Derivatives and Embedded Derivatives – FIAs, Net of Offsets
- Integration, Restructuring, and Other Non-operating Expenses
- Stock Compensation Expense
- Bargain Purchase Gain
- 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 useful in analyzing our business performance and the trends in our results of operations. Together with net income, we believe adjusted operating income, provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income should not be used as a substitute for net income.

Adjusted operating ROA is a non-GAAP measure used to evaluate our financial performance and profitability. Adjusted operating ROA is computed using our adjusted operating income divided by average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. While we believe each of these metrics 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 ROA presented under GAAP.

Adjusted operating ROE is a non-GAAP measure used to evaluate our financial performance excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, in each case net of DAC, DSI, rider reserve and tax offsets. Adjusted shareholders' equity is calculated as the ending shareholders' equity excluding AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets. Adjusted operating ROE is calculated as the adjusted operating income, divided by average adjusted shareholders' equity. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our AFS securities. Except with respect to reinvestment activity relating to 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 and the

cumulative change in fair value of funds withheld and modco reinsurance assets are useful in analyzing trends in our operating results. To enhance the ability to analyze these measures across periods, interim periods are annualized. Adjusted operating ROE 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 financial performance.

Adjusted operating earnings per share, weighted average shares outstanding – adjusted operating and adjusted book value per share are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the number of shares included in the corresponding GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe using these measures represents an economic view of our share counts and provides 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. Adjusted book value per share is calculated as the adjusted shareholders' equity divided by the adjusted operating common shares outstanding. 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 payment 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, after considering the dilutive effects of the more dilutive securities in the sequence, they are excluded. Weighted average shares outstanding – adjusted operating and adjusted operating common shares outstanding 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, weighted average shares outstanding – adjusted operating and adjusted book value per share should not be used as a substitute for basic earnings per share – Class A common shares, basic weighted average shares outstanding – Class A or book value per share. However, we believe the adjustments to the shares and equity are significant to gaining an understanding of our overall results of operations and financial condition.

Adjusted debt to capital ratio is a non-GAAP measure used to evaluate our capital structure excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, net of DAC, DSI, rider reserve and tax offsets. Adjusted debt to capital ratio is calculated as total debt excluding consolidated variable interest entities (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 total debt and shareholders' equity are significant to gaining an understanding of our capitalization, debt utilization, and debt capacity.

Net investment spread is a key measurement of the financial health of our Retirement Services profitability. Net investment spread measures our investment performance less the total cost of our liabilities. Net investment earned rate is a key measure of our investment performance, while cost of funds is a key measure of the cost of our policyholder benefits and liabilities. Investment margin on our deferred annuities measures our investment performance less the cost of crediting for our deferred annuities, which make up a significant portion of our reserve liabilities.

- 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 fair value of reinsurance assets. We include the income and assets supporting our change in fair value of reinsurance assets 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 change in fair value of reinsurance assets. 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 funds includes liability costs related to cost of crediting on both deferred annuities and institutional products as well as other liability costs. Cost of funds is computed as the total liability costs divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Cost of crediting includes the costs for both deferred annuities and institutional products. Cost of crediting on deferred annuities is the interest credited to the policyholders on our fixed strategies as well as the option costs on the indexed 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. Cost of crediting on institutional products is comprised of PRT costs including interest credited, benefit payments and other reserve changes, net of premiums received when issued, as well as funding agreement costs including the interest payments and other reserve changes. Cost of crediting is computed as the cost of crediting for deferred annuities and institutional products divided by the average invested assets for the relevant periods. Cost of crediting on deferred annuities is computed as the interest credited on fixed strategies and option costs on indexed annuity strategies divided by the average account value of our deferred annuities. Cost of crediting on institutional products is computed as the PRT and funding agreement costs divided by the average institutional reserve liabilities. Our average invested assets, account values and institutional reserve liabilities are averaged over the number of quarters in the relevant period to obtain our associated cost of crediting for such period. To enhance the ability to analyze

these measures across periods, interim periods are annualized.

- Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, premiums, product charges and other revenues. We believe a measure like other liability costs is useful in analyzing the trends of our core business operations and profitability. While we believe other liability costs is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total benefits and expenses presented under GAAP.

Net investment earned rate, cost of funds, net investment spread and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our business. We believe these metrics are useful in analyzing the trends of our business operations, profitability and pricing discipline. While we believe each of these metrics 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, interest sensitive contract benefits or total benefits and expenses presented under GAAP.

Operating expenses excludes integration, restructuring and other non-operating expenses, stock compensation expense, interest expense and policy acquisition expenses. We believe a measure like operating expenses is useful in analyzing the trends of our core business operations and profitability. While we believe operating expenses is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for policy and other operating expenses presented under GAAP.

In managing our business we analyze invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Invested assets represents the investments that directly back our reserve 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.

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).

Safe Harbor for Forward-Looking Statements

This press release contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in, or implied by, such statements. These statements are based on the beliefs and assumptions of Athene's management and the management of Athene's subsidiaries. Generally, forward-looking statements include actions, events, results, strategies and expectations and are often identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions. Forward-looking statements within this press release include, but are not limited to, discussion relating to the ACRA capital raise and the benefits to be derived there from and discussion regarding future financial performance. Factors that could cause actual results, events and developments to differ include, without limitation: failure to close the ACRA capital raise or failure to achieve the benefits expected to be derived therefrom; the accuracy of our assumptions and estimates; our ability to maintain or improve financial strength ratings; our ability to manage our business in a highly regulated industry; regulatory changes or actions; the impact of our reinsurers failing to meet their assumed obligations; the impact of interest rate fluctuations; changes in the federal income tax laws and regulations; the accuracy of our interpretation of the Tax Cuts and Jobs Act, litigation (including class action litigation), enforcement investigations or regulatory scrutiny; the performance of third parties; the loss of key personnel; telecommunication, information technology and other operational systems failures; the continued availability of capital; new accounting rules or changes to existing accounting rules; general economic conditions; our ability to protect our intellectual property; the ability to maintain or obtain approval of the Delaware Department of Insurance, the Iowa Insurance Division and other regulatory authorities as required for our operations; and other factors discussed from time to time in Athene's filings with the SEC, including our annual report on Form 10-K for the year ended December 31, 2018, which can be found at the SEC's website www.sec.gov.

All forward-looking statements described herein are qualified by these cautionary statements and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. We do not undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

Athene Holding Ltd.

Condensed Consolidated Balance Sheets (*unaudited, in millions*)

December 31, March 31,

	2018	2019
Assets		
Investments		
Available-for-sale securities, at fair value	\$ 59,265	\$ 64,655
Trading securities, at fair value	1,949	2,256
Equity securities, at fair value	216	252
Mortgage loans, net of allowances	10,340	11,042
Investment funds	703	683
Policy loans	488	487
Funds withheld at interest	15,023	15,241
Derivative assets	1,043	1,920
Short-term investments, at fair value	191	155
Other investments	122	121
Total investments	89,340	96,812
Cash and cash equivalents	2,911	3,021
Restricted cash	492	497
Investments in related parties		
Available-for-sale securities, at fair value	1,437	1,684
Trading securities, at fair value	249	239
Equity securities, at fair value	120	301
Mortgage loans	291	291
Investment funds	2,232	2,290
Funds withheld at interest	13,577	13,683
Other investments	386	387
Accrued investment income	682	751
Reinsurance recoverable	5,534	5,647
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	5,619
Other assets	1,635	962
Assets of consolidated variable interest entities		
Investments		
Trading securities, at fair value – related party	35	34
Equity securities, at fair value – related party	50	6
Investment funds	624	619
Cash and cash equivalents	2	2
Other assets	1	12
Total assets	\$ 125,505	\$ 132,857

Condensed Consolidated Balance Sheets (*unaudited, in millions*)

December 31, March 31,

	2018	2019
Liabilities		
Interest sensitive contract liabilities	\$ 96,610	\$ 98,452
Future policy benefits	16,704	19,016
Other policy claims and benefits	142	162
Dividends payable to policyholders	118	118
Long-term debt	991	991
Derivative liabilities	85	85
Payables for collateral on derivatives	969	1,781
Funds withheld liability	721	724
Other liabilities	888	1,410
Liabilities of consolidated variable interest entities	1	1
Total liabilities	117,229	122,740
Equity		
Common stock	—	—
Additional paid-in capital	3,462	3,448
Retained earnings	5,286	5,963
Accumulated other comprehensive income	(472)	706
Total shareholders' equity	8,276	10,117
Total liabilities and equity	\$ 125,505	\$ 132,857

Condensed Consolidated Statements of Income *(unaudited, in millions)*

	Three months ended March 31,	
	2018	2019
Revenue		
Premiums	\$ 278	\$ 1,966
Product charges	96	125
Net investment income	855	1,066
Investment related gains (losses)	(236)	1,772
OTTI investment losses		
OTTI losses	(3)	(2)
OTTI losses reclassified to (from) OCI	—	1
Net OTTI losses	(3)	(1)
Other revenues	6	12
Revenues of consolidated variable interest entities		
Net investment income	10	16
Investment related gains (losses)	5	5
Total revenues	1,011	4,961

Benefits and Expenses

Interest sensitive contract benefits	31	1,516
Amortization of DSI	20	5
Future policy and other policy benefits	401	2,295
Amortization of DAC and VOBA	82	231
Dividends to policyholders	13	9
Policy and other operating expenses	142	165
Total benefits and expenses	689	4,221
Income (loss) before income taxes	322	740
Income tax expense (benefit)	45	32
Net income (loss)	<u>\$ 277</u>	<u>\$ 708</u>

Non-GAAP Measure Reconciliations

The reconciliation of basic earnings per Class A common share to adjusted operating earnings per share is as follows:

	Three months ended March 31,	
	2018	2019
Basic earnings per share – Class A common shares	<u>\$ 1.40</u>	<u>\$ 3.65</u>
Non-operating adjustments		
Investment gains (losses), net of offsets	(0.17)	2.38
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	0.44	(0.14)
Integration, restructuring and other non-operating expenses	(0.04)	(0.01)
Stock compensation expense	(0.01)	(0.01)
Income tax (expense) benefit – non-operating	(0.03)	(0.03)
Less: Total non-operating adjustments	0.19	2.19
Less: Effect of items convertible to or settled in Class A common shares	(0.02)	(0.04)
Adjusted operating earnings per share	<u>\$ 1.23</u>	<u>\$ 1.50</u>

The reconciliation of basic weighted average Class A shares to weighted average shares outstanding – adjusted operating, is as follows:

	Three months ended March 31,	
(In millions)	2018	2019
Basic weighted average shares outstanding – Class A	148.7	161.3
Conversion of Class B shares to Class A shares	41.1	25.4

Conversion of Class M shares to Class A shares	5.8	5.1
Effect of other stock compensation plans	0.4	0.4
Weighted average shares outstanding – adjusted operating	<u>196.0</u>	<u>192.2</u>

The reconciliation of shareholders' equity to adjusted shareholders' equity included in adjusted book value per share, adjusted debt to capital ratio, and adjusted operating ROE is as follows:

<i>(In millions)</i>	March 31,	
	2018	2019
Total shareholders' equity	\$8,687	\$10,117
Less: AOCI	634	706
Less: Accumulated change in fair value of reinsurance assets	107	309
Total adjusted shareholders' equity	<u>\$7,946</u>	<u>\$ 9,102</u>
Retirement Services	\$5,495	\$ 8,201
Corporate and Other	2,451	901
Total adjusted shareholders' equity	<u>\$7,946</u>	<u>\$ 9,102</u>

The reconciliation of average shareholders' equity to average adjusted shareholders' equity included in adjusted operating ROE is as follows:

<i>(In millions)</i>	Three months ended March 31,	
	2018	2019
Average shareholders' equity	\$ 8,932	\$ 9,197
Less: Average AOCI	1,042	117
Less: Average accumulated change in fair value of reinsurance assets	134	117
Average adjusted shareholders' equity	<u>\$ 7,756</u>	<u>\$ 8,963</u>
Retirement Services	\$ 5,366	\$ 8,004
Corporate and Other	2,390	959
Average adjusted shareholders' equity	<u>\$ 7,756</u>	<u>\$ 8,963</u>

The reconciliation of basic Class A shares outstanding to adjusted operating common shares outstanding is as follows:

(In millions)	March 31,	
	2018	2019
Class A common shares outstanding	164.5	161.3
Conversion of Class B shares to Class A shares	25.5	25.4
Conversion of Class M shares to Class A shares	5.8	5.0
Effect of other stock compensation plans	1.0	0.7
Adjusted operating common shares outstanding	<u>196.8</u>	<u>192.4</u>

The reconciliation of book value per share to adjusted book value per share is as follows:

	March 31,	
	2018	2019
Book value per share	\$44.05	\$52.12
AOCI	(3.22)	(3.64)
Accumulated change in fair value of reinsurance assets	(0.54)	(1.59)
Effect of items convertible to or settled in Class A common shares	0.08	0.41
Adjusted book value per share	<u>\$40.37</u>	<u>\$47.30</u>

The reconciliation of debt to capital ratio to adjusted debt to capital ratio is as follows:

	March 31,	
	2018	2019
Total debt	\$ 992	\$ 991
Total shareholders' equity	8,687	10,117
Total capitalization	9,679	11,108
Less: AOCI	634	706
Less: Accumulated change in fair value of reinsurance assets	107	309
Total adjusted capitalization	<u>\$8,938</u>	<u>\$10,093</u>
Debt to capital ratio	10.2%	8.9%
AOCI	0.8%	0.6%
Accumulated change in fair value of reinsurance assets	0.1%	0.3%
Adjusted debt to capital ratio	<u>11.1%</u>	<u>9.8%</u>

The reconciliation of net investment income to net investment earnings and earned rate is as follows:

	Three months ended March 31,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
<i>(In millions)</i>				
GAAP net investment income	\$ 855	4.41%	\$ 1,066	3.79%
Change in fair value of reinsurance assets	45	0.22%	132	0.47%
Net VIE earnings	15	0.08%	21	0.08%
Alternative income gain (loss)	1	0.01%	(5)	(0.02)%
Held for trading amortization	(23)	(0.12)%	(11)	(0.04)%
Total adjustments to arrive at net investment earnings/earned rate	38	0.19%	137	0.49%
Total net investment earnings/earned rate	<u>\$ 893</u>	<u>4.60%</u>	<u>\$ 1,203</u>	<u>4.28%</u>
Retirement Services	\$ 866	4.63%	\$ 1,171	4.21%
Corporate and Other	27	3.76%	32	13.19%
Total net investment earnings/earned rate	<u>\$ 893</u>	<u>4.60%</u>	<u>\$ 1,203</u>	<u>4.28%</u>
Retirement Services average invested assets	\$74,735		\$111,443	
Corporate and Other average invested assets	2,844		959	
Average invested assets	<u>\$77,579</u>		<u>\$112,402</u>	

The reconciliation of interest sensitive contract benefits to Retirement Services' cost of crediting, and the respective rates, is as follows:

	Three months ended March 31,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
<i>(In millions)</i>				
GAAP interest sensitive contract benefits	\$ 31	0.16%	\$ 1,516	5.44%
Interest credited other than deferred annuities and institutional products	7	0.04%	55	0.20%
FIA option costs	174	0.93%	278	1.00%
Product charges (strategy fees)	(22)	(0.12)%	(28)	(0.10)%
Reinsurance embedded derivative impacts	3	0.02%	15	0.05%
Change in fair values of embedded derivatives – FIAs	121	0.65%	(1,311)	(4.70)%
Negative VOBA amortization	10	0.05%	12	0.04%
Other changes in interest sensitive contract liabilities	(2)	(0.01)%	(2)	(0.01)%
Total adjustments to arrive at cost of crediting on deferred annuities	291	1.56%	(981)	(3.52)%
Retirement Services cost of crediting	<u>\$ 322</u>	<u>1.72%</u>	<u>\$ 535</u>	<u>1.92%</u>

Retirement Services cost of crediting on deferred annuities	\$ 275	1.87%	\$ 444	1.98%
Retirement Services cost of crediting on institutional products	\$ 47	3.14%	\$ 91	3.69%
Retirement Services cost of crediting	<u>\$ 322</u>	<u>1.72%</u>	<u>\$ 535</u>	<u>1.92%</u>
Retirement Services average invested assets	\$74,735		\$111,443	
Average account value on deferred annuities	\$58,993		\$ 89,809	
Average institutional reserve liabilities	\$ 5,955		\$ 9,809	

The reconciliation of benefits and expenses to other liability costs is as follows:

	Three months ended March 31,	
	2018	2019
GAAP benefits and expenses	\$ 689	\$ 4,221
Premiums	(278)	(1,966)
Product charges	(96)	(125)
Other revenues	(6)	(12)
Cost of crediting	(145)	(242)
Change in fair value of embedded derivatives - FIA, net of offsets	66	(1,260)
DAC, DSI and VOBA amortization related to investment gains and losses	20	(173)
Rider reserves	1	(28)
Policy and other operating expenses, excluding policy acquisition expenses	(97)	(103)
AmerUs closed block fair value liability	54	(53)
Other	—	1
Total adjustments to arrive at other liability costs	<u>(481)</u>	<u>(3,961)</u>
Other liability costs	<u>\$ 208</u>	<u>\$ 260</u>
Retirement Services	\$ 208	\$ 260
Corporate and Other	—	—
Consolidated other liability costs	<u>\$ 208</u>	<u>\$ 260</u>

The reconciliation of policy and other expenses to operating expenses is as follows:

	Three months ended March 31,	
	2018	2019
Policy and other operating expenses	<u>\$ 142</u>	<u>\$ 165</u>

Interest expense	(13)	(17)
Policy acquisition expenses, net of deferrals	(45)	(62)
Integration, restructuring and other non-operating expenses	(8)	(1)
Stock compensation expenses	(3)	(3)
Total adjustments to arrive at operating expenses	(69)	(83)
Operating expenses	<u>\$ 73</u>	<u>\$ 82</u>
Retirement Services	\$ 58	\$ 62
Corporate and Other	15	20
Consolidated operating expenses	<u>\$ 73</u>	<u>\$ 82</u>

The reconciliation of total investments, including related parties, to invested assets is as follows:

(In millions)	March 31,	
	2018	2019
Total investments, including related parties	<u>\$80,273</u>	<u>\$115,687</u>
Derivative assets	(2,031)	(1,920)
Cash and cash equivalents (including restricted cash)	2,822	3,518
Accrued investment income	620	751
Payables for collateral on derivatives	(1,145)	(1,781)
Reinsurance funds withheld and modified coinsurance	(466)	(578)
VIE and VOE assets, liabilities and noncontrolling interest	810	676
Unrealized (gains) losses	(1,332)	(1,254)
Ceded policy loans	(299)	(283)
Net investment receivables (payables)	(529)	(1,045)
Total adjustments to arrive at invested assets	<u>(1,550)</u>	<u>(1,916)</u>
Total invested assets	<u>\$78,723</u>	<u>\$113,771</u>

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