



Athene Holding Ltd. GAAP Results as of Q2 2016

As Revised October 25, 2016

Athene Financial Highlights – Second Quarter 2016



(Dollars in millions)

	Three Months Ended		Six Months Ended	
	Q2 2016	Q2 2015	2016	2015
Operating income, net of tax by segment				
Retirement Services	\$ 195	\$ 176	\$ 392	\$ 313
Corporate and Other	(17)	(27)	(62)	(2)
Operating income, net of tax	178	149	330	311
Non-operating adjustments:				
Change in fair values of derivatives and embedded derivatives - FIA, net of offsets	(16)	23	(85)	(34)
Investment gains (losses), net of offsets	59	(36)	40	13
Integration, restructuring and other non-operating expenses	(5)	(9)	(6)	(25)
Stock compensation expense	(28)	(13)	(13)	(18)
Provision for income taxes - non-operating	4	(10)	13	1
Total non-operating adjustments	14	(45)	(51)	(63)
Net income available to AHL shareholders	\$ 192	\$ 104	\$ 279	\$ 248
Operating ROE excluding AOCI	12.3%	12.8%	11.5%	13.5%
Operating ROE excluding AOCI - Retirement Services	18.6%	22.5%	19.1%	19.3%
Operating ROE excluding AOCI - trailing twelve months	13.7%	18.4%	13.7%	18.4%
Operating ROE excluding AOCI - Retirement Services - trailing twelve months	21.6%	21.6%	21.6%	21.6%
ROE	12.7%	7.9%	9.5%	9.8%
ROE excluding AOCI	13.3%	8.9%	9.7%	10.8%
ROE excluding AOCI - trailing twelve months	10.7%	14.6%	10.7%	14.6%
Common shares outstanding	186	186	186	186
Weighted average common shares outstanding - diluted	186	185	186	164
Operating EPS - diluted	\$ 0.95	\$ 0.81	\$ 1.77	\$ 1.89
EPS - diluted	\$ 1.03	\$ 0.56	\$ 1.50	\$ 1.51
Book value per share			\$ 34.62	\$ 30.17
Book value per share excluding AOCI			\$ 31.56	\$ 28.34

* Q2 2016 includes \$8 million of immaterial operating revision adjustments and \$(7) million of immaterial revision adjustments to net income. There was no revision impact to operating and net income for Q2 2015.

* Six months ended June 30, 2016 and 2015 include \$(7) million and \$(1) million of immaterial operating revision adjustments and \$(27) million and \$3 million of immaterial revision adjustments to net income.

Retirement Services - Management View Financials



(Dollars in millions)

	Three Months Ended		Six Months Ended	
	Q2 2016	Q2 2015	2016	2015
Operating income	\$ 195	\$ 176	\$ 392	\$ 313
Operating ROE excluding AOCI	18.6%	22.5%	19.1%	19.3%
Operating ROE excluding AOCI - trailing twelve months	21.6%	21.6%	21.6%	21.6%
Fixed income and other investments	4.32%	4.11%	4.42%	4.04%
Alternative investments	11.82%	10.82%	8.86%	8.34%
Net investment earned rate	4.62%	4.35%	4.59%	4.20%
Cost of crediting on deferred annuities	1.99%	1.88%	1.97%	1.90%
Investment margin on deferred annuities	2.63%	2.47%	2.62%	2.30%

* Q2 2016 and Q2 2015 include \$13 million and \$(2) million of immaterial operating revision adjustments. There was no revision impact to operating income for Q2 2015.

* Six months ended 2016 and 2015 include \$(2) million and \$(2) million of immaterial operating revision adjustments.

GAAP Income Statement



<i>(Dollars in millions)</i>	Three Months Ended		Six Months Ended	
	Q2 2016	Q2 2015	2016	2015
Revenue				
Premiums	\$ 60	\$ 33	\$ 120	\$ 64
Product charges	69	62	135	120
Net investment income	704	629	1,396	1,179
Investment related gains (losses)	225	(170)	143	(66)
OTTI investment losses:				
OTTI losses	(2)	(20)	(24)	(21)
OTTI losses recognized in OCI	(9)	6	3	6
Net OTTI losses	(11)	(14)	(21)	(15)
Other revenues	9	5	17	10
Revenues related to consolidated variable interest entities:				
Net investment income	22	10	33	18
Investment related gains (losses)	(31)	(11)	(54)	37
Total revenues	1,047	544	1,769	1,347
Benefits and Expenses				
Interest sensitive contract benefits	333	145	586	453
Amortization of DSI	2	5	6	8
Future policy and other policy benefits	261	77	485	231
Amortization of DAC and VOBA	62	49	90	88
Interest expense	2	7	3	11
Dividends to policyholders	13	11	30	22
Policy and other operating expenses	161	117	264	230
Operating expenses of consolidated variable interest entities	5	2	9	7
Total benefits and expenses	839	413	1,473	1,050
Income before income taxes	208	131	296	297
Income tax expense	16	27	17	33
Net income	192	104	279	264
Less: Net income attributable to noncontrolling interests	—	—	—	16
Net income available to AHL shareholders	\$ 192	\$ 104	\$ 279	\$ 248

GAAP Balance Sheet – Total Assets



(Dollars in millions)

	June 30, 2016	December 31, 2015
Assets		
Investments		
Available for sale securities at fair value		
Fixed maturity securities	\$ 49,637	\$ 47,816
Equity securities	194	407
Trading securities, at fair value	2,681	2,468
Mortgage loans, net of allowances	5,678	5,500
Investment funds	718	733
Policy loans	602	642
Funds withheld at interest	5,593	3,482
Derivative assets	961	871
Real estate	594	566
Short-term investments	343	135
Other investments	88	83
Total investments	67,089	62,703
Cash and cash equivalents	3,307	2,714
Restricted cash	78	116
Investment in related parties:		
Fixed maturity securities	297	308
Trading securities, at fair value	211	217
Investment funds	1,026	997
Short-term investments	—	55
Other investments	237	245
Accrued investment income	507	520
Reinsurance recoverable	6,232	7,257
Deferred acquisition costs, deferred sales inducements, and value of business acquired	2,684	2,663
Current income tax recoverable	77	113
Deferred tax assets	208	606
Other assets	811	749
Assets of consolidated variable interest entities:		
Investments		
Trading securities, at fair value		
Fixed maturity securities	704	722
Equity securities - related party	266	309
Investment funds - related party	540	534
Cash and cash equivalents	6	6
Restricted cash	9	—
Other assets	12	20
Total assets	\$ 84,301	\$ 80,854

GAAP Balance Sheet – Total Liabilities and Equity



(Dollars in millions)

	June 30, 2016	December 31, 2015
Liabilities and Equity		
Liabilities		
Interest sensitive contract liabilities	\$ 58,797	\$ 57,296
Future policy benefits	14,745	14,540
Other policy claims and benefits	216	234
Dividends payable to policyholders	1,150	856
Derivative liabilities	26	17
Payables for collateral on derivatives	743	867
Reinsurance payable	51	45
Funds withheld liability	391	388
Other liabilities	1,232	731
Liabilities of consolidated variable interest entities	512	517
Total liabilities	77,863	75,491
Equity		
Common stock	—	—
Additional paid-in capital	3,276	3,281
Retained earnings	2,592	2,318
Accumulated other comprehensive income	569	(237)
Total Athene Holding Ltd. shareholders' equity	6,437	5,362
Noncontrolling interest	1	1
Total equity	6,438	5,363
Total liabilities and equity	\$ 84,301	\$ 80,854

Appendix

Non-GAAP Measures and Definitions

Non-GAAP Measures:

- **Operating income, net of tax**, a commonly used operating measure in the life insurance industry, 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 operating income, net of tax, equals net income available to AHL's shareholders adjusted to eliminate the impact of the following: (a) bargain purchase gain, (b) change in fair values of derivatives and embedded derivatives - FIA, net of offsets, (c) investment gains (losses), net of offsets, (d) integration, restructuring, and other non-operating expenses, (e) stock compensation expense and (f) provision for income taxes - non-operating

We consider these non-operating adjustments to be meaningful adjustments to net income available to AHL's shareholders and we believe using a measure which excludes the impact of these items is effective in analyzing the trends in our results of operations. Together with net income available to AHL's shareholders, we believe operating income, net of tax, provides a meaningful financial metric that helps investors understand our underlying results and profitability. Operating income, net of tax, should not be used as a substitute for net income attributable to AHL's shareholders.

- **ROE excluding AOCI, operating ROE excluding AOCI, book value per share excluding AOCI** are non-GAAP measures used to evaluate our financial performance excluding the impacts of AOCI. AOCI fluctuates period-to-period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our available for sale ("AFS") securities. Accordingly, we believe using measures which exclude AOCI is more effective in analyzing the trends of our operations. ROE excluding AOCI, operating ROE excluding AOCI and book value per share excluding AOCI should not be used as a substitute for ROE and book value per share. However, we believe the adjustments to equity are significant to gaining an understanding of our overall results of operations.

- **Investment margin** is a key measurement of the health of our Retirement Services core deferred annuities. Investment margin on our deferred annuities is generated from the excess of our net investment income over the cost of crediting to our policyholders. Net investment earned rate is the key measure of investment returns and cost of crediting is a key measure of the policyholder benefits on our deferred annuities. Investment margin is calculated by subtracting net investment earned rate by cost of crediting.

- **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 trending and comparability of analyzing these measures, 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 variable interest entity ("VIE") impacts (revenues, expenses and noncontrolling interest) and the change in reinsurance embedded derivatives. We include the income and assets supporting our assumed reinsurance by evaluating the underlying investments of the funds withheld at interest receivables and we include the net investment income from those underlying investments which does not correspond to the GAAP presentation of reinsurance embedded derivatives. We exclude the income and assets supporting business that we have exited through ceded reinsurance including funds withheld agreements. We believe the adjustments for reinsurance provide a net investment earned rate on the assets for which we have economic exposure.

- **Cost of crediting** is the interest credited to the policyholders on our fixed strategies as well as the option costs on the index annuity strategies. With respect to FIAs, the cost of providing index credits includes the expenses incurred to fund the annual index credits, and where applicable, minimum guaranteed interest credited. The interest credited on fixed strategies and option costs on index annuity strategies are divided by the average account value of our deferred annuities. Under GAAP, deposits and withdrawals for fixed indexed and fixed rate annuities are reported as deposit liabilities (or policyholder funds). Our average account values are averaged over the number of quarters in the relevant period to obtain our cost of crediting for such period. To enhance the trending and comparability of analyzing these measures, interim periods are annualized.

We believe measures like net investment earned rate, cost of crediting and investment margin on deferred annuities are effective in analyzing the trends of our core business operations, profitability and pricing discipline. While we believe net investment earned rate, cost of crediting and investment margin on deferred annuities are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for net investment income and interest sensitive contract liabilities presented under GAAP.

- **Invested assets** represent the investments that directly back our policyholder liabilities as well as surplus assets. Invested assets is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Invested assets includes (a) total investments on the consolidated balance sheet with AFS securities at 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 and (f) 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 modified coinsurance 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.

Definitions:

- **Earnings per share** is the net income (or net operating income) divided by the weighted average common shares outstanding – basic (or diluted).
- **Book value per share** is the ending equity (excluding AOCI) divided by the common shares outstanding at the end of the period.

Non-GAAP Measure Reconciliations



Reconciliation of AHL shareholders' equity to AHL shareholders' equity excluding AOCI

(Dollars in millions)	June 30, 2016		June 30, 2015	
Retirement Services	\$	4,243	\$	3,690
Corporate and Other		1,625		1,571
Total AHL shareholders' equity excluding AOCI		5,868		5,261
AOCI		569		341
Total AHL shareholders' equity	\$	6,437	\$	5,602

Reconciliation of net investment earned rate and income to GAAP net investment income

(Dollars in millions)	Three Months Ended				Six Months Ended			
	Q2 2016		Q2 2015		2016		2015	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
Retirement Services	\$ 712	4.62 %	\$ 638	4.35 %	\$ 1,403	4.59 %	\$ 1,227	4.20 %
Corporate and Other	16	0.93 %	(14)	(4.03)%	5	0.16 %	21	2.99 %
Total net investment earnings/earned rate	728	4.23 %	624	4.14 %	1,408	4.13 %	1,248	4.17 %
Reinsurance embedded derivative impacts	(53)	(0.31)%	(13)	(0.09)%	(89)	(0.26)%	(34)	(0.11)%
Net VIE earnings	14	0.08 %	3	0.02 %	30	0.09 %	(32)	(0.11)%
Alternative investment (gain) loss	—	— %	12	0.08 %	32	0.09 %	(10)	(0.03)%
Other	15	0.09 %	3	0.02 %	15	0.04 %	7	0.02 %
Total adjustments to arrive at net investment earnings/earned rate	(24)	(0.14)%	5	0.03 %	(12)	(0.04)%	(69)	(0.23)%
GAAP net investment income	\$ 703	4.10 %	\$ 629	4.16 %	\$ 1,396	4.09 %	\$ 1,179	3.94 %
Retirement Services average invested assets	\$ 61,686		\$ 58,865		\$ 61,089		\$ 58,469	
Corporate and Other average invested assets	7,177		1,501		7,139		1,367	
Consolidated average invested assets	\$ 68,863		\$ 60,366		\$ 68,228		\$ 59,836	

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

(Dollars in millions)	Three Months Ended				Six Months Ended			
	Q2 2016		Q2 2015		2016		2015	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
Retirement Services cost of crediting on deferred annuities	\$ 253	1.99 %	\$ —	1.88 %	\$ 496	1.97 %	\$ 465	1.90 %
Interest credited other than deferred annuities	27	0.21 %	18	0.15 %	56	0.22 %	49	0.20 %
FIA option costs	(139)	(1.09)%	(126)	(1.03)%	(275)	(1.10)%	(248)	(1.02)%
Product charges (strategy fees)	13	0.10 %	8	0.07 %	24	0.10 %	14	0.06 %
Reinsurance embedded derivative impacts	(7)	(0.06)%	(4)	(0.03)%	(13)	(0.05)%	(8)	(0.03)%
Change in fair values of embedded derivatives - index annuities	204	1.61 %	29	0.24 %	340	1.36 %	210	0.86 %
Negative VOBA amortization	(15)	(0.12)%	(19)	(0.16)%	(24)	(0.10)%	(36)	(0.15)%
Unit linked change in reserves	(4)	(0.03)%	—	— %	(19)	(0.08)%	—	— %
Other changes in interest sensitive contract liabilities	1	0.01 %	10	0.08 %	1	— %	7	0.03 %
Total adjustments to arrive at cost of crediting on deferred annuities	80	0.63 %	(84)	(0.68)%	90	0.35 %	(12)	(0.05)%
GAAP interest sensitive contract benefits	\$ 333	2.62 %	\$ 145	1.20 %	\$ 586	2.32 %	\$ 453	1.85 %
Average account value	\$ 50,817		\$ 48,943		\$ 50,297		\$ 48,834	

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