



# Information for AAA Investors on Athene

November 7, 2013



# Athene Financial Update – September 2013

- At 9/30/2013, Athene had approximately \$15.7 billion in management view\* assets, backing \$13.2 billion in liabilities and supported by roughly \$2.2 billion in shareholder's equity (ex-AOCI)
- Athene's long-term operating ROAE goals still remain in the mid to high teens
- Management view operating income for the first nine months of 2013 was approximately \$560 million, resulting in an operating ROAE (ex-AOCI) near 40%
- Third quarter 2013 returns exceeded historical averages, driven by material increases in partnership valuations. Other investment income and costs were in line
- Preliminary third quarter results, unaudited and presented in management view, were operating income of about \$320 million

*\*Denotes financial measures not calculated based on generally accepted accounting principles ("non-GAAP")*

# Aviva Acquisition Update

- We closed the Aviva transaction on October 2, 2013. We also reinsured Aviva's life business to Global Atlantic and reinsured 80% of Aviva's annuity business to Athene Life Re, our Bermuda subsidiary
- Final consideration was \$1.55 billion plus a purchase price adjustment of approximately \$780 million, which was largely due to (and funded by) Aviva USA's earnings generated between signing and closing
- Pro forma for Aviva, we will have approximately \$60 billion in management view assets (this excludes life assets reinsured to Global Atlantic)

# Athene Strategy Update

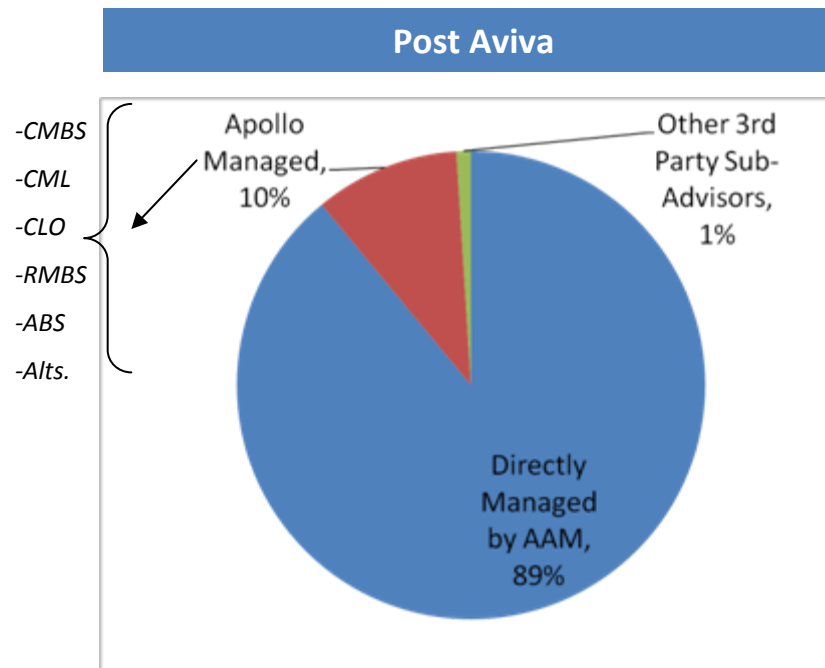
- With Aviva, we are a leader in U.S. equity indexed fixed annuities business, as measured by reserves
- Enhanced our return-oriented business strategy with improved incremental returns due to increased operating leverage
- When returns meet our targets, we will seek to acquire annuity liabilities through any or all of three channels:
  - Retail issuance through the now combined Athene and Aviva platforms
  - Institutional issuance through third-party reinsurance and funding agreements
  - Acquisitions of companies, portions of companies or blocks of business
- We currently believe opportunities exist to achieve adequate returns in all three channels.
  - However, we are not reliant on nor compelled to pursue consistent or growing volume in any channel
  - Our goal is a business model and cost structure that allows us to moderate activity in any channel when maintaining volume brings disproportionate risk or inadequate return
- In particular, with Aviva, we are now poised to seek material retail growth and will actively pursue profitable, organic growth in this channel

# Athene Key Topics: What Is Athene Asset Management?

- Athene Asset Management (“AAM”), a subsidiary of Apollo Global Management formed in 2009, provides asset allocation services, direct asset management services, and a suite of other services to Athene and other insurance clients
  - AAM’s ~100 full-time, dedicated, and focused investment and operations professionals have deep experience in asset allocation across a broad range of asset classes – 100% of Athene’s portfolio is allocated by AAM
  - AAM’s employees also have significant experience directly sourcing, underwriting, and managing specific investment and non-investment grade credit asset classes– ~90% (~\$50 billion) directly managed by AAM pro forma for Aviva
  - AAM also offers a robust suite of other critical services including risk management, asset and liability matching management, M&A asset diligence, hedging and other services typically provided by a full slate of specialty firms or built in-house with significant supporting infrastructure
  - AAM has access to AGM’s broad credit platform infrastructure and to 250+ investment professionals across a myriad of asset classes. Apollo is uniquely positioned to be able to leverage its integrated platform, global scale, human capital resources, and leading alternative credit management franchise to efficiently provide services to Athene

# What Is Athene Asset Management? (continued)

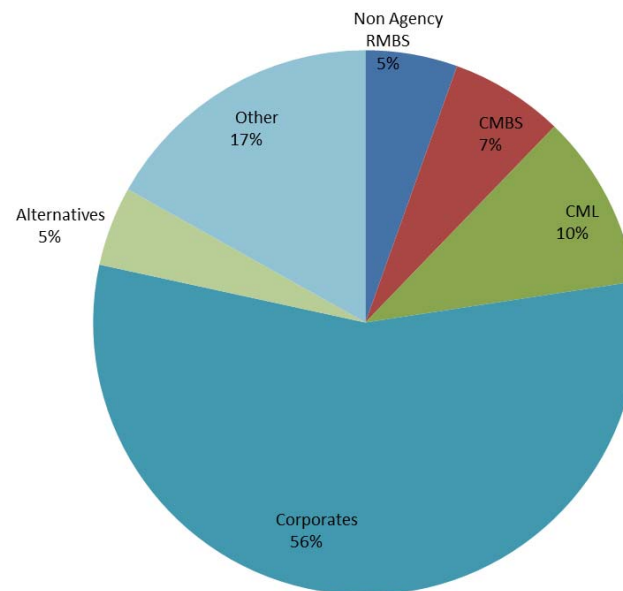
- The vast majority of AAM's assets are managed directly by AAM. Where AAM does not have in-house investment management expertise, AAM uses 3rd party managers
- As of September 30, 2013, pro forma for Aviva, ~10% (~\$7bn) of Athene's assets were invested in various Apollo strategies
  - Of these assets, the vast majority are in sub-advisory managed accounts that manage high grade credit asset classes
- Sub-advisory mandates between Athene and Apollo are structured on a fair market value / arm's length basis and subject to conflicts committee process and approval with independent board directors



# Asset Portfolio Update

- We have already launched a multi-year program to reposition the portfolio in line with our long-term asset management strategy
- Drawing on our successful experience in redeploying assets from the Presidential and Liberty Life acquisitions, we see significant opportunities to enhance yield within our risk parameters

Pro Forma Assets<sup>1</sup> at 9.30.2013



<sup>1</sup>Proforma for acquisition of Aviva

# Business Model to Management View Financials

(\$ in millions)	High Level Business Model (10% Capital)				2012 FY Actual Financials <sup>1</sup>					
Balance Sheet	\$ Amount				\$ Amount		Average Asset			
<b>Assets</b>	<b>\$ 1,100</b>				<b>\$10,517</b>		<b>\$ 9,806</b>			
Reserves	\$ 1,000				\$ 8,840		\$ 8,643			
Targeted Capital	100				909					
Excess Capital	-				669					
<b>Liabilities / Equity</b>	<b>\$ 1,100</b>				<b>\$10,517</b>					
Income Statement										
Investment Income	\$ 66	=	Assets	x	6.00%	\$ 721	=	Assets	x	7.36%
Cost of Funds / Reserves <sup>2</sup>	(35)	=	Reserves	x	(3.50%)	(376)	=	Reserves	x	(4.35%)
<b>Spread Income</b>	<b>\$ 31</b>	=			<b>2.50%</b>	<b>\$ 346</b>	=			<b>3.01%</b>
Less: G&A & Taxes	(15)	=	Reserves	x	(1.50%)	(138)	=	Reserves	x	(1.59%)
<b>Operating Income</b>	<b>\$ 16</b>				<b>1.00%</b>	<b>\$ 208</b>				<b>1.42%</b>
<i>ROAE</i> <sup>3</sup>	<b>16%</b>	=	Operating Income	÷	Target Capital	<b>27%</b>	=	Operating Income	÷	Target Capital
Plus: Realized Gains & MTM (i.e. Unrealized Gains)					183					
<b>Net Income</b>					<b>\$ 391</b>		=	Net Income	÷	Total Capital
<i>Net Income ROAE</i> <sup>4</sup>					<b>40%</b>					

<sup>1</sup> Management view (see Appendix for further detail and reconciliation to GAAP); full year estimate inclusive of the de minimis impact of the Presidential transaction as it has come in end of the year.

<sup>2</sup> Please see cost of funds pages for further detail on adjustments between economic and management view cost of funds.

<sup>3</sup> Removes accumulated other comprehensive income ("AOCI") – which is primarily composed of unrealized gains in investments.

<sup>4</sup> Includes excess capital and removes accumulated other comprehensive income ("AOCI") – which is primarily composed of unrealized gains in investments.

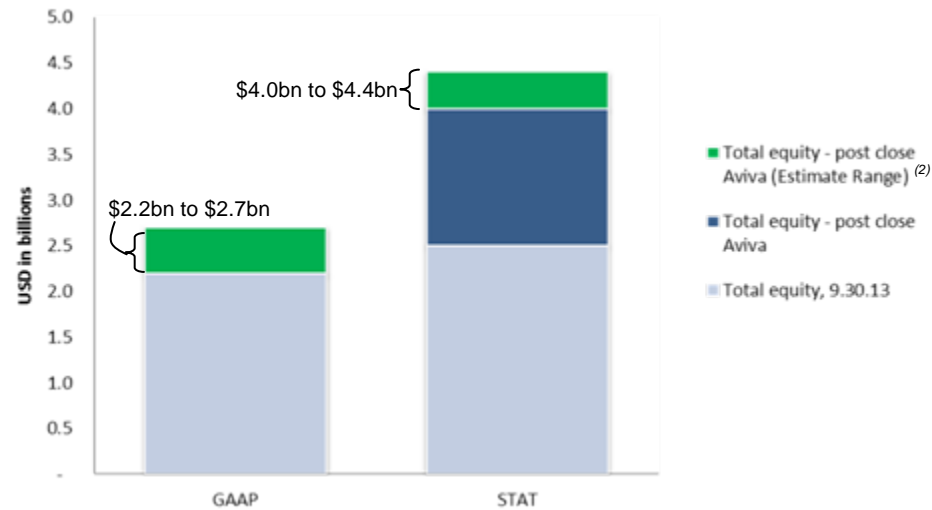


# Athene Capital Update

- In the third quarter of 2013, Athene Holding diversified its capital base and put in place a \$500 million revolver underwritten by top tier banks
- Currently, Athene has \$300 million drawn on this facility, but expects to pay down the revolver from internal cash generated over the course of the next two quarters
- This credit facility enhances our liquidity and financial flexibility
- Ongoing, Athene intends to use the revolver for liquidity, short term capital needs, and general corporate purposes

# Athene Capital Resources Pro Forma For Aviva <sup>(1)</sup>

- AHL's estimated pro forma regulatory capital resources at 9/30 will be between US \$4.0 and \$4.4 billion<sup>(2)(3)</sup>
- AHL's consolidated GAAP equity (excluding AOCI) at 9/30/13 was approximately \$2.2 billion.



	GAAP	STAT
Management assets, post close Aviva	59	56
Management liabilities, post close Aviva	57	52
Assets : Equity	nm	13x
Liabilities : Equity	nm	12x
Target ROE:	15-20%	nm

- (1) All of these estimates and expectations are preliminary and subject to change. The impacts of the transactions will be recorded in our books during the fourth quarter and will not be finalized until we complete the closing and audit of our full year financial statements.
- (2) This is a preliminary estimate and could ultimately be outside this range.
- (3) Statutory capital is calculated using materially different accounting principles than capital calculated in accordance with GAAP. The metric above is the sum of the capital and surplus of Athene Annuity & Life Assurance Company, the statutory legal entity parent company of all Athene's U.S. life insurance subsidiaries and the capital and surplus of Athene Life Re Ltd, which is Athene's only material Bermuda insurance subsidiary; each component is based on the distinct rules and basis of accounting prescribed by U.S. and Bermuda insurance regulators respectively and the sum does not include non - insurance assets or liabilities of Athene Holding and its non - insurance subsidiaries.

# Appendix

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# Athene Holding Ltd. Financial Information

## BALANCE SHEET

in USD millions

Management View (unaudited non GAAP)

	YTD Jun-13 Actual	FULL YEAR Dec-12 Actual	FULL YEAR Dec-11 Actual	FULL YEAR Dec-10 Actual
Net Assets	14,703	14,386	8,518	1,949
Deferred Acquisition Cost ("DAC")	146	129	140	98
Sales Inducements ("SIA")	72	70	87	75
Value of Business Acquired ("VOBA")	(140)	(67)	343	-
Liberty hedge asset with Nomura	-	-	5	24
<b>Total Assets</b>	<b>14,781</b>	<b>14,519</b>	<b>9,094</b>	<b>2,146</b>
Reserves	11,855	11,857	7,821	1,567
Value of Embedded Derivatives ("VED")	612	568	534	225
Guaranteed living withdrawal benefits ("GLWB") reserves	77	65	40	9
Unearned revenue reserves ("URR")	(2)	0	10	(7)
Accrued expenses and TASA	134	-	-	-
Note Payable	51	153	40	-
<b>Total Liabilities</b>	<b>12,727</b>	<b>12,643</b>	<b>8,446</b>	<b>1,794</b>
Other comprehensive income	150	218	3	3
Additional Paid in Capital	1,298	1,217	595	298
Retained earnings	441	50	51	16
Earnings (Loss)	165	391	(0)	35
<b>Total Equity</b>	<b>2,054</b>	<b>1,876</b>	<b>647</b>	<b>352</b>
<b>Total Liabilities and equity</b>	<b>14,781</b>	<b>14,519</b>	<b>9,094</b>	<b>2,146</b>
Return on Average Net Assets	2.28%	3.42%	-0.01%	2.46%
Return on Average equity	17.48%	31.00%	-0.09%	14.94%
Equity as a % of liabilities	16.14%	14.84%	7.67%	19.61%

Note: To understand the difference between Management view and GAAP financial statements, see Appendix I.

# Athene Holding Ltd. Financial Information (Cont'd)

## INCOME STATEMENT

in USD millions

Management View (unaudited non GAAP)

	YTD	FULL YEAR	FULL YEAR	FULL YEAR
	Jun-13 Actual	Dec-12 Actual <sup>1</sup>	Dec-11 Actual	Dec-10 Actual
Gross investment income, net of subadvisory fees	540	753	250	110
Investment management fees	(29)	(32)	(19)	(8)
<b>Net investment income</b>	<b>511</b>	<b>721</b>	<b>232</b>	<b>102</b>
	-			
Cost of funds <sup>2</sup>	(244)	(376)	(180)	(63)
MVAs <sup>3</sup>	(5)	(25)	(10)	-
<b>Net investment spread</b>	<b>262</b>	<b>320</b>	<b>42</b>	<b>39</b>
	-			
G&A - Normal expenses	(52)	(73)	(34)	(12)
G&A - Expected institutional origination expense	(4)	(6)	(6)	(3)
<b>Operating income</b>	<b>206</b>	<b>241</b>	<b>2</b>	<b>23</b>
	-			
RCGs/(RCLs) net of incentive fees and impairments <sup>4</sup>	39	143	26	16
G&A - non operating expenses <sup>5</sup>	(52)	(58)	(21)	(18)
UCGs/(UCLs) <sup>6</sup>	(13)	127	(23)	17
Market related options net of VED <sup>7</sup>	-	3	(42)	(12)
Market related amortization <sup>8</sup>	4	(53)	150	(5)
Derivatives <sup>9</sup>	(6)	(26)	(91)	14
Taxes	(13)	13	(4)	-
<b>Net Income</b>	<b>165</b>	<b>391</b>	<b>(0)</b> <sup>10</sup>	<b>35</b>

### Informational - 3rd Quarter 2013

Athene Retail Sales	257
Aviva Retail Sales	523

1. Full year actual inclusive of the de-minimis impact of the Presidential transaction as it closed at the end of the year.
2. Consists of index credits with associated call option payoffs and GLWB expense for EIA policies, interest credited on MYGA policies and total earnings on AEGON short term portfolio net of associated DAC amortizations.
3. Market Value Adjustments.
4. Realized capital gains and losses on securities, net of incentive fees and any impairments.
5. G&A – non operating expenses include excess institutional origination fees and special management fees incurred during the periods presented.
6. Unrealized gains or losses from securities held within third party funds withheld accounts.
7. Consists of option income in excess of option payoffs and change in VED reserves in excess of index credits for EIA policies.
8. Consists of amortization of DAC, URR, SIA, VOBA, associated with non operating earnings. Also includes bargain purchase gain and change in GLWB reserves associated with non operating earnings.
9. Unrealized gains or losses on derivative instruments (interest rate swaps, etc.).
10. The 2011 earnings were impacted by the hedging of the Liberty transaction.

# Athene Holding Ltd. Financial Information – Definitions

TERMS	DEFINITIONS
DAC	DAC stands for Deferred Acquisition Costs. This represents the balance of the day one capitalized unamortized costs incurred. This balance is composed of commissions paid to agents, policy issue costs, marketing allowances and excise taxes. The majority of these costs are capitalized and amortized over the life of policies in proportion to the company's expected future earnings. Certain other capitalized costs related to some investment type contracts are amortized in proportion to policyholder projected cash flows.
SIA	SIA stands for Sales Inducement Asset. This represents the balance of the day one capitalized unamortized costs incurred to fund the Equity Indexed Annuities ("EIA") policyholder premium bonus. These costs are capitalized and amortized over the life of policy in proportion to the company's expected future earnings.
VOBA	VOBA stands for Value of Business Acquired. VOBA is the difference between the fair value of the acquired insurance assets and liabilities and the allocation of the purchase price to those assets and liabilities. Athene's VOBA represents the unamortized balance of initial perceived market value of the inforce blocks of business on the date that LLIC, IIC and PLIC were legally owned by Athene. VOBA is amortized over the life of inforce block in proportion to the future earnings.
VED	VED stands for Value of Embedded Derivative. This represents the present value of the excess benefits above the guaranteed benefits due to the future index credits that are expected to be given to the EIA policyholders upon surrender, withdrawal or death. This balance is marked-to-market and incorporates in the calculation the index credits beyond the current index term.
GLWB reserves	GLWB stands for Guaranteed Living Withdrawal Benefit. This represents the reserve for the GLWB benefits that the policyholder will receive once the EIA Account Value ("AV") is zero. It is calculated by taking the total present value of cost for this benefit and dividing it by the total net investment income and rider fees that the company will earn (benefit ratio) times the net income and fees earned to date.
URR	URR stands for Unearned Revenue Reserve. This represents the balance of the day one gains associated with the funds withheld reinsurance trades. This balance relates to market value of the assets less the liabilities assumed and ceding commissions paid. These balances are amortized over the life of policies in proportion to the future liability cash flows.
Market value adjustments	This represents the market value adjustments ("MVAs") that are added or deducted from the policyholder account balances when they surrender their policy. If risk free interest rates have risen since the policy was issued, the AV is reduced. Conversely, if interest rates have fallen since the policy was issued, the AV is increased. This MVA adjustment feature was created to protect against any disintermediation risk between the assets and liabilities.

# Appendix I – Management View Financials

## Management's view of the financial statements differs from the Audited Financial Statements view

- Management balance sheets are presented without the assets and liabilities relating to the effects of reinsurance to Protective Life and the AEGON short portfolio<sup>1</sup>
- It excludes the impact of grossing up the assets and liabilities from the consolidation effect from the CMBS Partnerships<sup>2</sup>.
- Other adjustments include reclassifications of negative liability balances to the assets section, such as VOBA and other liabilities, including accruals for expenses
- Management income statements present results by re-categorizing transactions into operating and non-operating based on management's view of what constitutes operating income

<sup>1</sup> AEGON short portfolio represents a group of assets for which the credit risk has been reinsured out of the company via total return swap

<sup>2</sup> CMBS partnerships represents a partnership investment that is consolidated for GAAP and is composed of highly rated CMBS assets backing a fixed credit facility

# Appendix I – Financial report bridges

## ATHENE HOLDING LTD.

### Report Bridges

Management View to unaudited Financial Statements View  
in USD millions

#### Assets bridge

	Unaudited SIX MONTHS 30-Jun-13	Audited FULL YEAR 2012	Audited FULL YEAR 2011
Total Assets , per Management view	14,781	14,519	9,094
Total Assets , per unaudited Financial Statements view	19,178	19,169	13,115
	<b>(4,397)</b>	<b>(4,650)</b>	<b>(4,022)</b>
Ceded to third party	(2,067)	(2,056)	(2,082)
Deconsolidation of CMBS funds	(1,252)	(1,261)	(748)
AA Separate account assets	(15)	(15)	(17)
Aegon-Short term hedged business	(826)	(1,023)	(1,384)
VOBA reclassification as Assets , rather then negative liabilities	(140)	(67)	343
Deconsolidation of noncontrolling interests	-	-	(2)
DAC/URR netting at unaudited Financial Statements view (FAS91)	3	4	5
Netting of other operating liabilities in Assets at Management view	(100)	(232)	(137)
	<b>(4,397)</b>	<b>(4,650)</b>	<b>(4,022)</b>

#### Liabilities bridge

	Unaudited SIX MONTHS 30-Jun-13	Audited FULL YEAR 2012	Audited FULL YEAR 2011
Total Liabilities, per Management view	12,727	12,643	8,446
Total Liabilities, per unaudited Financial Statements view	17,124	17,293	12,466
	<b>(4,397)</b>	<b>(4,650)</b>	<b>(4,020)</b>
Ceded to third party	(2,067)	(2,056)	(2,082)
Deconsolidation of CMBS funds	(1,252)	(1,261)	(748)
AA Separate account assets	(15)	(15)	(17)
Aegon-Short term hedged business	(826)	(1,023)	(1,384)
VOBA reclassification as Assets , rather then negative liabilities	(140)	(67)	343
Deconsolidation of noncontrolling interests	-	-	-
DAC/URR netting at unaudited Financial Statements view (FAS91)	3	4	5
Netting of other operating liabilities in Assets at Management view	(100)	(232)	(137)
	<b>(4,397)</b>	<b>(4,650)</b>	<b>(4,020)</b>



# Appendix I – Financial report bridges continued

## ATHENE HOLDING LTD.

### Report Bridges

Management View to unaudited Financial Statements View  
in USD millions

#### Operating income bridge

	Unaudited SIX MONTHS 30-Jun-13	Audited FULL YEAR 2012	Audited FULL YEAR 2011
Operating income , per Management view	206	241	2
Net income, per unaudited Financial Statements view	165	391	(0)
	<b>41</b>	<b>(150)</b>	<b>2</b>
RCGs/(RCLs) net of incentive fees and impairments	(39)	(143)	(26)
UCGs/(UCLs)	13	(127)	23
G&A - non operating expenses	52	58	21
Market related options net of VED	-	(3)	42
Market related amortization	(4)	53	(150)
Derivatives	6	26	91
Taxes	13	(13)	4
	<b>41</b>	<b>(150)</b>	<b>2</b>

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