



# Athene Holding Ltd

May 5, 2015

# Athene Continues to Deliver



- **Ratings Agency actions recognize the strength of our business and capital position**
  - A.M. Best upgraded the financial strength rating of Athene's operating companies to "A-" (Excellent) with stable outlook in April
  - S&P affirmed our A- rating last fall and upgraded our outlook to stable
- **Solid Earnings and Growth in Capital**
  - Consolidated capital to reserve ratio of 10.7% at year-end 2014. Ratio at 12.6% on a proforma basis including the capital raise
  - Strong GAAP operating performance resulting in operating ROAE excluding AOCI of 27.4% in 1Q 14 and 35.5% for 2013
- **Strong organic and inorganic growth at Athene**
  - Retail sales of \$2.6 billion in 2014 at attractive net spreads and continued growth projected in 2015
  - Announced acquisition of German insurance company with assets of approximately \$6.0 billion – geographic expansion of Athene's core spread-based strategy
- **Received final equity contributions from \$1.28 billion private placement to further support Athene strategy of:**
  - Continuing opportunistic M&A
  - Expanding flow and block reinsurance opportunities
  - Launching funding agreement-backed note program
- **Public company readiness**
  - Significant progress on remediation program resulting in the resumed production of GAAP financial statements
  - Reissued 1Q 14 GAAP financial statements resulting in a \$152 million increase to shareholder's equity and book value per share excluding AOCI increasing to \$24.18 compared to \$22.35 previously reported
  - Expect to release full year 2014 audited GAAP financial statements in September and to be completely caught up with 2015 GAAP quarterly reporting by year-end 2015. We anticipate that Athene's 2016 GAAP financial statements will be delivered in accordance with standard company quarterly release timelines
  - Focused on ensuring that all financial systems, reporting processes and controls are appropriate for a public company
  - Athene Holding and its insurance subsidiaries have continued to meet all regulatory filing deadlines with regard to financial statements prepared in accordance with Statutory Accounting principles

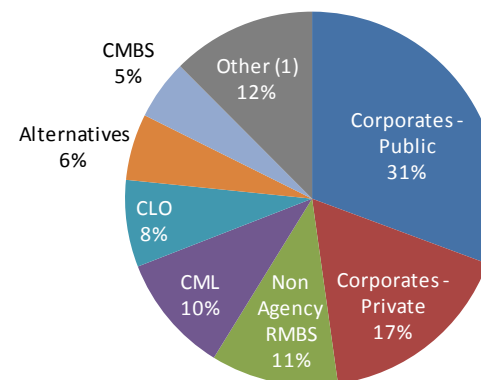
# Business Update

# Athene's Core Business Continues to Perform Well



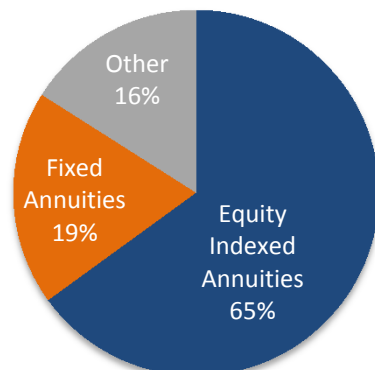
## Athene's Investment Portfolio (12/31/14)

- Athene maintains a high quality investment portfolio, diversified across investment grade credit and other assets classes
  - ✓ 87%<sup>(2)</sup> of our investment portfolio rated NAIC 1 or 2 as of 12/31/14 (highest NAIC designation)
- Multi-channel platform for sourcing liabilities
  - Organic: Retail and wholesale distribution and flow reinsurance
  - Inorganic: M&A and block reinsurance
- Retail platform significantly enhanced by Aviva acquisition
  - 2014 volumes of \$2.6 billion written
  - Continued profitable growth in retail sales planned for 2015
  - Focused on sourcing low-cost, capital-efficient product
  - Licensed to sell product in all 50 states



\* Investment portfolio data is presented on a Statutory basis as of 12/31/2014.

## Athene's Liability Portfolio (12/31/2014)



\* Liability portfolio data is presented on a Statutory basis as of 12/31/2014.

WAL <sup>(3)</sup>	10.22
Weighted Average Cash Cost of Funds <sup>(4)</sup>	3.40%
% MVA Protected <sup>(5)</sup>	71%
% Surrender Charge Protected <sup>(5)</sup>	84%

<sup>(1)</sup> Consists primarily of ABS, cash & equivalents, munis, and other.

<sup>(2)</sup> CMLs are mapped to nearest NAIC rating based on capital charges. CMLs designated CM1 and CM2 are included with NAIC 2 assets. CMLs designated CM3 and CM4 are included with NAIC 3 assets.

<sup>(3)</sup> Weighted Average Life (WAL) is indicated in years and based on 12/31/2014 Statutory reserves.

<sup>(4)</sup> Weighted Average Cost of Policyholder Obligations is based on 12/31/2014 Statutory reserves and represents the IRR of all cashflows related to servicing the liabilities, including both actual historical cash collected and projected future cash payments. As such, it will differ from the calculation of management view GAAP cost of funds.

<sup>(5)</sup> Percentage of Market Value Adjustment (MVA) and Surrender Charge protected are based on account value as of 12/31/2014.

# Rating Agency Actions



- **“A-”** rating for both A.M. Best and S&P
  - ✓ A.M. Best **upgrade** to A- with a stable outlook in April 2015
  - ✓ S&P A- rating reaffirmed and **upgrade** to stable outlook in November 2014
- Expect Fitch’s review sometime this spring
- What they say about us:
  - ✓ Superior management team with extensive experience
  - ✓ Strong financials and capital, with a proven ability to grow capital
  - ✓ Significant progress toward satisfying material weakness

Rating Agency	Rating	Athene Subsidiary
<b>A.M. Best<sup>1</sup></b>	<b>A-</b> (excellent) with stable outlook	Athene Annuity and Life Company Athene Annuity & Life Assurance Company Athene Annuity & Life Assurance Company of NY Athene Life Insurance Company of NY Athene Life Re Ltd.  <u>Last update:</u> April 21, 2015
<b>S&amp;P<sup>2</sup></b>	<b>A-</b> (strong) with stable outlook	Athene Annuity & Life Assurance Company Athene Annuity & Life Assurance Company of NY Athene Annuity and Life Company Athene Life Re Ltd  <u>Last update:</u> November 25, 2014
<b>Fitch</b>	<b>BBB+</b>	Athene Annuity & Life Assurance Company  <u>Last Update:</u> July 14, 2014 (affirmed)

<sup>1</sup> Financial strength ratings for all members of Athene Group including Athene Annuity and Life Company. A.M. Best Company’s Financial Strength Rating (FSR) reflects A.M. Best Company’s assessment of the relative ability of an insurer to meet its ongoing insurance policy and contract obligations.

<sup>2</sup> Financial strength ratings for all members of Athene Group including Athene Annuity and Life Company. Standard & Poor’s credit ratings express their opinion about the ability and willingness of an issuer to meet its financial obligations in full - and on time.

# Financial Statement Update

## GAAP Revised 2013 and Restated Q1 2014



- Actuarial Remediation Program (ARP) GAAP work was completed by the end of December 2014. Identified adjustments resulted in:
  - Revision of 2013 audited GAAP financial statements
  - Restatement of 1Q 2014 unaudited GAAP financial statements
- Cumulative impact is \$152 million increase to March 31, 2014 GAAP shareholders' equity
  - GAAP book value per share (ex-AOCI) increased to \$24.18 compared to \$22.35 previously reported at March 31, 2014
- Net income for the year ended December 31, 2013 was revised downward by \$17 million while net income for 1Q 2014 increased by \$94 million for the restatement adjustments
  - A driver of the change in both the 2013 revised and Q1 2014 restated periods was the need to change our calculations for reserve balances associated with our indexed products
  - The reserve changes were a result of modifications to our calculations to appropriately consider the impact of partial withdrawal activity
  - The ARP adjustments lowered reserves and increased income in both 2013 and Q1 2014. Offsetting the increase in 2013 was the final true up of PGAAP (purchase accounting) adjustments for the Aviva USA transaction, resulting in a reduction of 2013 net income
- 2013 revised net income is \$877 million resulting in a ROAE (ex-AOCI) of 40.56%<sup>(1)</sup> and revised operating income is \$767 million resulting in an operating ROAE (ex-AOCI) of 35.47%<sup>(1)</sup>
- Q1 2014 restated net income is \$101 million resulting in a ROAE (ex-AOCI) of 14.87% and restated operating income is \$186 million resulting in an operating ROAE (ex-AOCI) of 27.37%

(1) ROAE (ex-AOCI) and operating ROAE (ex-AOCI) for 2013 benefited from outsized contributions from alternative assets

# GAAP Revised 2013 and Restated Q1 2014



(In millions, except per share data)

	Three months ended March 31,		For the year ended December 31,		Variance Analysis	
	Q1 2014 Restated	Q1 2014 Reported	2013 Revised	2013 Audited	Q1 Restated vs. Q1 Reported	2013 Revised vs. 2013 Audited
Annuity Sales	\$ 607	\$ 607	\$ 2,973	\$ 2,973	\$ -	\$ -
Operating Income	186	158	767	779	28	(12)
Net Income	101	7	877	894	94	(17)
Operating Profit ROAE excluding AOCI	27.37%	24.13%	35.47%	35.88%	3.24%	-0.41%
Net Income ROAE excluding AOCI	14.87%	1.07%	40.56%	41.18%	13.80%	-0.62%
Operating Earnings per Share <sup>(1)</sup>	\$ 1.55	\$ 1.31	\$ 6.67	\$ 6.77	0.24	(0.10)
Earnings per Share <sup>(1)</sup>	\$ 0.84	\$ 0.06	\$ 7.62	\$ 7.87	0.78	(0.25)
Book Value per Share excluding AOCI <sup>(2)</sup>	\$ 24.18	\$ 22.35	\$ 23.18	\$ 23.33	1.83	(0.15)
<b>Equity Items:</b>						
Average Equity excluding AOCI	2,782	2,619	2,162	2,171	163	(9)
Common Shares Outstanding - basic	115	115	115	115	-	-
Weighted Average Common Shares Outstanding - diluted <sup>(3)</sup>	120	120	115	115	-	-

<sup>(1)</sup> Earnings per share and operating earnings per share are based on weighted average diluted shares outstanding.

<sup>(2)</sup> Book value per share excluding AOCI is the ending equity excluding AOCI divided by common shares outstanding – basic.

<sup>(3)</sup> Dilutive shares considers if all convertible securities, such as convertible bonds and stock options, were exercised. This calculation was calculated with the dilutive effects of time-based M1 and M2 shares.



# Athene GAAP Financial Update – 2013 & Q1 2014



- Athene’s overall spread business framework forms the foundation for its strong performance. Favorable investment performance along with long-term, low cost liabilities results in continued margin strength and results.
- 2013 management view operating income is \$767 million, resulting in an operating ROAE (ex-AOCI) of 35.47%. Net income is \$877 million, a ROAE (ex-AOCI) 40.56%.
  - Net investment income yield of 6.43%, elevated from normalized yields, as 2013 benefited from outsized contributions from alternative assets
  - Cost of Funds of (3.00%), slightly favorable to historical results driven by the lower cost of funds within the Aviva USA acquired business, completed in October 2013.
  - Other operating expenses of (0.61%), which is in line with the historical Athene Legacy business
  - Non-operating adjustments of 0.42% includes a bargain purchase gain relating to the Aviva USA acquisition as well as a gain from the fixed-indexed annuity embedded derivative (net of hedging)<sup>(1)</sup> driven by favorable market movements partially offset by integration and restructuring expenses
- Q1 2014 management view operating income is \$186 million, resulting in an operating ROAE (ex-AOCI) of 27.37%. Net income is \$101 million, a ROAE (ex-AOCI) 14.87%.
  - Net investment income yield of 4.13%, influenced by marking the Aviva USA acquired assets to fair value, driving down the investment yield. Yields are anticipated to increase as the Aviva USA portfolios are redeployed into higher earning, high-quality strategies
  - Cost of Funds of (2.56%), benefiting from the lower cost of funds within the Aviva USA acquired business
  - Other operating expenses of (0.32%), favorable to prior quarters as operating efficiencies from acquisitions begin to take hold
  - Non-operating adjustments of (0.57%) includes integration and restructuring expenses as well as a loss from the fixed-indexed annuity embedded derivative (net of hedging)<sup>(1)</sup> primarily driven by lower discount rates partially offset by investment gains

<sup>(1)</sup> Athene primarily hedges with options that align with index terms for its FIA products (typically 1-2 years). From an economic basis this is suitable because policyholder accounts are credited with index performance at the end of each index term. However, because the VED (“value of embedded derivative”) in an FIA contract is longer-dated, there is a duration mismatch which may lead to an accounting mismatch even though Athene is economically hedged.

# Summarized GAAP Management View Financials



(In millions, except percentages noted)

	Q1 2014 Restated		2013 Revised	
		Bps		Bps
Net Investment Income <sup>(1)</sup>	\$ 621	4.13%	\$ 1,688	6.43%
Cost of Funds <sup>(2)</sup>	(387)	-2.56%	(761)	-3.00%
<b>Net Spread</b>	<b>234</b>	<b>1.57%</b>	<b>927</b>	<b>3.43%</b>
Other operating expenses <sup>(1)</sup>	(48)	-0.32%	(160)	-0.61%
<b>Operating income before tax</b>	<b>186</b>	<b>1.24%</b>	<b>767</b>	<b>2.82%</b>
Non-operating adjustments <sup>(1) (3)</sup>	(85)	-0.57%	110	0.42%
<b>Net income (loss)</b>	<b>\$ 101</b>	<b>0.68%</b>	<b>\$ 877</b>	<b>3.24%</b>
Average invested assets <sup>(4)</sup>	60,203		26,235	
Average reserves <sup>(5)</sup>	60,316		25,364	
Operating Profit ROAE excluding AOCI	27.37%		35.47%	
Net Income ROAE excluding AOCI	14.87%		40.56%	
Average Equity excluding AOCI <sup>(6)</sup>	2,782		2,162	

<sup>(1)</sup> Net investment income, operating expenses and non-operating adjustments are a percentage of average invested assets. Net investment income for 2013 benefited from outsized contributions from alternative assets.

<sup>(2)</sup> Cost of funds is a percentage of average reserve liabilities. Cost of funds reconciliation is shown on page 17.

<sup>(3)</sup> Non-operating adjustments for Q1 2014 includes (\$52M) change in fair value of derivatives and embedded derivatives on index annuities, \$45M investment gains and losses, (\$72M) integration and restructuring expenses, and (\$6M) income tax provision. 2013 non-operating adjustments includes \$146M bargain purchase gain, \$151M change in fair value of derivatives and embedded derivatives on index annuities, (\$2M) investment gains and losses, (\$186M) integration and restructuring expenses, and \$1M income tax provision.

<sup>(4)</sup> Average invested assets includes (a) Total Investments on the 10-K with AFS securities at amortized cost excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) accrued investment income, (d) investments in related parties, (e) assets and liabilities related to variable interest entities, and excluding funds withheld liabilities related to business exited through reinsurance agreements. Due to the acquisition of Aviva USA in 2013, the consolidated average invested assets was calculated by taking the average of the 12/31/2012 and 12/31/2013 invested assets for legacy Athene and adding 25% of AA-IA's 4<sup>th</sup> quarter average invested assets in order to take into account only one quarter of net investment income.

<sup>(5)</sup> Average reserve liabilities includes the 10-K lines for Interest Sensitive Contract Liabilities, Future Policy Benefits, and Other Policy Claims and Benefits offset by Reinsurance Ceded Receivables. Consolidated average reserve liabilities were calculated using the same method as average invested assets.

<sup>(6)</sup> Average equity excluding AOCI excludes the capital raise proceeds from commitments entered into in April 2014.

# Statutory Highlights – Year End 2014



- Athene Holding and its insurance subsidiaries have continued to meet all regulatory filing deadlines with regard to financial statements prepared in accordance with Statutory Accounting principles.
- Athene is well capitalized and the Company’s assets continue to grow. For the year ended 2014, Athene continues to show strength and growth from 2013.
  - ✓ Onshore Risk Based Capital (RBC) ratio of 506% CAL<sup>(1)</sup>, offshore BSCR of 197%<sup>(2)</sup>, and consolidated capital-to-reserve ratio of approximately 10.7% (in-line with investment grade peers)
  - ✓ Consolidated statutory capital of \$5.7 billion, which excludes approximately \$1 billion of undrawn committed capital from Athene’s 2014 capital raise, which was drawn and funded in April 2015
  - ✓ U.S. Combined statutory capital and surplus of \$1.2 billion<sup>(1)</sup>
  - ✓ Total consolidated statutory assets are \$59 billion<sup>(3)</sup>. Our portfolio continues to be well-diversified with 87%<sup>(4)</sup> of our investment portfolio carrying a 1 or 2 rating – the highest categories by the NAIC’s Securities Valuation Office
  - ✓ No financial leverage, as we have no outstanding borrowings under our line of credit and no other debt
- Athene Embedded Value per share as of March 31, 2015 can be found on the AAA website at [www.apolloalternativeassets.com](http://www.apolloalternativeassets.com). It will be included in their May 7<sup>th</sup> earnings release in a footnote to the Net Asset Value for AAA table.

(In billions)

	2014	2013	2014 vs. 2013
Onshore Risk Based Capital (RBC) <sup>(1)</sup>	506%	427%	79%
Offshore BSCR <sup>(2)</sup>	197%	193%	4%
Capital to Reserves Ratio <sup>(3)</sup>	10.7%	8.7%	2.0%
Consolidated Statutory Capital <sup>(3)</sup>	\$ 5.7	\$ 4.6	\$ 1.1
U.S. Combined Statutory Capital & Surplus <sup>(1)</sup>	1.2	1.1	0.1
Consolidated Assets <sup>(3)</sup>	59.2	58.8	0.4

<sup>(1)</sup> RBC and Capital & Surplus are for Athene Annuity & Life Assurance Company, which sits at the top of our chain of U.S. insurance subsidiaries.

<sup>(2)</sup> Athene Life Re Ltd., Bermuda Solvency Capital Requirement. This has been adjusted for anticipation of future regulatory changes.

<sup>(3)</sup> Consolidated Statutory metrics throughout this communication are calculated using materially different accounting principles than similar metrics calculated in accordance with US GAAP. The consolidated statutory metrics are the sum of Athene Annuity & Life Assurance Company and Athene Life Re Ltd., which is Athene’s only material Bermuda insurance subsidiary, and Athene’s non-life insurance companies.

<sup>(4)</sup> CMLs are mapped to nearest NAIC rating based on capital charges. CMLs designated CM1 and CM2 are included with NAIC 2 assets. CMLs designated CM3 and CM4 are included with NAIC 3 assets.

# Integration and Acquisition Update

- Athene has built a robust platform to support our M&A strategy. We have acquired four companies within five years, with a fifth acquisition announced in 2015
- 18 months post Aviva acquisition:
  - ✓ Combined operating platforms
  - ✓ Consolidated offices and made West Des Moines operational headquarters
    - Topeka operations consolidated with WDM at the end of 2014
    - Greenville office closing late summer 2015
    - Consolidating certain functions at New York operations
  - ✓ Combined sales force and marketing teams
  - ✓ Championed new product launches and continued moving Delaware products to Iowa platform
- Announced pending acquisition of Delta Lloyd NV's German operations in January 2015
  - ✓ Currently planning integration approach for pending acquisition

- Athene announced the acquisition of Delta Lloyd Deutschland AG and its subsidiaries (“DLD”) on January 15, 2015
  - DLD is the German subsidiary of Delta Lloyd NV, an Amsterdam-based financial services provider
  - Assets of approximately \$6.0 billion as of December 31, 2014
- Extension of Athene’s Core Underwriting Expertise: Managing Spread Risk and Protecting Policyholders
  - Athene’s core focus is sourcing long-term, low-cost, stable liabilities, which fund a matched high quality fixed income portfolio of assets to earn a net spread
  - DLD’s asset-intensive liabilities—deferred and payout annuities, and endowment contracts—are similar to Athene’s US fixed annuity liability structures
- Athene is committed to protecting the interests of DLD’s policyholders and to continue to serve DLD’s customers
- Currently working to obtain regulatory approvals; developing integration plans with the DLD team

- Demonstrates geographic scalability of Athene's core strategy
- As a result of increased capital requirements coming from Solvency II and the low interest rate environment, many players in the German insurance market are retrenching to core products and home markets
- This creates opportunity for Athene, similar to the opportunity on which Athene has executed in the US for the past five years
- Athene brings five key value-add advantages to the table as an acquirer: *capital strength, asset expertise, liability management capabilities, risk management experience and a demonstrated aptitude for integrating acquisitions*
- Athene plans to retain DLD's management team and supplement the team in Germany —including a new CIO and a new CRO
- DLD's business is currently in run-off, and Athene does not anticipate generating new retail business at DLD

# Appendix



# GAAP Management Income Statement



(In millions)

	Q1 2014 Restated	2013 Revised
<b>Operating Revenue:</b>		
Premiums	\$ 27	\$ (1,137)
Product Charges	53	80
Investment related income - Alternatives	100	691
Investment related income - Other	590	1,122
Investment related expenses	(69)	(125)
Net Investment Income	621	1,688
Other Revenues	6	9
<b>Total operating revenues</b>	<b>707</b>	<b>640</b>
<b>Operating Benefits and Expenses:</b>		
Interest Sensitive Contract Benefits	247	512
Future Policy and Other Policy Benefits	151	(998)
Amortization of DAC, DSI, and VOBA	32	110
Policy expenses, net of deferrals	42	87
Interest Expense	1	2
Other Operating Expenses	48	160
<b>Total operating benefits and expenses</b>	<b>521</b>	<b>(127)</b>
<b>Operating income before tax</b>	<b>186</b>	<b>767</b>
<b>Non-operating adjustments:</b>		
Bargain purchase gain (adjustments)	-	146
Change in fair values of derivatives and embedded derivatives - index annuities, net of offsets	(52)	151
Investment gains (losses), net of offsets	45	(2)
Integration and restructuring expenses	(72)	(186)
Provision for income taxes	(6)	1
Non-controlling interests	-	-
<b>Total Non-operating adjustments</b>	<b>(85)</b>	<b>110</b>
<b>Net income (loss)</b>	<b>\$ 101</b>	<b>\$ 877</b>
<b>Cost of Funds Reconciliation</b>		
Total operating benefits and expenses (from above)	\$ 521	\$ (127)
Add:		
Insurance Premiums	(27)	1,137
Product Charges	(53)	(80)
Other Revenues	(6)	(9)
Less:		
Other operating expenses - operating	48	160
<b>Total Cost of funds</b>	<b>\$ 387</b>	<b>\$ 761</b>

# GAAP Income Statement



(In millions)

	Q1 2014 Restated	2013 Revised
<b>Revenue:</b>		
Premiums	\$ 27	\$ (1,137)
Product Charges	51	72
Net Investment Income	599	1,584
Investment related gains (losses)	190	911
OTTI investment losses:		
OTTI Losses	-	(1)
OTTI Losses recognized in OCI	-	-
Net OTTI Losses recognized in Operations	-	(1)
Other Revenues	6	9
Bargain Purchase Gain (adjustments)	-	146
Revenues related to consolidated variable interest entities:		
Net Investment Income	20	73
Investment related gains (losses)	7	(39)
<b>Total revenues</b>	<b>900</b>	<b>1,618</b>
<b>Benefits and Expenses:</b>		
Interest Sensitive Contract Benefits	395	1,052
Future Policy and Other Policy Benefits	201	(950)
Amortization of DAC, DSI and VOBA	20	168
Policy acquisition expenses, net of deferrals	42	87
Interest Expense	8	10
Other operating expenses	120	344
Operating expenses of consolidated variable interest entities:		
Interest Expense	6	27
Other operating expenses	1	4
<b>Total benefits and expenses</b>	<b>793</b>	<b>742</b>
<b>Income from operations before income taxes</b>	<b>107</b>	<b>876</b>
Provision for income taxes	6	(1)
<b>Net income (loss)</b>	<b>\$ 101</b>	<b>\$ 877</b>

# GAAP Balance Sheet – Total Assets



(In millions)

	Q1 2014 Restated	2013 Revised
<b>Assets</b>		
Investments:		
Available For Sale Securities at fair value:		
Fixed maturity securities	\$ 42,879	\$ 42,725
Equity securities	191	166
Trading securities, at fair value	2,543	2,791
Mortgage loans, net of allowances	5,600	5,613
Investment in partnership interests	1,123	1,299
Policy loans	788	789
Funds withheld at interest	2,529	2,501
Derivative assets	1,834	2,089
Other Investments	-	-
<b>Total investments</b>	<b>57,487</b>	<b>57,973</b>
Cash and cash equivalents	3,282	3,005
Restricted Cash	119	114
Investment in related parties:		
Partnership interests	1,974	1,918
Accrued investment income	510	513
Reinsurance ceded receivables	10,457	10,350
DAC, DSI and VOBA	2,060	2,092
Tax recoverable	78	49
Deferred tax assets	447	659
Other assets	797	805
Assets of consolidated variable interest entities:		
Investments at fair value	871	1,644
Cash and cash equivalents	5	9
Other variable interest entities assets	9	13
Separate account assets	65	66
<b>Total assets</b>	<b>\$ 78,161</b>	<b>\$ 79,210</b>

# GAAP Balance Sheet – Total Liabilities and Equity



(In millions)

	Q1 2014 Restated	2013 Revised
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Interest sensitive contract liabilities	\$ 60,356	\$ 60,819
Future policy benefits	10,342	10,201
Other policy claims and benefits	350	355
Notes payable	-	300
Related party notes payable	51	51
Derivative liabilities	351	368
Other reinsurance balances payable	175	424
Funds withheld liability	1,302	1,260
Other liabilities	1,343	1,382
Liabilities of consolidated variable interest entities:		
Borrowing under repurchase agreements	581	1,219
Other variable interest entities liabilities	5	25
Separate account liabilities	65	66
<b>Total liabilities</b>	74,921	76,470
Note receivable	(28)	(58)
Non-controlling interest - mezzanine	28	58
<b>Shareholders' Equity</b>		
Common stock	-	-
Additional paid-in-capital	1,347	1,348
Retained earnings	1,420	1,319
Accumulated other comprehensive income	458	73
<b>Total Athene Holding LTD. shareholders' equity</b>	3,225	2,740
Noncontrolling interest	15	-
<b>Total equity</b>	3,240	2,740
<b>Total liabilities and equity</b>	\$ 78,161	\$ 79,210

# Non-GAAP Measures



- **Operating income, before taxes**, a commonly used operating measure in the life insurance industry, is a non-GAAP measure used to evaluate our financial performance excluding economic measures and expenses related to integration and restructuring. Our operating income equals net income adjusted to eliminate the impact of the change in fair value of derivatives and embedded derivatives on index annuities, net investment gains and losses, bargain purchase gains including any adjustments, integration and restructuring expenses, and the income tax provisions. These items fluctuate period-to-period in a manner inconsistent with our core operations due to their economic nature. Accordingly, we believe using a measure which excludes their impact is effective in analyzing the trends of our operations. Together with net income, we believe operating income provides a meaningful financial metric that helps investors understand our underlying results and profitability. Operating income, should not be used as a substitute for net income. However, we believe the adjustments made to net income are significant to gaining an understanding of our overall results of operations.
- **ROAE excluding AOCI** is a non-GAAP measure used to evaluate our financial performance due to the exclusion of the impacts of accumulated other comprehensive income from the calculations. These items fluctuate period-to-period in a manner inconsistent with our core operations due to their economic nature. Accordingly, we believe using a measure which excludes their impact is effective in analyzing the trends of our operations and allow for a better understanding of the underlying trends in our operations. ROE excluding AOCI should not be used as a substitute for ROE including AOCI. However, we believe the adjustments to equity are significant to gaining an understanding of our overall results of operations.
- **Book Value per share excluding AOCI** is a non-GAAP measure used to evaluate our financial performance due to the exclusion of the impacts of accumulated other comprehensive income from the calculations. These items fluctuate period-to-period in a manner inconsistent with our core operations due to their economic nature. Accordingly, we believe using a measure which excludes their impact is effective in analyzing the trends of our operations and allow for a better understanding of the underlying trends in our operations. Book value per share excluding AOCI should not be used as a substitute for book value per share including AOCI. However, we believe the adjustments to equity are significant to gaining an understanding of our overall results of operations.

# Non-GAAP Measure Reconciliations



## Summary of adjustments to arrive Operating income, before tax

(In millions)

	Three months ended March 31,		For the year ended December 31,	
	Q1 2014 Restated	Q1 2014 Reported	2013 Revised	2013 Audited
<b>Net income available to Athene common shareholders</b>	\$ 101	\$ 7	\$ 877	\$ 894
Bargain purchase gain (adjustments)	-	-	(146)	(212)
Change in fair values of derivatives and embedded derivatives - index annuities, net of offsets	52	134	(151)	(109)
Investment (gains) losses, net of offsets	(45)	(58)	2	(36)
Integration and restructuring expenses	72	64	186	187
Provision for income taxes	6	11	(1)	55
<b>Total adjustments to arrive at operating income, before tax</b>	<b>85</b>	<b>151</b>	<b>(110)</b>	<b>(115)</b>
<b>Operating income, before tax</b>	<b>\$ 186</b>	<b>\$ 158</b>	<b>\$ 767</b>	<b>\$ 779</b>

## Summary of adjustments to arrive at total equity excluding AOCI

(In millions)

	Q1 2014 Restated	Q1 2014 Reported	2013 Revised	2013 Audited
Total equity	\$ 3,240	\$ 3,088	\$ 2,740	\$ 2,741
Accumulated other comprehensive income	458	502	73	57
<b>Total equity excluding AOCI</b>	<b>\$ 2,782</b>	<b>\$ 2,586</b>	<b>\$ 2,667</b>	<b>\$ 2,684</b>

\* "Remeasured" financial statements for 2013 included PGAAP adjustments to the Opening Balance Sheet related to the Aviva USA acquisition. These adjustments related to the fair value reserves and corresponding VOBA, AmerUs closed block, and the associated deferred tax on the balance sheet and the bargain purchase gain on the income statement which were presented in the June AAA presentation.

# Non-GAAP Measure Reconciliations



## Summary of adjustments to arrive at Total revenue and Total benefits and expenses

(In millions)

	Q1 2014 Restated	2013 Revised
<b>Operating revenues</b>	<b>\$ 707</b>	<b>\$ 640</b>
Premiums	-	-
Product Charges	(2)	(8)
Net Investment Income	(22)	(104)
Investment related gains (losses)	190	910
Other Revenues	-	0
Bargain Purchase Gain (adjustments)	-	146
Revenues related to consolidated variable interest entities:		
Net Investment Income	20	73
Investment related gains (losses)	7	(39)
<b>Increase (decrease) in total revenue</b>	<b>193</b>	<b>978</b>
<b>Total revenues</b>	<b>\$ 900</b>	<b>\$ 1,618</b>
<b>Operating benefits and expenses</b>	<b>\$ 521</b>	<b>\$ (127)</b>
Interest Sensitive Contract Benefits	148	540
Future Policy and Other Policy Benefits	50	48
Amortization of DAC, DSI and VOBA	(12)	58
Policy acquisition expenses, net of deferrals	-	-
Interest Expense	7	8
Other operating expenses	72	184
Operating expenses of consolidated variable interest entities:		
Interest Expense	6	27
Other operating expenses	1	4
<b>Increase (decrease) in total benefits and expenses</b>	<b>272</b>	<b>869</b>
<b>Total benefits and expenses</b>	<b>\$ 793</b>	<b>\$ 742</b>

## Additional Information



# Definitions



**Q4 2013 Revised** The Q4 2013 results were revised for PGAAP measurement period adjustments and adjustments relating to the Actuarial Remediation Program, reinsurance, investments, and taxes.

**Q1 2014 Restated** The Q1 2014 results were restated for adjustments relating to the Actuarial Remediation Program, reinsurance, investments, and taxes.

**Net Spread** the return on invested assets in excess of the benefits paid to our policyholders.

**Investment Yield** is the net investment earned rate on our assets. This is the net investment income as a percentage of our average invested assets.

**Cost of Funds (COF)** is the total expected cost of servicing the liabilities in a given period to compare to the investment yield on the assets supporting the liabilities. Cost of funds represents the accrued amount that we expect to ultimately pay to the policyholder in excess of the initial deposits.

**Return on Assets (ROA)** is the annualized net income (loss) divided by average total assets.

**Return on Average Equity (ROAE)** is the annualized net income (loss) (or net operating income) divided by average equity. Average equity is the average of the beginning and ending equity for the period.

**Earnings per Share** is the net income (or net operating income) divided by the weighted average common shares outstanding – diluted.

**Book Value per Share** is the ending equity (excluding AOCI) divided by the common shares outstanding – basic at the end of the period.

**Net Investment Spread** is the investment income less the cost of crediting on fixed annuity products. The cost of crediting includes the fixed interest credited to policyholders and the option amortization related to the index annuities.

**Invested Assets** - are defined as the sum of (a) Total Investments on the 10-K with AFS securities at amortized cost excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) accrued investment income, (d) investments in related parties, (e) assets and liabilities related to variable interest entities, (f) policy loans ceded and excluding funds withheld liabilities related to business exited through reinsurance agreements.

**Reserve Liabilities** includes the 10-K lines for Interest Sensitive Contract Liabilities, Future Policy Benefits, and Other Policy Claims and Benefits offset by Reinsurance Ceded Receivables.

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