



Athene Holding Ltd
("AHL")
GAAP Results as of Q3 2015

12/17/2015

Athene Third Quarter 2015 Highlights

Execution Against Key Initiatives



Strong Financial Profile

Q3 Operating income net of tax of \$159mm up 13% over prior year

- Q3 Net investment earned rate of 4.41% up 52 bps over prior year
- Q3 Cost of crediting of 1.92% favorable by 6 bps over prior year
- Q3 Investment margin of 2.49% up 58 bps over prior year
- Book value per share (ex. AOCI) increased to \$28.54 at 9/30/15 vs. \$26.14 at 9/30/14

Well Capitalized

Focus on minimizing risk and holding excess capital to take advantage of market opportunity

- Onshore RBC ratio of 559% at 9/30/15 vs. 506% at 12/31/14
- Offshore BSCR⁽¹⁾ ratio of 237% at 9/30/15 vs. 197% at 12/31/14

Positioned for Growth

Sourcing long-term, attractively priced liabilities

- Retail – Year to date annuity sales are up over prior year and surpassed \$2B
- Flow reinsurance – Year to date record premiums of \$657mm
- Funding Agreement Backed Notes - Issued inaugural \$250mm offering in October
- M&A - Closed acquisition of Delta Lloyd in Germany Oct. 1, 2015

Strengthen our Organization

Progress across Athene

- Added depth to our “best in class” senior team with addition of Marty Klein as CFO, with over 32 years of industry experience
- In preparation of becoming a public company, effective 7/1/15, we adopted ASU 2015-02, which changes our consolidation determination on certain types of legal entities.

(1) BSCR has been adjusted for anticipation of future regulatory changes. The BSCR model provides a method for determining an insurer's capital requirements by taking into account the risk characteristics of different aspects of the insurer's business. The BSCR formula establishes capital requirements for fixed income investment risk, equity investment risk, interest rate risk, premium risk, reserve risk, credit risk, and operational risk. For each category, the capital requirement is determined by applying factors to items such as assets, premiums, reserves and amounts at risk with higher factors applied to items with greater underlying risk and lower factors for less risky items. The minimum requirement is 100% and Athene targets maintaining a minimum ratio of 150% internally.

Athene Third Quarter 2015 Highlights

Company Delivers Strong Operating Results



- ✓ **Operating income, net of tax for the third quarter of 2015 increased 13% to \$159 million**, compared to third quarter 2014 operating income of \$141 million. The increase was driven primarily by strong performance in Athene's core fixed income portfolio and higher yielding alternatives. Operating ROE, net of tax, for the third quarter of 2015 (excluding AOCI) was 12.0%, compared to third quarter 2014 Operating ROE, net of tax, of 16.0%. Equity (excluding AOCI) increased \$1.7 billion from the third quarter 2014 as a result of \$1.3 billion of capital drawn and funded and retained earnings growth, driving down the ROE from prior year.
 - **Net investment earned rate** of 4.41% was \$96 million favorable to prior year as we continue to reinvest into high quality, higher yielding strategies. The fixed income portfolio achieved a record earned rate of 4.24%.
 - **Cost of Funds** - The primary component of costs of funds is the core cost of crediting which improved 6 bps but the total cost of funds of 2.83% was \$24 million unfavorable to prior year due primarily to an increase in amortization.
 - **Operating expenses** were consistent with prior year.
 - **Income taxes on operating income** was \$58 million unfavorable to prior year primarily due to an increase in valuation allowance.
- ✓ **Investment margin of 2.49%, favorable by 58 bps from third quarter 2014 of 1.91%**. The growth is driven by increased yield on alternatives and our fixed income portfolio as we continue to reinvest into high quality, higher yielding strategies combined with favorable cost of crediting due to pricing discipline.
 - Investment margin is on deferred annuities and is generated from the excess of our net investment income earned over the cost of crediting or interest credited to the policyholders.
 - This is a key measurement of the health of our spread business as net investment income is the key metric of profitability on the asset side, and the cost of crediting is the key cost we focus on within the liability side.
- ✓ **Net income** for the third quarter of 2015 is \$23 million compared to a third quarter 2014 net income of \$112 million. The variance is mainly attributed to third quarter S&P performance down 6.9% adversely impacting the mark to market of our fixed-indexed annuity embedded derivatives⁽¹⁾ as well as increased stock compensation expense driven by Athene's increased stock price valuation.
- ✓ **Effective July 1, 2015, we adopted ASU 2015-02**, which changes our consolidation determination on certain types of legal entities. The adoption was applied retrospectively and all periods presented reflect the impact of the adoption. 2014 net income available to AHL shareholders was lowered by \$15 million and the first six months of 2015 net income available to AHL shareholders increased by \$9 million. Combined with periods prior to 2014, the cumulative increase to total AHL shareholders' equity is \$12 million (0.22%).

(1) 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 Management View Financials



	Three Months Ended				Nine Months Ended			
	2015	Bps	2014	Bps	2015	Bps	2014	Bps
<i>(In millions, except percentages noted)</i>								
Fixed Income and Other	\$ 610	4.24%	\$ 573	4.11%	\$ 1,745	4.10%	\$ 1,642	3.93%
Alternatives	62	7.26%	3	0.34%	173	6.67%	185	6.59%
Net Investment Income ⁽¹⁾	672	4.41%	576	3.89%	1,918	4.24%	1,827	4.10%
Core Cost of Crediting ⁽²⁾	(235)	-1.92%	(239)	-1.98%	(702)	-1.92%	(709)	-1.96%
DAC/DSI/VOBA Amortization & Other ⁽³⁾	(187)	-1.25%	(159)	-1.05%	(539)	-1.20%	(437)	-0.97%
Cost of Funds ⁽⁴⁾	(422)	-2.83%	(398)	-2.65%	(1,241)	-2.76%	(1,146)	-2.53%
Net Spread	250	1.58%	178	1.24%	677	1.48%	681	1.57%
Operating expenses ⁽¹⁾	(53)	-0.35%	(57)	-0.38%	(149)	-0.33%	(158)	-0.35%
Operating income before tax	197	1.23%	121	0.86%	528	1.15%	523	1.22%
Provision for income taxes - operating ⁽¹⁾	(38)	-0.25%	20	0.13%	(61)	-0.14%	(1)	0.00%
Operating income, net of tax	159	0.98%	141	0.99%	467	1.01%	522	1.22%
Non-operating items ⁽¹⁾	(136)	-0.89%	(29)	-0.19%	(207)	-0.45%	(271)	-0.61%
Net income	\$ 23	0.09%	\$ 112	0.80%	\$ 260	0.56%	\$ 251	0.61%
Net investment earned rate ⁽¹⁾	4.41%		3.89%		4.24%		4.10%	
Cost of crediting ⁽²⁾	1.92%		1.98%		1.92%		1.96%	
Investment margin	2.49%		1.91%		2.32%		2.14%	
Operating ROE excluding AOCI ⁽⁵⁾⁽⁶⁾	12.0%		16.0%		13.5%		22.0%	
Operating Earnings per Share - diluted ⁽⁵⁾	\$ 0.85		\$ 1.04		\$ 2.72		\$ 4.06	
Net Income ROE excluding AOCI ⁽⁶⁾	1.7%		12.7%		7.5%		10.6%	
Earnings per Share - diluted	\$ 0.12		\$ 0.83		\$ 1.52		\$ 1.95	
Average equity excluding AOCI ⁽⁶⁾	5,288		3,516		4,617		3,157	
Book Value per Share excluding AOCI ⁽⁷⁾	\$ 28.54		\$ 26.14		\$ 28.54		\$ 26.14	
Share Data:								
Common Shares Outstanding - End of Period	186.0		138.8		186.0		138.8	
Weighted Average Common Shares Outstanding - diluted ⁽⁸⁾	185.6		135.1		171.5		128.5	

* This Management View income statement is not presented in accordance with GAAP as it contains a non-GAAP measure related to Operating income. Items not included in operating income fluctuate period-to-period in a manner inconsistent with our core operations due to their economic nature or expenses which are infrequent in occurrence.

* Effective July 1, 2015, we adopted ASU 2015-02, which changes our consolidation determination on certain types of legal entities.

* As of Q3 2015, we have updated our operating income definition to exclude the stock compensation expense due to the presence of market volatility within the calculation.

⁽¹⁾ Net investment income, operating expenses, provision for income taxes – operating and non-operating adjustments are a percentage of average invested assets.

⁽²⁾ Cost of crediting is the fixed interest credited to policyholders and the indexed option costs on our core deferred annuities. The rate is calculated taking these costs over the average account value of our deferred annuities.

⁽³⁾ The DAC/DSI/VOBA amortization and other line includes the amortization and change in GLWB and GMDB reserves for all products as well as the cost of funds on products other than deferred annuities. The rate is calculated taking the costs over the average reserves liabilities.

⁽⁴⁾ Cost of Funds are a percentage of average reserves, which includes the FAS133 embedded derivatives and GLWB reserves.

⁽⁵⁾ Operating Income ROE excluding AOCI and operating earnings per share calculations have been adjusted from previously reported calculations to include operating income after taxes while previously reported metrics were presented pre-tax.

⁽⁶⁾ Average equity excluding AOCI for Q3 and YTD Q3 2015 includes the capital raise proceeds of \$1.3 billion, which is not included in the Q3 or YTD Q3 2014 average equity excluding AOCI.

⁽⁷⁾ Book value per share excluding AOCI is the ending equity excluding AOCI divided by common shares outstanding – basic.

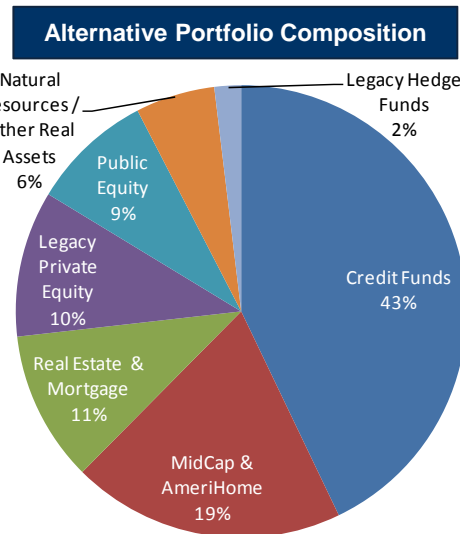
⁽⁸⁾ Dilutive shares considers if all convertible securities, such as stock options, were exercised.

Investment Portfolio Composition



September 30, 2015			
	Ending GAAP Book Value	% of Invested Assets	Net Earned Rate ¹
Credit	33,933	55.6%	3.92%
Corporates	28,541	46.8%	3.69%
Collateralized loan obligations	5,391	8.8%	5.28%
Real Estate	16,573	27.2%	4.73%
Residential mortgage-backed securities	8,286	13.6%	4.92%
Mortgage loans	6,017	9.9%	5.34%
Commercial mortgage-backed securities	2,270	3.7%	2.81%
Other	8,446	13.8%	5.33%
Asset-backed securities	3,579	5.9%	4.28%
Alternatives	3,418	5.6%	6.67%
State, municipals, and political subdivisions	1,311	2.1%	4.96%
Equity Securities	89	0.1%	1.65%
U.S. government and agencies	48	0.1%	0.81%
Cash and equivalents	1,332	2.2%	0.11%
Policy Loans and Other	729	1.2%	3.81%
Total Invested Assets	61,012	100.0%	4.24%

- We do not have to stretch for yield in our investment portfolio to generate target returns, and can be patient, opportunistic and disciplined in our asset allocation.
- 87% of total portfolio rated NAIC 1 or 2⁽²⁾ and 94% of fixed income investments rated NAIC 1 or 2 (highest designation). Portfolio maintains significant liquidity to capitalize on market dislocations.
- Yields reflect continuing impacts of holding approximately 29% of total invested assets in floating rate securities, cash holdings to opportunistically capitalize on market dislocations, and the mark to market of the Aviva portfolio at acquisition temporarily lowering yields until our redeployment is complete.
- Alternative Assets represents approximately 6% of our portfolio. We evaluate the performance of its alternatives portfolio relative to its targeted returns. Athene underwrites downside-protected alternatives to returns in excess of 10% over the long term. Alternative assets generated an average net yield of 16% since the beginning of 2012.



(1) Net Earned Rate is annualized and is calculated based on Average GAAP Book Value of \$60,245M at 9/30/2015 YTD; Yields are net of asset management and sub-advisory fees

(2) CML mapped to NAIC ratings based on underlying capital charges. CMLs designated CM1 and CM2 are included with NAIC 2 assets, CMLs designated CM3 and CM4 are included with NAIC 3 assets, and CMLs designated CM6 are mapped to NAIC 6. For average calculation, alternatives and equities mapped to NAIC 6.

Appendix

Management View Income Statement



(In millions)

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Operating Revenue:				
Premiums	\$ 31	\$ 21	\$ 99	\$ 76
Product Charges	66	61	194	171
Investment related income - Alternatives	66	6	186	197
Investment related income - Fixed and other	678	639	1,948	1,833
Investment related expenses	(72)	(69)	(216)	(203)
Net Investment Income	672	576	1,918	1,827
Other Revenues	6	6	16	18
Total operating revenues	775	664	2,227	2,092
Operating Benefits and Expenses:				
Interest Sensitive Contract Benefits	251	246	749	747
Amortization of DSI	7	6	14	(2)
Future Policy and Other Policy Benefits	152	144	464	429
Amortization of DAC and VOBA	62	39	154	75
Interest Expense	(1)	-	-	1
Dividends to Policyholders	11	11	33	34
Policy expenses, net of deferrals	43	40	136	127
Operating Expenses	53	57	149	158
Total operating benefits and expenses	578	543	1,699	1,569
Operating income, before tax	197	121	528	523
Provision for income taxes - operating	38	(20)	61	1
Operating income, net of tax	159	141	467	522
Non-operating items:				
Change in fair values of derivatives and embedded derivatives - index annuities, net of offsets	(64)	19	(96)	(27)
Investment gains (losses), net of offsets	(35)	39	(29)	129
Integration, restructuring and other non-operating expense	(6)	(80)	(31)	(214)
Stock compensation expense	(43)	(2)	(64)	(143)
Provision for income taxes - non-operating	12	(5)	13	(16)
Total Non-operating items	(136)	(29)	(207)	(271)
Net income (loss)	\$ 23	\$ 112	\$ 260	\$ 251
Cost of Funds Reconciliation				
Total operating benefits and expenses (from above)	\$ 578	\$ 543	\$ 1,699	\$ 1,569
Add:				
Insurance Premiums	(31)	(21)	(99)	(76)
Product Charges	(66)	(61)	(194)	(171)
Other Revenues	(6)	(6)	(16)	(18)
Less:				
Other operating expenses - operating	53	57	149	158
Total Cost of funds	\$ 422	\$ 398	\$ 1,241	\$ 1,146

* This Management View income statement is not presented in accordance with GAAP as it contains a non-GAAP measure related to Operating income. Items not included in operating income fluctuate period-to-period in a manner inconsistent with our core operations due to their economic nature or expenses which are infrequent in occurrence. See page 12 for the non-GAAP measure descriptions and reconciliations to the GAAP financial statements.

(1) Integration and restructuring expense includes integration and restructuring expenses related to mergers and acquisitions as well as one-time expenses related to management stock compensation expense and TASA expenses. TASA expenses ceased in 2014.

GAAP Income Statement



(In millions)

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Revenue:				
Premiums	\$ 31	\$ 21	\$ 99	\$ 76
Product Charges	64	57	184	163
Net Investment Income	650	569	1,811	1,694
Investment related gains (losses)	(554)	168	(606)	891
OTTI investment losses:				
OTTI Losses	(12)	-	(27)	(4)
OTTI Losses recognized in OCI	8	-	8	-
Net OTTI Losses recognized in Operations	(4)	-	(19)	(4)
Other Revenues	6	6	16	18
Revenues related to consolidated variable interest entities:				
Net Investment Income	13	37	31	132
Investment related gains (losses)	1	(6)	40	(48)
Total revenues	207	852	1,556	2,922
Benefits and Expenses:				
Interest Sensitive Contract Benefits	(188)	318	268	1,327
Amortization of DSI	6	8	14	1
Future Policy and Other Policy Benefits	129	148	372	536
Amortization of DAC and VOBA	52	44	142	68
Interest Expense	(3)	6	10	20
Dividends to policyholders	11	11	33	34
Policy and other operating expenses	145	179	380	642
Operating expenses of consolidated variable interest entities:				
Interest Expense	5	4	11	14
Other operating expenses	1	10	2	27
Total benefits and expenses	158	728	1,232	2,669
Income for operations before income taxes	49	124	324	253
Provision for income taxes	26	(15)	48	17
Net income (loss)	23	139	276	236
Less: Net Income attributable to non-controlling interests	-	27	16	(15)
Net income (loss) available to Athene common shareholders	\$ 23	\$ 112	\$ 260	\$ 251

GAAP Balance Sheet – Total Assets



(In millions)

	Periods	
	September 30, 2015	December 31, 2014
Assets		
Investments:		
Available For Sale Securities at fair value:		
Fixed maturity securities	\$ 45,134	\$ 44,749
Equity securities	198	190
Trading securities, at fair value	2,040	2,769
Mortgage loans, net of allowances	5,463	5,408
Investment funds	711	832
Policy loans	639	778
Funds withheld at interest	2,262	2,425
Derivative assets	692	1,843
Short Term Investments	72	-
Other investments	73	56
Total investments	57,284	59,050
Cash and cash equivalents	1,573	2,636
Restricted Cash	91	77
Investment in related parties:		
Available for sale fixed maturity securities	593	336
Trading securities, at fair value	230	268
Mortgage loans, net of allowances	-	57
Investment funds	839	585
Short Term Investments	100	-
Accrued investment income	466	513
Reinsurance recoverable	7,813	11,397
DAC, DSI and VOBA	2,491	2,217
Current income tax recoverable	134	95
Deferred tax assets	383	254
Other assets	668	883
Assets of consolidated variable interest entities:		
Investments:		
Trading securities, at fair value:		
Fixed maturity securities	729	765
Equity securities	334	509
Loans held for investment, net	-	2,071
Investment funds	531	64
Cash and cash equivalents	6	10
Restricted Cash	-	43
Goodwill	-	226
Other assets	18	64
Separate account assets	52	62
Total assets	\$ 74,335	\$ 82,182

GAAP Balance Sheet – Total Liabilities and Equity



(In millions)

	Periods	
	September 30, 2015	December 31, 2014
Liabilities and Shareholders' Equity		
Liabilities		
Interest sensitive contract liabilities	\$ 56,175	\$ 60,979
Future policy benefits	10,264	10,432
Other policy claims and benefits	188	215
Dividends payable to policyholders	127	130
Derivative liabilities	115	143
Reinsurance payable	159	215
Funds withheld liability	218	1,420
Other liabilities	1,046	1,894
Liabilities of consolidated variable interest entities:		
Borrowing under repurchase agreements	500	2,017
Other variable interest entities liabilities	21	77
Separate account liabilities	52	62
Total liabilities	68,865	77,584
Equity		
Common stock	-	-
Additional paid-in-capital	3,278	2,153
Retained earnings	2,031	1,772
Accumulated other comprehensive income	160	643
Total Athene Holding LTD. shareholders' equity	5,469	4,568
Noncontrolling interest	1	30
Total equity	5,470	4,598
Total liabilities and equity	\$ 74,335	\$ 82,182

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.
- **ROE 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 at Operating income, before tax

(In millions)

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Net income available to Athene common shareholders	\$ 23	\$ 112	\$ 260	\$ 251
Bargain purchase gain	-	-		
Change in fair values of derivatives and embedded derivatives - index annuities, net of offsets	64	(19)	96	27
Investment (gains) losses, net of offsets	35	(39)	29	(129)
Integration and restructuring expenses	6	80	31	214
Provision for income taxes	(12)	5	(13)	16
Stock Compensation Expense	43	2	64	143
Total adjustments to arrive at operating income, net of tax	136	29	207	271
Operating income, net of tax	\$ 159	\$ 141	\$ 467	\$ 522

Summary of adjustments to arrive at total equity excluding AOCI

(In millions)

	Q3'15 YTD	Q4'14 YTD
Total equity	\$ 5,469	\$ 4,568
Accumulated other comprehensive income	160	643
Total equity excluding AOCI	\$ 5,309	\$ 3,925

Non-GAAP Measure Reconciliations



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

(In millions)

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Operating revenues	\$ 775	\$ 664	\$ 2,227	\$ 2,092
Product Charges	(2)	(4)	(10)	(8)
Net Investment Income	(22)	(7)	(107)	(133)
Investment related gains (losses)	(558)	168	(625)	887
Bargain Purchase Gain (adjustments)	-	-	-	-
Revenues related to consolidated variable interest entities:	-	-	-	-
Net Investment Income	13	37	31	132
Investment related gains (losses)	1	(6)	40	(48)
Increase (decrease) in total revenue	(568)	188	(671)	830
Total revenues	\$ 207	\$ 852	\$ 1,556	\$ 2,922
Operating benefits and expenses	\$ 578	\$ 543	\$ 1,699	\$ 1,569
Interest Sensitive Contract Benefits	(439)	72	(481)	580
Amortization of DSI	(65)	(33)	(144)	(55)
Future Policy and Other Policy Benefits	(1)	2	-	3
Amortization of DAC and VOBA	(100)	(100)	(322)	(361)
Interest Expense	12	11	33	33
Policy and other operating expenses	91	128	211	481
Dividends to Policyholders	76	91	223	378
Operating expenses of consolidated variable interest entities:				
Interest Expense	5	4	11	14
Other operating expenses	1	10	2	27
Increase (decrease) in total benefits and expenses	(420)	185	(467)	1,100
Total benefits and expenses	\$ 158	\$ 728	\$ 1,232	\$ 2,669

Definitions



Sales statistics include fixed rate and fixed indexed annuities excluding renewal premiums and internal exchanges.

Net Spread the Return on Invested Assets in excess of Cost of Funds in a given period.

Net investment earned rate is the Income from our Invested Assets divided by the average Invested Assets for the relevant period.

Cost of Funds (COF) is the total cost of servicing the Reserve Liabilities in a given period, such as interest credits granted to certain of our policyholders' account balances, the amortization of the cost of the options for indexed accounts, GLWB and GMDB change in reserves in excess of policy charges, non-accumulation products change in reserves in excess of deposits or claims, DAC, DSI and VOBA amortization (other than the offsets related to non-operating items), policy maintenance costs, surrender charges and other ongoing expenses directly related to policyholder contracts..

Investment Margin on deferred annuities 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.

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 index annuity strategies. The interest credited on fixed strategies and option costs on index annuity strategies is divided by the average account value of our deferred annuities.

Return on Equity (ROE) is the annualized net income (loss) (or operating income net of taxes) 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 – basic (or diluted).

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

Invested Assets - represent the investments that directly back our policyholder liabilities and surplus assets used in the computation of net investment earned rate. Invested assets are defined as the sum of (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 variable interest entities' assets, liabilities and noncontrolling interest, (f) policy loans ceded (which offset the direct policy loans in total investments). Invested assets also exclude assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). We look at the underlying investments of the funds withheld and modified coinsurance agreements including the above mentioned items into our invested assets calculation in order to match the assets with the income received. Our invested assets are averaged over the number of quarters in the relevant period to obtain our net investment earned rate for such period.

Reserve Liabilities represent our policyholder liability obligations net of reinsurance. Reserve liabilities are used to analyze the costs of our liabilities. Reserve liabilities are defined as (a) the interest sensitive contract liabilities, (b) future policy benefits, (c) dividends payable to policyholders, and (d) other policy claims and benefits, offset by reinsurance recoverables, excluding policy loans ceded. Reserve liabilities also include the reserves related to assumed modified coinsurance agreements in order to appropriately match the costs incurred in the income statement with the liabilities. Our reserve liabilities are net of the ceded liabilities to third parties as the costs of the liabilities are passed to the third parties and therefore we have no net economic impact to match with the liabilities. Our reserve liabilities are averaged over the number of quarters in the relevant period to obtain our cost of funds for such period.

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