

# Athene Earnings Presentation 2017 Q2 Review

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any security of Athene Holding Ltd. (“Athene”).

Certain information contained herein maybe “forward-looking” in nature. These statements include, but are not limited to, discussions related to Athene’s expectations regarding the performance of its business, its liquidity and capital resources and the other non-historical statements. These forward-looking statements are based on managements beliefs, as well as assumptions made by, and information currently available to, management. When used in this presentation, the words “believe,” “anticipate,” “estimate,” “expect,” “intend” and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. These statements are subject to certain risks, uncertainties and assumptions. For a discussion of the risks and uncertainties related to our forward-looking statements, see our annual report on Form 10-K for the year ended December 31, 2016, which can be found at the SEC’s website [www.sec.gov](http://www.sec.gov). Due to these various risks, uncertainties and assumptions, actual events or results or the actual performance of Athene may differ materially from that reflected or contemplated in such forward-looking statements. Athene undertakes no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise.

Information contained herein may include information respecting prior performance of Athene. Information respecting prior performance, while a useful tool, is not necessarily indicative of actual results to be achieved in the future, which is dependent upon many factors, many of which are beyond the control of Athene. The information contained herein is not a guarantee of future performance by Athene, and actual outcomes and results may differ materially from any historic, pro forma or projected financial results indicated herein. Certain of the financial information contained herein is unaudited or based on the application of non-GAAP financial measures. These non-GAAP financial measures should be considered in addition to and not as a substitute for, or superior to, financial measures presented in accordance with GAAP. Furthermore, certain financial information is based on estimates of management. These estimates, which are based on the reasonable expectations of management, are subject to change and there can be no assurance that they will prove to be correct. The information contained herein does not purport to be all-inclusive or contain all information that an evaluator may require in order to properly evaluate the business, prospects or value of Athene. Athene does not have any obligation to update this presentation and the information may change at any time without notice.

Certain of the information used in preparing this presentation was obtained from third parties or public sources. No representation or warranty, express or implied, is made or given by or on behalf of Athene or any other person as to the accuracy, completeness or fairness of such information, and no responsibility or liability is accepted for any such information.

This document is not intended to be, nor should it be construed or used as, financial, legal, tax, insurance or investment advice. There can be no assurance that Athene will achieve its objectives. Past performance is not indicative of future success.

All information is as of the dates indicated herein.

# Q2'17 Highlights – Execution Against Growth Strategy



## Significant & Diversified Organic Growth

- Q2'17 record new deposits of \$3.2 billion, up 31% YoY
- Expanding and diversifying our distribution channels
  - Executed inaugural PRT deal, assuming ~\$320 million of liabilities
  - \$1.1 billion of funding agreements issued in Q2'17
  - Continued strength in retail sales, up 43% YoY

Record New Deposits of \$3.2 bn

## Asset & Investment Margin Expansion

- Q2'17 invested assets of \$76.3 billion, up 9% YoY
- Investment margin of 2.96%, up 37 bps YoY
  - Q2'17 net investment earned rate of 4.85%, up 27 bps YoY
  - Cost of crediting of 1.89%, improved 10 bps YoY

Q2'17 Retirement Services Investment Margin +37 bps

## Attractive Operating Results

- Q2'17 net income of \$326 million, up 69% YoY
- Q2'17 operating income, net of tax of \$280 million, up 56% YoY
- Shareholders' equity ex. AOCI of \$7.2 billion<sup>(1)</sup> up 23% YoY

21.4% Retirement Services Q2'17 Op. ROE ex. AOCI

## Strong Capital Position

- Estimated U.S. RBC ratio of 458%<sup>(1)</sup>
- Estimated ALRe RBC<sup>(2)</sup> ratio of 539%<sup>(1)</sup>; BSCR<sup>(3)</sup> ratio of 228%<sup>(4)</sup>
- No financial leverage

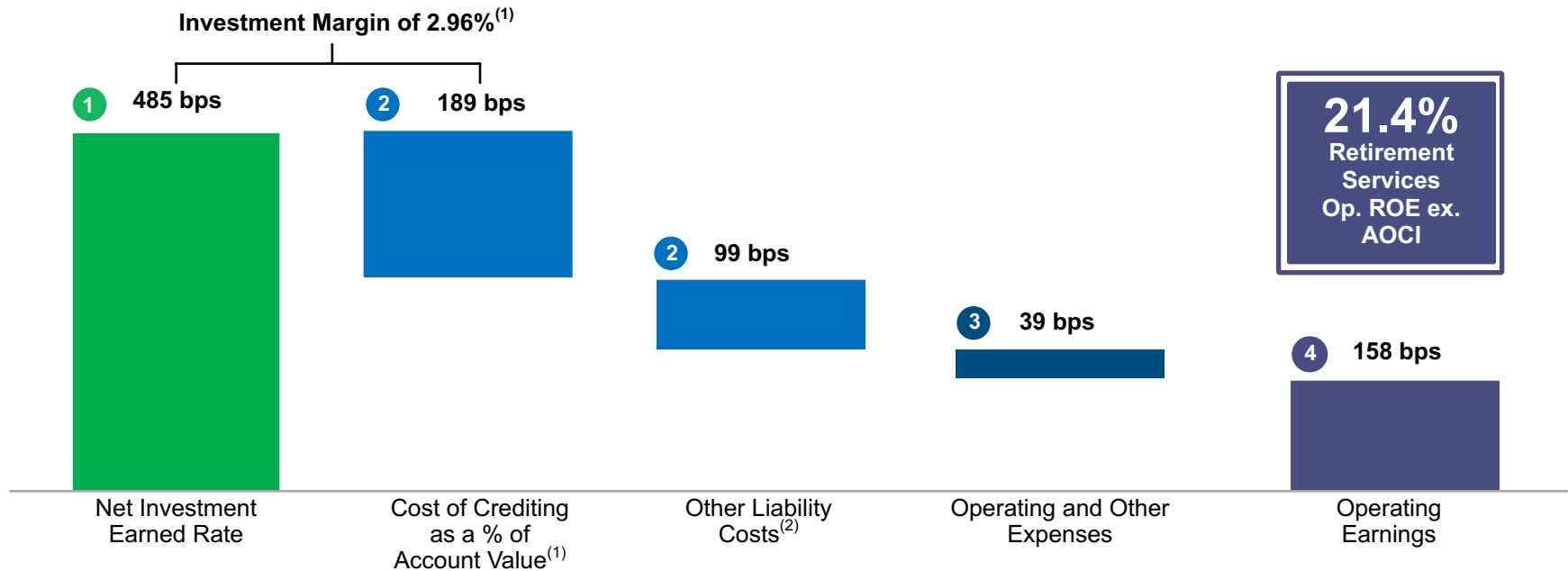
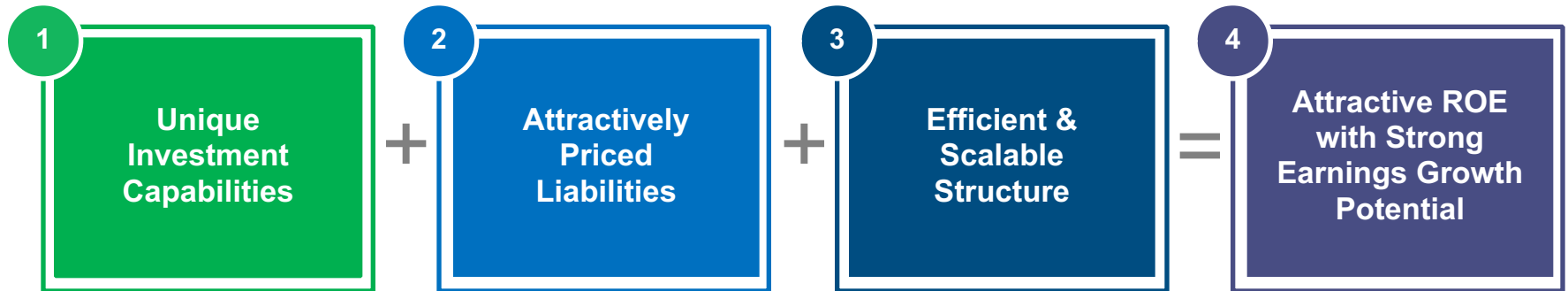
+\$1.5bn Excess Equity Capital

**Consistent Performance on Both Sides of the Balance Sheet Generating Shareholder Value**

Note: This presentation references certain Non-GAAP measures. See *Non-GAAP Measures* for additional discussion. (1) As of June 30, 2017. (2) ALRe risk-based capital ("RBC") when applying National Association of Insurance Commissioners ("NAIC") RBC factors. (3) Effective January 1, 2016, in connection with the implementation of its broader regulatory regime, the BMA integrated the EBS framework into the determination of BSCR. The European Commission has granted the BMA's regulatory regime for reinsurance, group solvency calculation and group supervision full equivalence to Solvency II. Under the EBS framework, ALRe's assets are recorded at market value and its insurance reserves are determined by reference to nine prescribed scenarios, with the scenario resulting in the highest reserve balance being ultimately required to be selected. This ratio is not comparable to prior year end BSCR ratios given the change in the solvency regime; however, consistent with the previous regime the minimum required capital ratio to be considered solvent by the BMA is 100%. (4) As of December 31, 2016.

# Straightforward & Scalable Business Model – Q2'17 Results

## Retirement Services Business Model Targets Mid-teens or Higher Results



Note: Numbers are annualized.

(1) Cost of crediting based on average account value of deferred annuities. Investment margin based on net investment earned rates less cost of crediting. (2) For illustrative purposes, includes adjustment due to convention of calculating cost of crediting based on average account value of deferred annuities. Excluding this adjustment, other liability costs would be 133bps of average invested assets.

# Multiple Distribution Channels a Competitive Advantage

Flexibility to respond to changing market conditions across channels to opportunistically grow liabilities that generate Athene's desired levels of profitability

## Organic - Mid-Teens Target Returns Generated \$3.2 billion of new deposits in Q2 2017

### Retail

- Focused on FAs and FIAs
  - High growth sector of life industry
- Launching new products and expanding into new markets
- Expanding into FI / Bank / Broker-Dealer channels
- Q2 deposits of \$1.6bn

### Flow Reinsurance

- A leading reinsurer in the annuity industry – reinsure FA's, FIAs & payout annuities
- Efficient Bermuda reinsurance company
- Q2 deposits of \$214mm
- Entered new flow reinsurance partnership with Lincoln Financial, subsequent to quarter-end

### Institutional

- Funding Agreements
  - Scalable product without customer ability to surrender prior to maturity
  - Q2 issuance of \$1.1bn; Q3 to date issuance of \$700mm
- Pension Risk Transfer
  - Executed first buyout agreement assuming ~\$320 million of pension liabilities

## Inorganic >Mid-Teens Target Returns

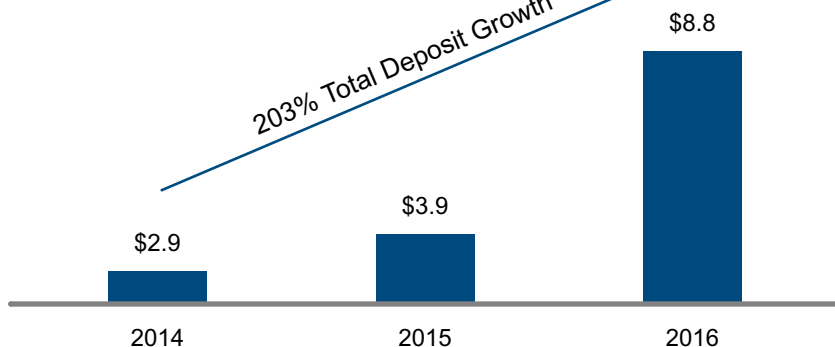
### Block Reinsurance & M&A

- Proven track record
  - 5 acquisitions closed
  - Ability to consummate complex transactions
- Disciplined approach
  - Majority of liabilities acquired below book, require higher returns due to inherent risk
- Look to take advantage of insurance industry restructuring and market dislocations

## Total Organic Deposits (bn)

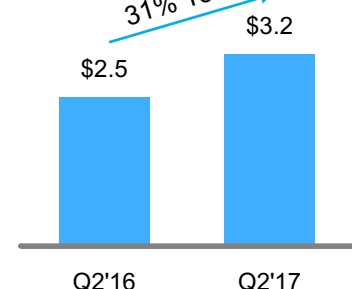
Annual

203% Total Deposit Growth

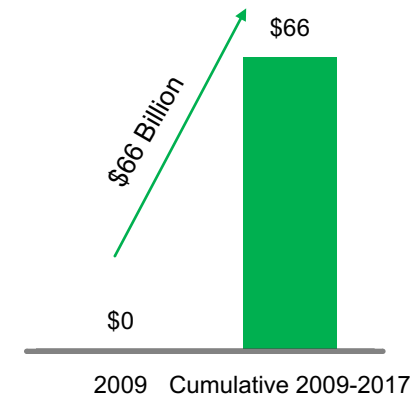


Quarterly

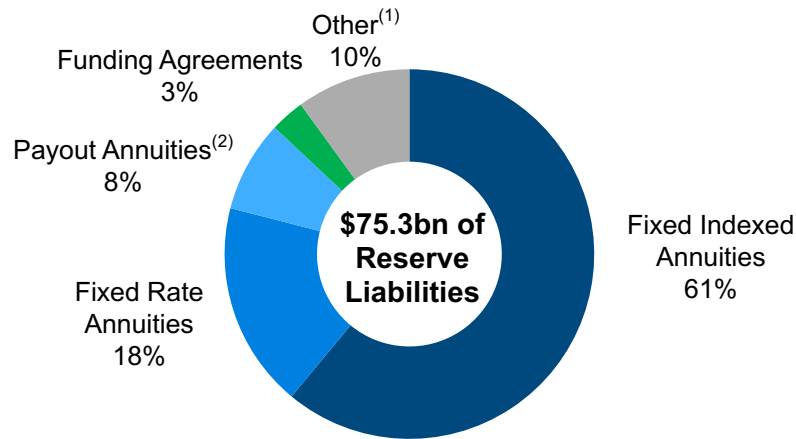
31% YoY



## Inorganic Growth (bn)



## Overview of Reserve Liabilities



## Deferred Annuity Metrics

Weighted-average life	8.1
% Surrender charge protected <sup>(3)(4)</sup>	86%
% Average surrender charge <sup>(3)(5)</sup>	7.4%
% Subject to MVA <sup>(3)(6)</sup>	71%
Cost of crediting <sup>(7)</sup>	1.89%
Distance to guaranteed minimum crediting rates <sup>(8)</sup>	80 - 90 bps

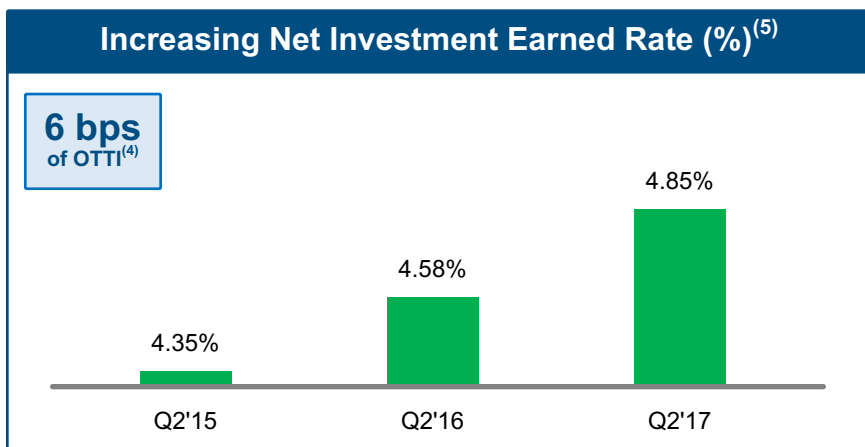
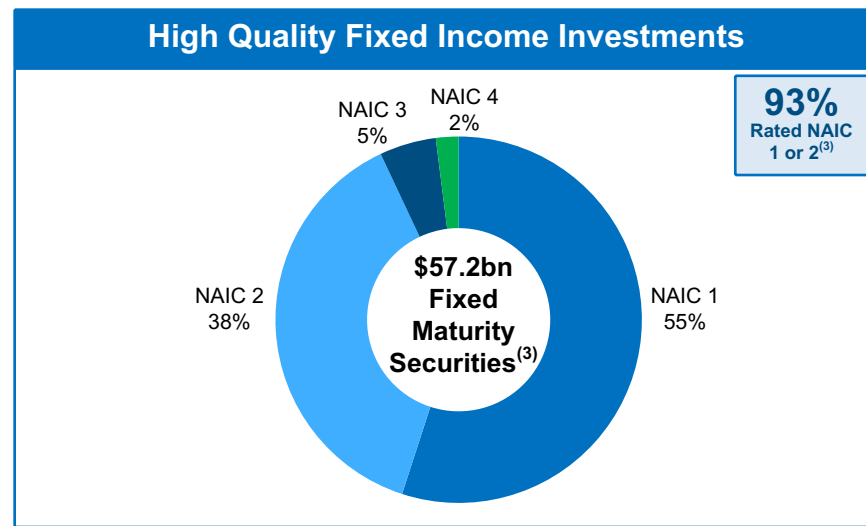
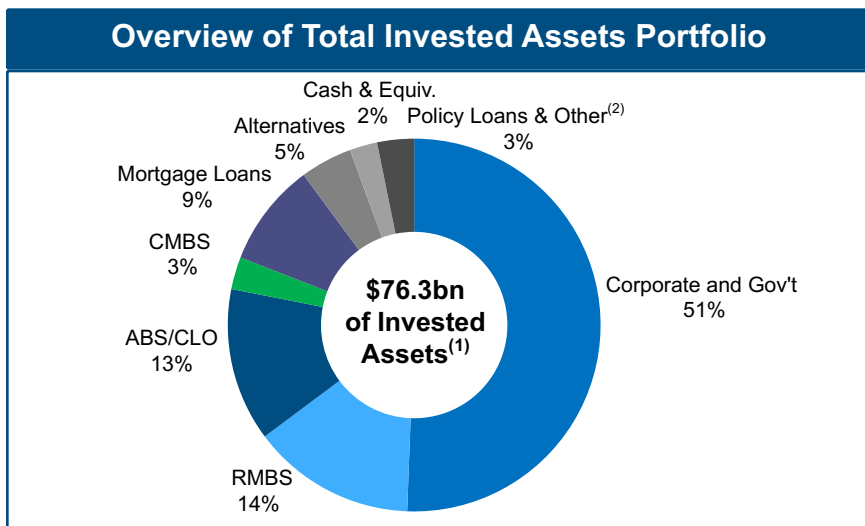
## Disciplined Underwriting Approach

- **Consolidated reserve liabilities grew ~\$7.0 billion or 10% over the prior year**
- **Cost of crediting improved 10 bps over the prior year due to rate actions and lower option costs**
- **Primarily consist of FAs and FIAs**
- **Limited exposure to legacy liabilities**
  - All pricing reflects low interest rate environment
- **Conservative use of riders**
  - ~18% of the deferred annuity business issued in the prior 12-month period contained non-participating guaranteed living withdrawal benefits (rider reserve)

The vast majority of Athene's deferred annuities are surrender charge protected

(1) "Other" primarily consists of German reserves, the AmerUs Closed Block liabilities and other life reserves. (2) Includes Single Premium Immediate Annuities, Supplemental Contracts and Structured Settlements. (3) Based on fixed index annuities and fixed rate annuities only. (4) Refers to the % of account value that is in the surrender charge period. (5) Excluding the impact of MVAs. (6) Refers to the % of account value that is subject to a MVA. (7) For Retirement Services segment. For the quarter ended June 30, 2017 annualized. (8) Average of all deferred annuities including contracts already at minimums.

# Unique Investment Capabilities Generating Attractive Risk-Adjusted Returns



- ### Portfolio Update
- Total invested assets increased 9% from prior year, driven by new deposit growth
  - Q2'17 net investment earned rate was 4.85%,<sup>(5)</sup> an increase of 27bps over prior year
  - 29% of total invested assets in floating rate securities which produce ~\$25 million of additional operating income, net of tax per year for every 25bps increase in interest rates
  - Alternatives within Retirement Services returned 12.3%, reflecting earned rates from AmeriHome and MidCap of 23.8% and 8.1% respectively in Q2'17<sup>(6)</sup>

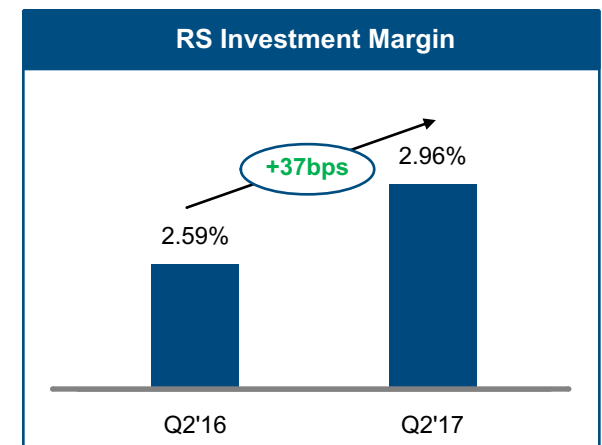
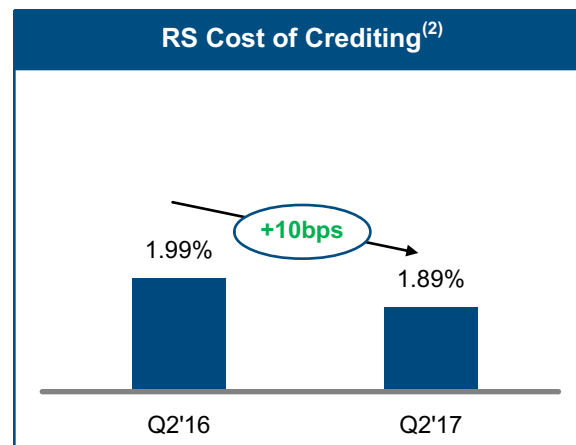
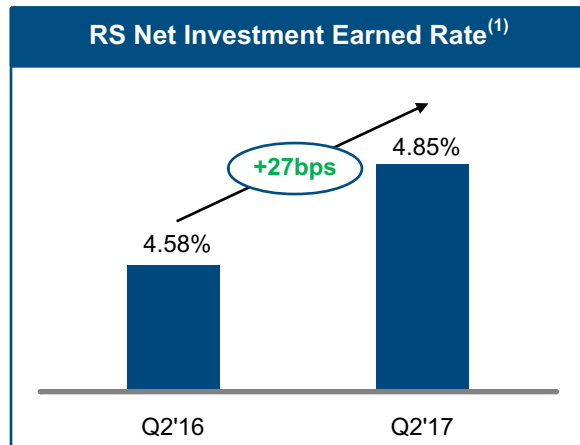
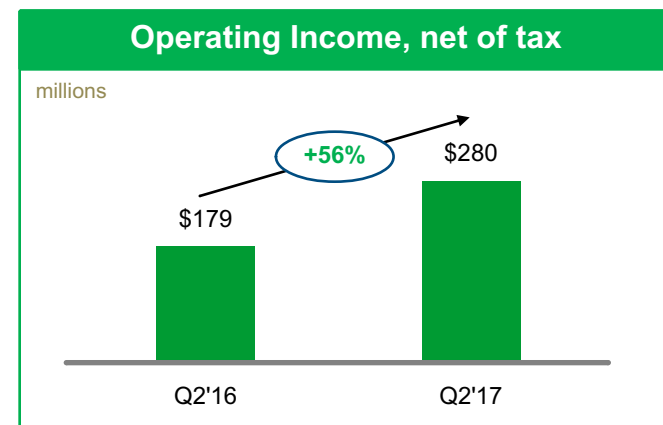
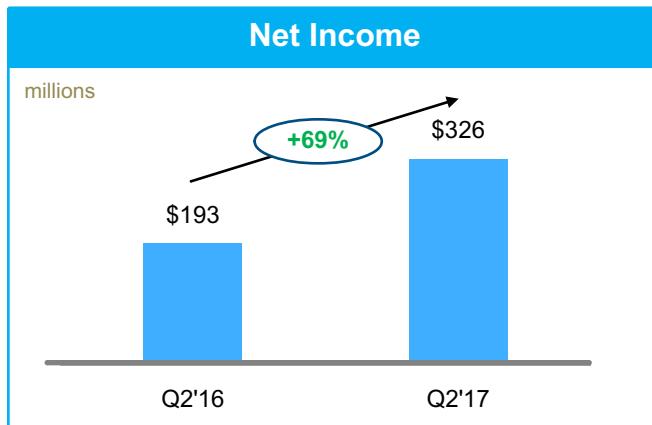
**Emphasize earning incremental yield by taking liquidity and complexity risk, not just credit risk**

(1) Invested assets as of June 30, 2017, including Germany. (2) Other includes Real Estate held for investment, short-term investments, unit linked assets and equity securities. (3) AFS fixed maturity securities as of 6/30/17. (4) OTTI recognized during the three months ended June 30, 2017 as percent of average invested assets, annualized. (5) Net Investment Earned Rate for Retirement Services Segment for the three months ended June 30, 2017, annualized. (6) Returns for the three months ended June 30, 2017, annualized. Equity investment in MidCap held indirectly through an investment fund, AAA Investments (ColInvest VII) of which Midcap constituted the majority of the fund's investments. Equity investment in AmeriHome is held indirectly through an investment fund, A-A Mortgage, and AmeriHome is currently A-A Mortgage's only investment.

# 2017 Second Quarter Operating Highlights



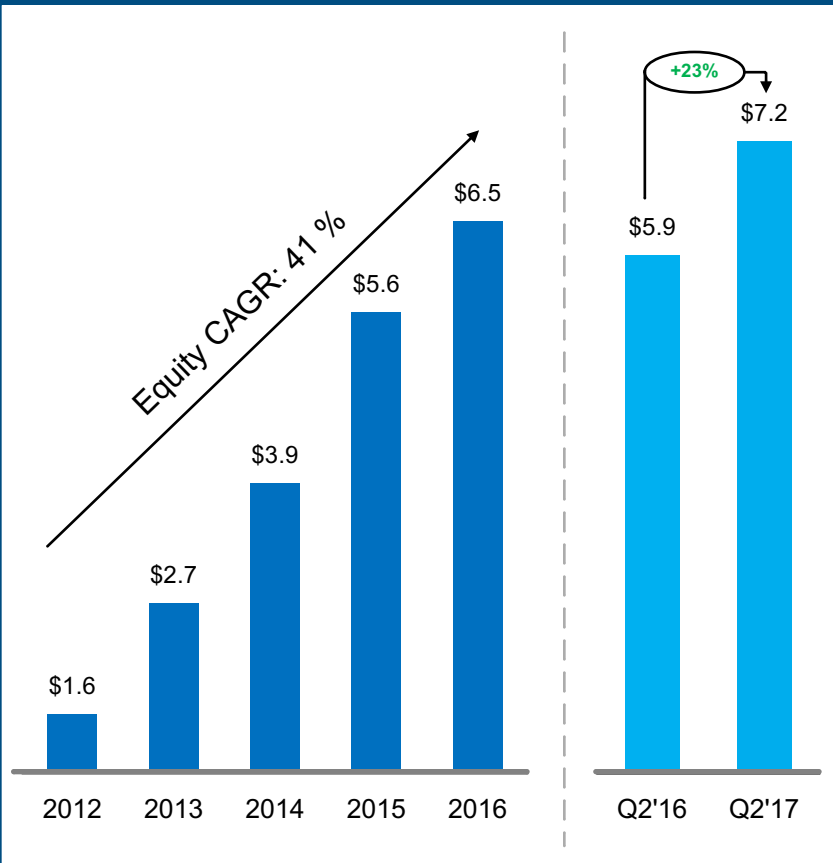
2017 second quarter operating income, net of tax driven by improvements on both sides of the balance sheet



**Retirement Services Operating ROE ex. AOCI of 21.4%**



## AHL Shareholders' Equity (ex. AOCI) (bn) <sup>(1)</sup>



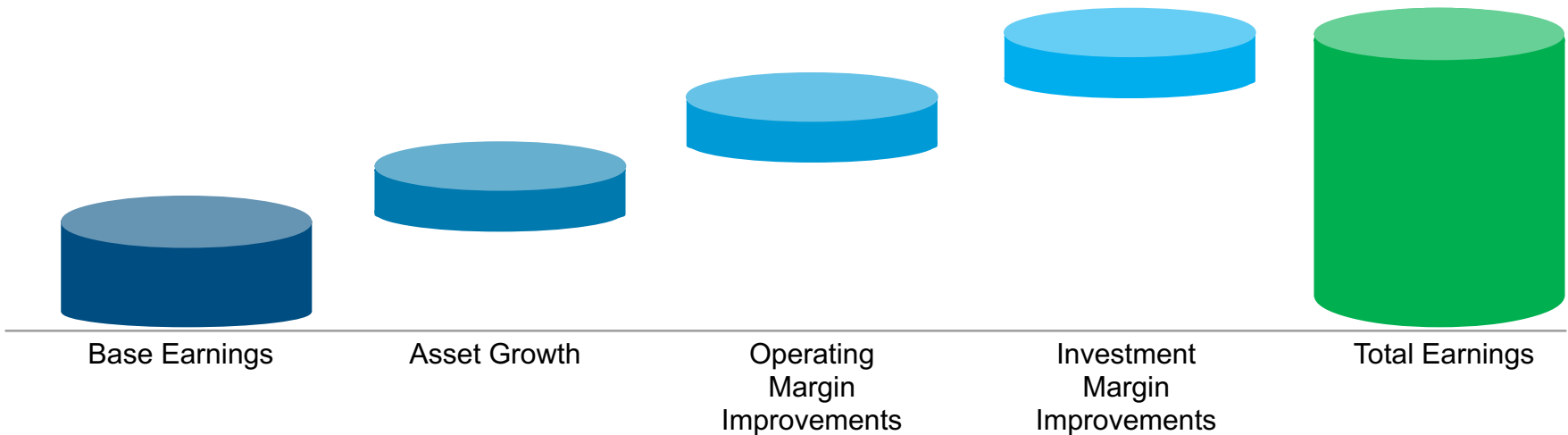
## Levers for Incremental Growth

- Expect earnings will be able to fund current organic growth
- More than \$1.5bn of excess equity capital to support incremental growth
  - Large scale acquisition
  - Opportunistic organic growth above plan
- Estimated U.S. RBC ratio of 458%<sup>(2)</sup>
- Estimated ALRe RBC ratio of 539%<sup>(2)</sup>
- No financial leverage
- Seek to deploy capital as opportunities arise

**Athene's strong capital base provides multiple levers for future growth**

# Long Term Growth Strategy

Steady and Significant Base of Earnings	Deposit Growth	Scale Benefits on Margins	Enhanced Investment Margins	Strong Achievable Earnings Growth Potential
<ul style="list-style-type: none"> <li>Large in-force business with long-dated liabilities                             <ul style="list-style-type: none"> <li>Reserve liabilities of \$75.3bn</li> </ul> </li> <li>Target annual investment margin of 2-3%</li> </ul>	<ul style="list-style-type: none"> <li>Deposits outpace withdrawals, resulting in reserve liability growth of \$7.0bn</li> <li>Leverage multi-channel distribution platform to identify attractive growth opportunities across market environments</li> <li>Growth in account value and earnings on invested assets</li> </ul>	<ul style="list-style-type: none"> <li>Operating leverage as assets grow                             <ul style="list-style-type: none"> <li>Highly scalable platform</li> </ul> </li> <li>Expect to convert significant portion of new business spread to operating income</li> </ul>	<ul style="list-style-type: none"> <li>Investment margin expansion</li> <li>Supported by long-dated and attractively priced liabilities</li> </ul>	<ul style="list-style-type: none"> <li>Significant organic asset growth achievable, with upside from inorganic opportunities</li> <li>Ability to further grow earnings through margin improvement</li> <li>Balance sheet growth increases base of recurring earnings for future years</li> </ul>



## Business

- Target mid-teens returns on organic sales and mid-teens or higher returns on opportunistic inorganic growth
- Now plan for new deposits to surpass 2016 results, significantly exceeding withdrawals and driving asset growth
  - Prioritize return targets over volume, which will drive new deposit mix
- Cost of crediting rate is expected to remain lower than prior year due to rate actions and lower option costs

## Investment Portfolio

- In 2017, expect to allocate 5-6% of total invested assets to alternatives
- Target investment margin between 2-3%
- New fee structure on North American assets of 40bps a year for AUM up to \$65.8bn, and 30bps per year in excess of that

## Operating Expense & Corp. & Other

- 2017 consolidated G&A operating expenses expected to be in line with 2016 as a percentage of average invested assets
- 2017 other liability costs, excluding unlocking, expected to be higher than in 2016
- 2017 Corporate and Other, including Germany, operating income expected to be positive in 2017
  - Expect to deconsolidate AGER in early 2018, upon drawdown of capital to fund the acquisition of Aegon Ireland

## Operating Results

- Estimate +/- \$25mm impact to operating income, net of tax for every +/- 25bps of change in interest rates
- Project mid-teen operating ROE ex. AOCI for Retirement Services for the remainder of 2017

## Non-operating

- Weighted average shares outstanding – operating diluted Class A share count expected to be between 196mm-198mm
- Embedded derivatives on assumed reinsurance investments generally move with the market, where unrealized gains/losses on the underlying AFS securities flow through our net income. While the economics on these investments are similar to those of directly written business, the GAAP net income treatment is different, with changes in fair value related to AFS securities on direct-written business flow through AOCI, not net income.
- We hedge our FIA embedded derivatives primarily with options that align with index terms for our FIA products. On an economic basis we are essentially hedged as policyholder accounts are credited with index performance at the end of index term, but because the value of the embedded derivative is longer-dated, there can be a temporary accounting mismatch.

## Capital

- Excess equity capital viewed as capital in excess of 400% RBC
- Earnings expected to fund organic growth



---

# Appendix

---

A large, light blue, stylized fan-like graphic that curves from the right side of the page towards the center, partially overlapping the "Appendix" text.

# Consolidated Results of Operations



(In millions, except percentages and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Operating income, net of tax by segment</b>				
Retirement Services	\$ 267	\$ 196	\$ 542	\$ 393
Corporate and Other	13	(17)	4	(62)
<b>Operating income, net of tax</b>	<b>280</b>	<b>179</b>	<b>546</b>	<b>331</b>
<b>Non-operating adjustments:</b>				
Investment gains (losses), net of offsets	58	61	115	40
Change in fair values of derivatives and embedded derivatives - FIAs, net of offsets	15	(18)	109	(87)
Integration, restructuring and other non-operating expenses	(11)	(5)	(20)	(6)
Stock compensation expense	(13)	(28)	(23)	(13)
Income tax (expense) benefit - non-operating	(3)	4	(17)	13
<b>Total non-operating adjustments</b>	<b>46</b>	<b>14</b>	<b>164</b>	<b>(53)</b>
<b>Net income available to AHL shareholders</b>	<b>\$ 326</b>	<b>\$ 193</b>	<b>\$ 710</b>	<b>\$ 278</b>
ROE	16.4%	12.8%	18.7%	9.4%
ROE excluding AOCI	18.4%	13.4%	20.7%	9.7%
Operating ROE excluding AOCI	15.9%	12.4%	15.9%	11.6%
Earnings per share - diluted Class A <sup>(1)</sup>	\$ 1.65	\$ 1.04	\$ 3.59	\$ 1.49
Operating earnings per share - operating diluted Class A <sup>(2)</sup>	\$ 1.43	\$ 0.96	\$ 2.79	\$ 1.78
Weighted average shares outstanding - diluted Class A <sup>(1)</sup>	109	50	96	50
Weighted average shares outstanding - operating diluted Class A <sup>(2)</sup>	196	186	196	186

## Second Quarter Highlights

**Net income** was \$326 million, an increase of \$133 million, or 69%, over the prior year. The increase was driven by a \$101 million increase in operating income, net of tax, and a \$33 million favorable change in FIA derivatives primarily driven by the strong equity market performance.

**Operating income, net of tax** was \$280 million, an increase of \$101 million, or 56%, over the prior year. The increase was driven by higher investment income partially offset by higher liability costs.

Investment income increased due to invested asset growth, higher short-term interest rates resulting in higher floating rate investment income and strength in our alternatives portfolio. Liability costs increased due to higher rider reserve changes and DAC amortization attributed to growth in the block of business and higher gross profits, partially offset by approximately \$25 million of favorable impacts related to improved equity market performance and out of period actuarial adjustments compared to the prior period.

(1) Diluted earnings per share on Class A common shares, including diluted Class A weighted average shares outstanding, includes the dilutive impacts, if any, of Class B and Class M common shares and any other stock-based awards. Based on allocated net income of \$181 million (55%) and \$52 million (27%) diluted Class A common shares for the three months ended June 30, 2017 and 2016, respectively. (2) Represents weighted average common shares outstanding assuming conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B and Class M common shares outstanding and any other stock-based awards outstanding, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date.

# Retirement Services Operating Results



(In millions, except percentages)

	Three months ended June 30,				Six months ended June 30,			
	2017	% <sup>(1)</sup>	2016	% <sup>(1)</sup>	2017	% <sup>(1)</sup>	2016	% <sup>(1)</sup>
Fixed income and other investment income	\$ 739	4.55 %	\$ 636	4.28 %	\$ 1,451	4.53 %	\$ 1,293	4.40 %
Alternatives investment income	82	12.28 %	72	11.82 %	150	11.48 %	108	9.02 %
<b>Net investment income</b>	<b>821</b>	<b>4.85 %</b>	<b>708</b>	<b>4.58 %</b>	<b>1,601</b>	<b>4.80 %</b>	<b>1,401</b>	<b>4.58 %</b>
Cost of crediting on deferred annuities	(264)	(1.89)%	(253)	(1.99)%	(527)	(1.90)%	(496)	(1.97)%
Other liability costs	(225)	(0.99)%	(194)	(0.90)%	(406)	1.11 %	(385)	0.79 %
Other operating expenses	(54)	(0.32)%	(51)	(0.33)%	(106)	(0.64)%	(100)	(0.65)%
Operating income before tax	278	1.65 %	210	1.36 %	562	3.37 %	420	2.75 %
Income tax (expense) benefit - operating income	(11)	(0.07)%	(14)	(0.09)%	(20)	(0.12)%	(27)	(0.18)%
<b>Operating income, net of tax</b>	<b>\$ 267</b>	<b>1.58 %</b>	<b>\$ 196</b>	<b>1.27 %</b>	<b>\$ 542</b>	<b>3.25 %</b>	<b>\$ 393</b>	<b>2.57 %</b>
Net Investment Earned Rate	4.85%		4.58%		4.80%		4.58%	
Cost of crediting	1.89%		1.99%		1.90%		1.97%	
<b>Investment margin</b>	<b>2.96%</b>		<b>2.59%</b>		<b>2.90%</b>		<b>2.61%</b>	
Operating ROE excluding AOCI	21.4%		18.8%		22.5%		19.2%	

## Second Quarter Highlights:

**Retirement Services operating ROE excluding AOCI** was 21.4% and operating income, net of tax was \$267 million, an increase of \$71 million, or 36%, over the prior year.

**Operating income, net of tax** in Q2'17 was driven by higher fixed, other and alternative investment income.

Investment income increased due to invested asset growth, higher short-term interest rates increasing floating rate investment income and strength in our alternatives portfolio. In 2016, fixed income and other investment income benefited from \$15 million of bond call income from a large redemption. The increase in investment income was partially offset by higher liability costs due to higher rider reserve changes and DAC amortization was attributed to growth in the block of business and higher gross profits, partially offset by approximately \$25 million of favorable impacts related to improved equity market performance and out of period actuarial adjustments compared to the prior period.

**Investment margin** on deferred annuities was 2.96%, an increase of 37 bps over the prior year. The net investment earned rate was 4.85%, an increase of 27 bps over the prior year. Cost of crediting was 1.89%, a decrease of 10 bps over prior year, as a result recent rate actions and lower option costs.

(1) Net investment earned rate is calculated by taking net investment income divided by average invested assets for the relevant period. Cost of crediting is calculated by taking the interest credited on fixed strategies and option costs on index annuity strategies divided by average account value of our deferred annuities. Other liability costs, for illustrative purposes, include adjustment due to convention of calculating cost of crediting based on average account value of deferred annuities. Other operating expenses and income tax (expense) benefit use average invested assets as the denominator in the calculation. Interim periods are annualized.

## Reserve Liability Roll-forward

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
1 Retirement Services reserve liabilities - beginning	\$ 67,013	\$ 60,710	\$ 65,745	\$ 59,854
2 Deposits	3,307	2,537	5,366	4,217
3 Withdrawals	(1,408)	(1,282)	(3,078)	(2,635)
4 Other reserve changes	807	686	1,686	1,215
Retirement Services reserve liabilities - ending	69,719	62,651	69,719	62,651
Germany reserve liabilities	5,737	5,846	5,737	5,846
Intersegment eliminations	(166)	(161)	(166)	(161)
Consolidated reserve liabilities - ending	<u>\$ 75,290</u>	<u>\$ 68,336</u>	<u>\$ 75,290</u>	<u>\$ 68,336</u>

## Reserve Liability Roll-forward Commentary

Consolidated reserve liabilities grew ~\$7.0 billion from Q2'16 to Q2'17.

- 1 Retirement Services reserve liabilities include deferred annuity, immediate annuity, funding agreements and life products.
- 2 Deposits include \$3.2 billion of new deposits on retail, flow reinsurance and institutional products, as well as renewal premiums, internal product exchanges and annuitizations.
- 3 Withdrawals includes full surrenders, partial withdrawals, death benefits and interest payments and maturities on funding agreement products.
- 4 Other reserve changes primarily include fixed and bonus interest credits, change in fair value of embedded derivatives, change in rider reserves, product charges and change in life reserves.

# 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) investment gains (losses), (b) change in fair values of derivatives and embedded derivatives - FIA, net of offsets, (c) integration, restructuring, and other non-operating expenses, (d) stock compensation expense, (e) bargain purchase gain and (f) income tax (expense) benefit - 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 and operating ROE 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 AFS securities. Once we have reinvested acquired blocks of businesses, we typically buy and hold AFS investments to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance. Accordingly, we believe using measures which exclude AOCI is useful in analyzing the trends of our operations. To enhance the ability to analyze these measures across periods, interim periods are annualized. ROE excluding AOCI and operating ROE excluding AOCI should not be used as a substitute for ROE. However, we believe the adjustments to equity are significant to gaining an understanding of our overall results of operations.

- **Operating earnings per share - operating diluted Class A and weighted average shares outstanding - operating diluted Class A common shares** are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the shares included in the GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe using these measures represent an economic view of our share counts and provide a simplified and consistent view of our outstanding shares. Operating earnings per share - operating diluted Class A is calculated as the operating income, net of tax over the weighted average shares outstanding - operating diluted Class A common shares. Our Class B common shares are economically equivalent to Class A common shares and can be converted to Class A common shares on a one-for-one basis at any time. Our Class M common shares are in the legal form of shares but economically function as options as they are convertible into Class A shares after vesting and settlement of the conversion price. In calculating Class A diluted earnings per share on a GAAP basis, we are required to apply sequencing rules to determine the dilutive impacts, if any, of our Class B common shares, Class M common shares and any other stock-based awards. To the extent our Class B common shares, Class M common shares and/or any other stock-based awards are not dilutive they are excluded. Weighted average shares outstanding - operating diluted Class A common shares assume conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares on a one-for-one basis, the impacts of all Class M common shares net of the conversion price and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date. For certain historical periods, Class M shares were not included due to issuance restrictions which were contingent upon our IPO. Operating earnings per share - operating diluted Class A and weighted average shares outstanding - operating diluted Class A common shares should not be used as a substitute for basic earnings per share - Class A common shares or basic weighted average shares outstanding - Class A. However, we believe the adjustments to the shares are significant to gaining an understanding of our overall results of operations.

- **Investment margin** is a key measurement of the financial health of our Retirement Services core deferred annuities. Investment margin on our deferred annuities is generated from the excess of our net investment earned rate over the cost of crediting to our policyholders. Net investment earned rate is a key measure of investment returns and cost of crediting is a key measure of the policyholder benefits on our deferred annuities. Net investment earned rate, cost of crediting and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our core deferred annuities business. 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 benefits presented under GAAP.

- **Net investment earned rate** is a non-GAAP measure we use to evaluate the performance of our invested assets that does not correspond to GAAP net investment income. Net investment earned rate is computed as the income from our invested assets divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. The adjustments to arrive at our net investment earned rate add alternative investment gains and losses, gains and losses related to trading securities for CLOs, net VIE impacts (revenues, expenses and noncontrolling interest) and the change in 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 ability to analyze these measures across periods, interim periods are annualized.

- **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 sheets with AFS securities at cost or amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) the consolidated VIE assets, liabilities and noncontrolling interest, (f) net investment payables and receivables and (g) policy loans ceded (which offset the direct policy loans in total investments). Invested assets also excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). We include the underlying investments supporting our assumed funds withheld and modco agreements in our invested assets calculation in order to match the assets with the income received. We believe the adjustments for reinsurance provide a view of the assets for which we have economic exposure. Our invested assets are averaged over the number of quarters in the relevant period to compute our net investment earned rate for such period.

- **Reserve liabilities** represents our policyholder liability obligations net of reinsurance and is used to analyze the costs of our liabilities. Reserve liabilities includes (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 is net of the ceded liabilities to third-party reinsurers as the costs of the liabilities are passed to such reinsurers and therefore we have no net economic exposure to such liabilities, assuming our reinsurance counterparties perform under our agreements. The majority of our ceded reinsurance is a result of reinsuring large blocks of life business following acquisitions. For such transactions, GAAP requires the ceded liabilities and related reinsurance recoverables to continue to be recorded in our consolidated financial statements despite the transfer of economic risk to the counterparty in connection with the reinsurance transaction.

- **Sales** statistics do not correspond to revenues under GAAP, but are used as relevant measures of understanding our business performance. Our sales statistics include fixed rate annuities and FIAs and align with the LIMRA definition of all money paid into an individual annuity, including money paid into new contracts with initial purchase occurring in the specified period and existing contracts with initial purchase occurring prior to the specified period (excluding internal transfers).



# Non-GAAP Measure Reconciliations



## Reconciliation of operating earnings per operating dilutive Class A common share to basic earnings per Class A common shares

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Operating income, net of tax – per operating dilutive Class A common share</b>	\$ 1.43	\$ 0.96	\$ 2.79	\$ 1.78
Investment gains (losses), net of offsets	0.29	0.33	0.59	0.22
Change in fair values of derivatives and embedded derivatives - FIAs, net of offsets	0.08	(0.10)	0.56	(0.47)
Integration, restructuring and other non-operating expenses	(0.06)	(0.02)	(0.10)	(0.03)
Stock compensation expense	(0.07)	(0.16)	(0.12)	(0.07)
Income tax (expense) benefit - non-operating	(0.02)	0.03	(0.09)	0.07
<b>Total non-operating adjustments</b>	<b>0.22</b>	<b>0.08</b>	<b>0.84</b>	<b>(0.28)</b>
<b>Effect of items convertible to or settled in Class A common shares</b>	<b>0.01</b>	<b>—</b>	<b>0.03</b>	<b>—</b>
<b>Basic earnings per share – Class A common shares</b>	<b>\$ 1.66</b>	<b>\$ 1.04</b>	<b>\$ 3.66</b>	<b>\$ 1.50</b>

## Reconciliation of basic weighted average Class A shares to weighted average operating diluted Class A shares

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Basic weighted average shares outstanding - Class A	106.3	50.0	92.4	50.0
Conversion of Class B shares to Class A shares	82.9	136.0	96.7	136.0
Conversion of Class M shares to Class A shares	6.2	—	6.2	—
Effect of other stock compensation plans	0.5	0.1	0.5	0.1
Weighted average shares outstanding - operating diluted Class A common shares	195.9	186.1	195.8	186.1

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

<i>(In millions)</i>	June 30,	
	2017	2016
Total AHL shareholders' equity	\$ 8,284	\$ 6,426
Less: AOCI	1,060	569
Total AHL shareholders' equity excluding AOCI	\$ 7,224	\$ 5,857
Retirement Services	\$ 5,165	\$ 4,232
Corporate and Other	2,059	1,625
Total AHL shareholders' equity excluding AOCI	\$ 7,224	\$ 5,857

# Non-GAAP Measure Reconciliations



## Reconciliation of GAAP net investment income to net investment earnings

(In millions)	Three months ended June 30,						Six months ended June 30,			
	2017		2016		2015		2017		2016	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
GAAP net investment income	\$ 821	4.38 %	\$ 700	4.06 %	\$ 629	4.17 %	\$ 1,607	4.35 %	\$ 1,394	4.08 %
Reinsurance embedded derivative impacts	52	0.28 %	53	0.31 %	13	0.09 %	97	0.26 %	89	0.26 %
Net VIE earnings	21	0.11 %	(14)	(0.08)%	(3)	(0.02)%	32	0.09 %	(30)	(0.09)%
Alternative income gain (loss)	6	0.03 %	—	— %	(12)	(0.08)%	(7)	(0.02)%	(32)	(0.09)%
Held for trading amortization	(15)	(0.08)%	(15)	(0.09)%	(3)	(0.02)%	(30)	(0.08)%	(15)	(0.04)%
Total adjustments to arrive at net investment earnings/earned rate	64	0.34 %	24	0.14 %	(5)	(0.03)%	92	0.25 %	12	0.04 %
Total net investment earnings	\$ 885	4.72 %	\$ 724	4.20 %	\$ 624	4.14 %	\$ 1,699	4.60 %	\$ 1,406	4.12 %
Retirement Services	\$ 821	4.85 %	\$ 708	4.58 %	\$ 638	4.35 %	\$ 1,601	4.80 %	\$ 1,401	4.58 %
Corporate and Other	64	3.53 %	16	0.93 %	(14)	(4.03)%	98	2.71 %	5	0.16 %
Total net investment earnings	\$ 885	4.72 %	\$ 724	4.20 %	\$ 624	4.14 %	\$ 1,699	4.60 %	\$ 1,406	4.12 %
Retirement Services average invested assets	\$ 67,577		\$ 61,804		\$ 58,735		\$ 66,635		\$ 61,168	
Corporate and Other average invested assets	7,345		7,177		1,501		7,258		7,139	
Average invested assets	\$ 74,922		\$ 68,981		\$ 60,236		\$ 73,893		\$ 68,307	

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

(In millions)	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
GAAP interest sensitive contract benefits	\$ 553	3.95 %	\$ 335	2.64 %	\$ 1,245	4.48 %	\$ 590	2.34 %
Interest credited other than deferred annuities	(42)	(0.30)%	(27)	(0.21)%	(68)	(0.24)%	(57)	(0.23)%
FIA option costs	149	1.07 %	139	1.08 %	294	1.05 %	275	1.10 %
Product charges (strategy fees)	(17)	(0.12)%	(13)	(0.10)%	(34)	(0.12)%	(24)	(0.10)%
Reinsurance embedded derivative impacts	9	0.06 %	7	0.06 %	18	0.06 %	13	0.05 %
Change in fair values of embedded derivatives - FIAs	(399)	(2.85)%	(206)	(1.62)%	(933)	(3.35)%	(343)	(1.37)%
Negative VOBA amortization	10	0.07 %	15	0.12 %	22	0.08 %	24	0.10 %
Unit linked change in reserve	1	0.01 %	4	0.03 %	(17)	(0.06)%	19	0.08 %
Other changes in interest sensitive contract liabilities	—	— %	(1)	(0.01)%	—	— %	(1)	— %
Total adjustments to arrive at cost of crediting on deferred annuities	(289)	(2.06)%	(82)	(0.65)%	(718)	(2.58)%	(94)	(0.37)%
Retirement Services cost of crediting on deferred annuities	\$ 264	1.89 %	\$ 253	1.99 %	\$ 527	1.90 %	\$ 496	1.97 %
Average account value on deferred annuities	\$ 56,001		\$ 50,817		\$ 55,627		\$ 50,297	

# Non-GAAP Measure Reconciliations



## Reconciliation of total investments, including related parties to total invested assets

(In millions)	June 30,	
	2017	2016
Total investments, including related parties	\$ 78,699	\$ 68,860
Derivative assets	(1,808)	(961)
Cash and cash equivalents (including restricted cash)	3,583	3,385
Accrued investment income	566	507
Payables for collateral on derivatives	(1,860)	(743)
Reinsurance funds withheld and modified coinsurance	(444)	(275)
VIE assets, liabilities and noncontrolling interest	949	1,024
AFS unrealized (gain) loss	(2,335)	(1,593)
Ceded policy loans	(332)	(345)
Net investment receivables (payables)	(739)	—
Total adjustments to arrive at invested assets	(2,420)	999
Total invested assets	\$ 76,279	\$ 69,859

## Reconciliation of total liabilities to total reserve liabilities

(In millions)	June 30,	
	2017	2016
Total liabilities	\$ 85,310	\$ 77,868
Derivative liabilities	(63)	(26)
Payables for collateral on derivatives	(1,860)	(743)
Funds withheld liability	(391)	(391)
Other liabilities	(1,374)	(1,287)
Liabilities of consolidated VIEs	(45)	(512)
Reinsurance ceded receivables	(5,958)	(6,232)
Policy loans ceded	(332)	(345)
Other	3	4
Total adjustments to arrive at reserve liabilities	(10,020)	(9,532)
Total reserve liabilities	\$ 75,290	\$ 68,336

# Revision Adjustments



## Revision adjustments - Consolidated

(In millions)	Three months ended				
	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<b>Net income (pre-revision)</b>	\$ 373	\$ 368	\$ 158	\$ 192	\$ 87
Fixed income and other	—	4	—	(4)	—
Alternatives	—	—	(4)	—	2
<b>Net investment income</b>	—	4	(4)	(4)	2
Other liability costs	8	(5)	(26)	4	(3)
<b>Operating income, before tax</b>	<b>8</b>	<b>(1)</b>	<b>(30)</b>	<b>—</b>	<b>(1)</b>
Income tax (expense) benefit - operating	—	(3)	1	1	1
<b>Operating income, net of tax</b>	<b>8</b>	<b>(4)</b>	<b>(29)</b>	<b>1</b>	<b>—</b>
<b>Non-operating adjustments:</b>					
Investment gains (losses), net of offsets	—	—	—	2	(2)
Change in fair values of derivatives and embedded derivatives - FIAs, net of offsets	—	4	(4)	(2)	—
Stock compensation expense	3	(3)	—	—	—
<b>Total non-operating adjustments</b>	<b>3</b>	<b>1</b>	<b>(4)</b>	<b>—</b>	<b>(2)</b>
<b>Total adjustments to net income</b>	<b>11</b>	<b>(3)</b>	<b>(33)</b>	<b>1</b>	<b>(2)</b>
<b>Net income available to AHL shareholders</b>	<b>\$ 384</b>	<b>\$ 365</b>	<b>\$ 125</b>	<b>\$ 193</b>	<b>\$ 85</b>

## Revision adjustments - Retirement Services

(In millions)	Three months ended				
	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<b>Operating income (pre-revision)</b>	\$ 267	\$ 246	\$ 171	\$ 195	\$ 197
Fixed income and other	—	4	—	(4)	—
Alternatives	—	—	(4)	—	2
<b>Net investment income</b>	—	4	(4)	(4)	2
Other liability costs	8	(5)	(26)	4	(3)
<b>Operating income, before tax</b>	<b>8</b>	<b>(1)</b>	<b>(30)</b>	<b>—</b>	<b>(1)</b>
Income tax (expense) benefit - operating	—	(3)	1	1	1
<b>Total adjustments to net income</b>	<b>8</b>	<b>(4)</b>	<b>(29)</b>	<b>1</b>	<b>—</b>
<b>Net income available to AHL shareholders</b>	<b>\$ 275</b>	<b>\$ 242</b>	<b>\$ 142</b>	<b>\$ 196</b>	<b>\$ 197</b>

