

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): May 7, 2019

ATHENE HOLDING LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

001-37963
(Commission
file number)

98-0630022
(I.R.S. Employer
Identification Number)

96 Pitts Bay Road
Pembroke, HM08, Bermuda
(Address of principal executive offices and zip code)

(441) 279-8400
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common shares	ATH	New York Stock Exchange

Item 2.02 Results of Operations and Financial Condition

On May 7, 2019, Athene Holding Ltd. (the “Company”) issued a press release to announce its financial results for the first quarter 2019. A copy of the press release containing this information is furnished as Exhibit 99.1 hereto and is incorporated by reference in this Item 2.02. The Company's financial supplement for the first quarter ended 2019 is furnished as Exhibit 99.2 hereto and is incorporated by reference in this Item 2.02.

The foregoing information, including the Exhibits referenced in this Item 2.02, is being furnished pursuant to this Item 2.02 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 [Press release of Athene Holding Ltd., dated May 7, 2019 \(furnished and not filed\).](#)

99.2 [Quarterly Financial Supplement for Athene Holding Ltd. for the first quarter of 2019 \(furnished and not filed\).](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATHENE HOLDING LTD.

Date: May 7, 2019

/s/ Martin P. Klein

Martin P. Klein

Executive Vice President and Chief Financial Officer

ATHENE HOLDING LTD. REPORTS FIRST QUARTER 2019 RESULTS

PEMBROKE, Bermuda – May 7, 2019 – Athene Holding Ltd. ("Athene") (NYSE: ATH), a leading provider of retirement savings products, today announced financial results for the first quarter 2019.

Net income for the first quarter 2019 was \$708 million, or \$3.64 per diluted Class A share ("diluted share"), compared to net income for the first quarter 2018 of \$277 million, or \$1.40 per diluted share. The increase from the prior year quarter was driven by favorable changes in the fair value of reinsurance assets¹ related to the decrease in Treasury rates.

Adjusted operating income² for the first quarter 2019 was \$287 million, or \$1.50 per adjusted operating share, compared to adjusted operating income for the first quarter 2018 of \$241 million, or \$1.23 per adjusted operating share. The increase from the prior year quarter was primarily driven by higher investment income related to invested asset growth.

Highlights

- Athene announces formation of strategic capital solution, Athene Co-Invest Reinsurance Affiliate ("ACRA"), which is expected to provide Athene with up to \$4 billion of on-demand, third-party equity capital, enabling Athene to support a variety of business objectives
- With enhanced strategic flexibility resulting from ACRA, Athene's Board of Directors has increased the share repurchase authorization to \$350 million, effective immediately
- On April 30, 2019, Fitch Ratings ("Fitch") upgraded the financial strength ratings of Athene's operating companies to 'A' from 'A-'
- Book value per share of \$52.12, an increase of 23% and 18% for the quarter-over-quarter and year-over-year periods ended March 31, 2019, respectively
- Adjusted book value per share of \$47.30, an increase of 4% and 17% for the quarter-over-quarter and year-over-year periods ended March 31, 2019, respectively
- ROE of 30.8%, Consolidated adjusted operating ROE of 12.8%, and Retirement Services adjusted operating ROE of 14.4% for the quarter ended March 31, 2019
- ROA of 2.19% and adjusted operating ROA of 1.02% for the quarter ended March 31, 2019
- Total deposits of \$4.8 billion underwritten to target returns for the quarter ended March 31, 2019
- Estimated ALRe RBC of 405%³ and U.S. RBC of 412% as of March 31, 2019

"Our business continues to drive 17% compound annual growth in adjusted book value per share," said Jim Belardi, CEO of Athene. "We are extraordinarily well positioned with a multi-channel distribution platform that provides sustainable and opportunistic growth with very attractive profitability. Given the growing number of opportunities we see to drive long term value creation, we are excited to announce the formation of a strategic, on-demand capital vehicle that will allow us to achieve a variety of business objectives simultaneously, and in a shareholder friendly manner."

Mr. Belardi continued, "In recognition of our superior financial performance, market leadership, and improved business diversification, Fitch upgraded the financial strength ratings of Athene's operating companies to 'A' on April 30, 2019. We are now positioned with 'A' ratings from all agencies who cover us, and we look forward to additional ratings upgrades over time. Our increasing presence in the marketplace as an A-rated company will enable us to establish new partnerships and further our position as a financial solutions provider to a broader market."

¹ Formerly described as changes in reinsurance embedded derivatives.

² This news release references certain Non-GAAP measures. See *Non-GAAP Measures* for additional discussion.

³ ALRe RBC ratio is used in evaluating our capital position and the amount of capital needed to support our Retirement Services segment, and is calculated by applying the NAIC RBC factors in effect as of December 31, 2018 to the statutory financial statements of ALRe and its non-U.S. reinsurance subsidiary, on an aggregate basis.

First Quarter 2019 Results

Net income for the first quarter 2019 was \$708 million, an increase of \$431 million, or 156%, from the first quarter 2018. The increase over the prior year quarter was driven by favorable changes in the fair value of reinsurance assets, partially offset by an unfavorable change in FIA derivatives. The change in the fair value of reinsurance assets resulted from a decrease in Treasury rates and tighter credit spreads, while the unfavorable change in FIA derivatives resulted from a change in discount rates, partially offset by equity market appreciation.

Adjusted operating income for the first quarter 2019 was \$287 million, an increase of \$46 million, or 19%, from the first quarter 2018, driven by higher investment income, stable cost of funds, and increased operating leverage. The increase in investment income over the prior year quarter was driven by invested asset growth and increased floating rate investment income, partially offset by lower alternative investment income due to the lagged impact of wider credit spreads in the fourth quarter 2018.

Deposit Highlights

For the first quarter 2019, Athene generated organic deposits of \$4.8 billion, an increase of 131% compared to the first quarter 2018, driven by broad-based strength across channels. Notably, the liabilities supporting these deposits were underwritten to the same return standards as previously generated business.

Retail: In the first quarter 2019, Athene generated \$1.8 billion of new deposits, up 41% from the prior year quarter, driven by the introduction of new products and growth in the Financial Institutions channel, both of which have expanded our market share.

Flow Reinsurance: In the first quarter 2019, Athene generated \$1.1 billion of new deposits, up 400% from the prior year quarter, driven by new business partnerships formed in the second half of 2018.

Institutional: In the first quarter 2019, Athene generated \$1.9 billion of new deposits from two pension risk transfer transactions.

Selected Results

	As of and for the three months ended March 31,	
	2018	2019
<i>(In millions, except percentages and per share data)</i>		
Return on assets (ROA)	1.14%	2.19%
Adjusted operating ROA	1.24%	1.02%
Net investment spread – Retirement Services	1.79%	1.36%
Return on equity (ROE)	12.4%	30.8%
Adjusted operating ROE	12.4%	12.8%
Adjusted operating ROE – Retirement Services	17.8%	14.4%
Book value per share	\$ 44.05	\$ 52.12
Adjusted book value per share	\$ 40.37	\$ 47.30
Common shares outstanding ¹	197.2	194.1
Adjusted operating common shares outstanding ²	196.8	192.4
Investments, including related parties	\$ 80,273	\$ 115,687
Invested assets	\$ 78,723	\$ 113,771
Debt to capital ratio	10.2%	8.9%
Adjusted debt to capital ratio	11.1%	9.8%
Total shareholders' equity	\$ 8,687	\$ 10,117
Adjusted shareholders' equity	\$ 7,946	\$ 9,102
Organic deposits	\$ 2,056	\$ 4,759
Inorganic deposits	—	—
Total deposits	\$ 2,056	\$ 4,759

¹ Represents common shares outstanding for all classes eligible to participate in dividends for each period presented. Used for the book value per share calculation.

² Adjusted operating common shares outstanding assumes 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 outstanding on a one-for-one basis, the impacts of all Class M common shares outstanding net of the conversion price and any other stock-based awards outstanding, but excluding any awards for which the exercise or conversion price exceeds the market value of Class A common shares on the applicable measurement date. 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. We believe this non-GAAP measure is an appropriate economic representation of our share counts for use in an economic view of book value metrics.

	Three months ended March 31,	
	2018	2019
<i>(In millions, except per share data)</i>		
Net income	\$ 277	\$ 708
Non-operating adjustments		
Investment gains (losses), net of offsets	(33)	458
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	86	(27)
Integration, restructuring and other non-operating expenses	(8)	(1)
Stock compensation expense	(3)	(3)
Income tax (expense) benefit – non-operating	(6)	(6)
Less: Total non-operating adjustments	36	421
Adjusted operating income	\$ 241	\$ 287
Adjusted operating income by segment		
Retirement Services	\$ 239	\$ 286
Corporate and Other	2	1
Adjusted operating income	\$ 241	\$ 287
Earnings per share – basic ¹	\$ 1.40	\$ 3.65
Earnings per share – diluted Class A ²	\$ 1.40	\$ 3.64
Adjusted operating earnings per share ³	\$ 1.23	\$ 1.50
Weighted average shares outstanding – basic ¹	197.1	194.0
Weighted average shares outstanding – diluted Class A ²	149.0	161.7
Weighted average shares outstanding – adjusted operating ³	196.0	192.2

1 Basic earnings per share, including basic weighted average shares outstanding includes all classes eligible to participate in dividends for each period presented.

2 Diluted earnings per share on a GAAP basis for Class A common shares, including diluted Class A weighted average shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. Such dilutive securities totaled 441,061 weighted average shares for the quarter. Diluted earnings per share on a GAAP basis for Class A common shares are based on allocated net income of \$589 million (83% of net income) and \$209 million (75% of net income) for the three months ended March 31, 2019 and 2018, respectively.

3 Weighted average shares outstanding – adjusted operating assumes 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 Class A common shares on the applicable measurement date. 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. We believe this non-GAAP measure is an appropriate economic representation of our share counts for use in an economic view of adjusted operating earnings per share.

Segment Results

Retirement Services

For the first quarter 2019, Retirement Services adjusted operating income was \$286 million, an increase of \$47 million, or 20%, from the first quarter 2018, resulting in an adjusted operating ROE of 14.4%. The increase in adjusted operating income over the prior year quarter was primarily driven by higher investment income, stable cost of funds, and increasing operating leverage. Notably, investment income increased by \$305 million over the prior year quarter primarily due to invested asset growth.

The net investment spread, which measures net investment earnings less cost of funds, was 1.36% of average invested assets for the first quarter 2019, a decrease of 43 basis points from the first quarter 2018. The decrease from the prior year quarter was driven by lower net investment earned rates attributed to lower alternative investment performance as well as lower returns on the Voya and Lincoln assets.

The net investment earned rate ("NIER") was 4.21% for the first quarter 2019, a decrease of 42 basis points from the prior year quarter, reflecting lower alternative investment returns, which were negatively impacted by the lag effect of weak equity markets and wider credit spreads in the fourth quarter 2018 on nearly two-thirds of the portfolio. The annualized return on alternative investments during the first quarter 2019 was 2.13%, compared to 12.34% in the prior year quarter. Invested asset purchases increased by \$800 million, or 11%, to \$7.9 billion with meaningfully higher yields compared to the prior year quarter.

Cost of funds, which is comprised of the total cost of crediting on deferred annuities and institutional products as well as other liability costs, was 2.85% for the first quarter 2019, an increase of 1 basis point from the first quarter 2018. Total cost of crediting was 1.92% for the first quarter 2019, an increase of 20 basis points from prior year

quarter, driven by higher option costs for deferred annuities, higher crediting rates for the onboarded Voya and Lincoln blocks, and the increase in institutional deposits within the overall business mix. Cost of crediting on deferred annuities was 1.98% and the cost of crediting on institutional business was 3.69%. Beginning in the first quarter 2019, institutional costs, previously recognized within other liability costs, were moved to cost of crediting; all prior periods were recast to reflect this change. As such, other liability costs were 0.93% for the first quarter 2019, a decrease of 19 basis points from the prior year quarter primarily due to equity market appreciation, partially offset by growth in the block.

Corporate & Other

In the first quarter 2019, Corporate & Other adjusted operating income was \$1 million, in line with the first quarter 2018.

Share Repurchase Activity

From December 10, 2018 through May 6, 2019, Athene repurchased 3.7 million shares of its common stock for \$147 million under a previously announced share repurchase program. During this period, shares were purchased at an average cost of \$40.20 per share. This activity includes 1.2 million shares repurchased during the first quarter 2019 for \$47 million.

Athene's Board of Directors has increased the share repurchase authorization to \$350 million, effective immediately.

Athene Announces Strategic Capital Solution

In order to support a growing number of capital deployment opportunities, including continuing profitable organic growth, acting as a solutions provider within the restructuring insurance industry, maintaining capital for opportunistic investment, repurchasing common shares at attractive returns, further strengthening the balance sheet, and pursuing ratings upgrades, Athene has established a long-duration, on-demand capital vehicle. Athene Co-Invest Reinsurance Affiliate ("ACRA"), currently is a wholly owned subsidiary of Athene that is expected to participate in qualifying transactions by drawing two-thirds of the required capital for such transactions from third-party investors. ACRA will be managed to the same investment, risk, and capital standards as all other Athene subsidiaries. ACRA will have access to a pool of third-party capital, targeted at up to \$4 billion in total. Uncalled capital commitments currently approximate \$1 billion. This shareholder-friendly, strategic capital solution will allow Athene the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong balance sheet position. With this solution, Athene will be able to achieve various business objectives in a manner that is accretive to shareholders, minimizes the potential need for additional primary issuance in the future, and eliminates the impact undeployed on-balance sheet capital has on key financial measures, such as ROE. Additional information on ACRA can be found in a presentation posted on Athene's website at ir.athene.com.

Conference Call Information

Athene will host a conference call today, Tuesday, May 7, 2019, at 10 a.m. ET. During the call, members of Athene's senior management team will review Athene's financial results for the first quarter ended March 31, 2019, as well as discuss ACRA. This press release, the first quarter 2019 earnings presentation and financial supplement as well as the ACRA presentation will be posted to Athene's website at ir.athene.com.

- Live conference call: Toll-free at 1-866-901-0811 (domestic) or 1-346-354-0810 (international)
- Conference call replay available through May 23, 2019 at 1-800-585-8367 (domestic) or 1-404-537-3406 (international)
- Conference ID number: 8645809
- Live and archived webcast available at ir.athene.com

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About Athene Holding Ltd.

Athene, through its subsidiaries, is a leading retirement services company that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs. The products offered by Athene include:

- Retail fixed and fixed indexed annuity products;
- Reinsurance arrangements with third-party annuity providers; and
- Institutional products, such as funding agreements and group annuity contracts related to pension risk transfers.

Athene had total assets of \$132.9 billion as of March 31, 2019. Athene's principal subsidiaries include Athene Annuity & Life Assurance Company, a Delaware-domiciled insurance company, Athene Annuity and Life Company, an Iowa-domiciled insurance company, Athene Annuity & Life Assurance Company of New York, a New York-domiciled insurance company and Athene Life Re Ltd., a Bermuda-domiciled reinsurer.

Further information about our companies can be found at www.athene.com.

Non-GAAP Measures

In addition to our results presented in accordance with GAAP, we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant GAAP measures, provides information that may enhance an investor's understanding of our results of operations and the underlying profitability drivers of our business. The majority of these non-GAAP measures are intended to remove from the results of operations the impact of market volatility (other than with respect to alternative investments) as well as integration, restructuring and certain other expenses which are not part of our underlying profitability drivers, as such items fluctuate from period to period in a manner inconsistent with these drivers. These measures should be considered supplementary to our results in accordance with GAAP and should not be viewed as a substitute for the corresponding GAAP measures. See *Non-GAAP Measure Reconciliations* for the appropriate reconciliations to the corresponding GAAP measures.

Adjusted operating income 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 adjusted operating income equals net income adjusted to eliminate the impact of the following (collectively, the "non-operating adjustments"):

- Investment Gains (Losses), Net of Offsets
- Change in Fair Values of Derivatives and Embedded Derivatives – FIAs, Net of Offsets
- Integration, Restructuring, and Other Non-operating Expenses
- Stock Compensation Expense
- Bargain Purchase Gain
- Income Tax (Expense) Benefit – Non-operating

We consider these non-operating adjustments to be meaningful adjustments to net income for the reasons discussed in greater detail above. Accordingly, we believe using a measure which excludes the impact of these items is useful in analyzing our business performance and the trends in our results of operations. Together with net income, we believe adjusted operating income, provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income should not be used as a substitute for net income.

Adjusted operating ROA is a non-GAAP measure used to evaluate our financial performance and profitability. Adjusted operating ROA is computed using our adjusted operating income divided by average invested assets for the relevant

period. To enhance the ability to analyze these measures across periods, interim periods are annualized. While we believe each of these metrics 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 ROA presented under GAAP.

Adjusted operating ROE is a non-GAAP measure used to evaluate our financial performance excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, in each case net of DAC, DSI, rider reserve and tax offsets. Adjusted shareholders' equity is calculated as the ending shareholders' equity excluding AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets. Adjusted operating ROE is calculated as the adjusted operating income, divided by average adjusted shareholders' equity. These adjustments fluctuate 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. Except with respect to reinvestment activity relating to 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 and the cumulative change in fair value of funds withheld and modco reinsurance assets are useful in analyzing trends in our operating results. To enhance the ability to analyze these measures across periods, interim periods are annualized. Adjusted operating ROE 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 financial performance.

Adjusted operating earnings per share, weighted average shares outstanding – adjusted operating and adjusted book value per share are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the number of shares included in the corresponding GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe using these measures represents an economic view of our share counts and provides a simplified and consistent view of our outstanding shares. Adjusted operating earnings per share is calculated as the adjusted operating income, over the weighted average shares outstanding – adjusted operating. Adjusted book value per share is calculated as the adjusted shareholders' equity divided by the adjusted operating common shares outstanding. 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 payment 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, after considering the dilutive effects of the more dilutive securities in the sequence, they are excluded. Weighted average shares outstanding – adjusted operating and adjusted operating common shares outstanding 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. Adjusted operating earnings per share, weighted average shares outstanding – adjusted operating and adjusted book value per share should not be used as a substitute for basic earnings per share – Class A common shares, basic weighted average shares outstanding – Class A or book value per share. However, we believe the adjustments to the shares and equity are significant to gaining an understanding of our overall results of operations and financial condition.

Adjusted debt to capital ratio is a non-GAAP measure used to evaluate our capital structure excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, net of DAC, DSI, rider reserve and tax offsets. Adjusted debt to capital ratio is calculated as total debt excluding consolidated variable interest entities (VIEs) divided by adjusted shareholders' equity. Adjusted debt to capital ratio should not be used as a substitute for the debt to capital ratio. However, we believe the adjustments to total debt and shareholders' equity are significant to gaining an understanding of our capitalization, debt utilization, and debt capacity.

Net investment spread is a key measurement of the financial health of our Retirement Services profitability. Net investment spread measures our investment performance less the total cost of our liabilities. Net investment earned rate is a key measure of our investment performance, while cost of funds is a key measure of the cost of our policyholder benefits and liabilities. Investment margin on our deferred annuities measures our investment performance less the cost of crediting for our deferred annuities, which make up a significant portion of our reserve liabilities.

- 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 fair value of reinsurance assets. We include the income and assets supporting our change in fair value of reinsurance assets 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 change in fair value of reinsurance assets. 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 funds includes liability costs related to cost of crediting on both deferred annuities and institutional products as well as other liability costs. Cost of funds is computed as the total liability costs divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Cost of crediting includes the costs for both deferred annuities and institutional products. 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 indexed 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. Cost of crediting on institutional products is comprised of PRT costs including interest credited, benefit payments and other reserve changes, net of premiums received when issued, as well as funding agreement costs including the interest payments and other reserve changes. Cost of crediting is computed as the cost of crediting for deferred annuities and institutional products divided by the average invested assets for the relevant periods. Cost of crediting on deferred annuities is computed as the interest credited on fixed strategies and option costs on indexed annuity strategies divided by the average account value of our deferred annuities. Cost of crediting on institutional products is computed as the PRT and funding agreement costs divided by the average institutional reserve liabilities. Our average invested assets, account values and institutional reserve liabilities are averaged over the number of quarters in the relevant period to obtain our associated cost of crediting for such period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, premiums, product charges and other revenues. We believe a measure like other liability costs is useful in analyzing the trends of our core business operations and profitability. While we believe other liability costs is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total benefits and expenses presented under GAAP.

Net investment earned rate, cost of funds, net investment spread and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our business. We believe these metrics are useful in analyzing the trends of our business operations, profitability and pricing discipline. While we believe each of these metrics 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, interest sensitive contract benefits or total benefits and expenses presented under GAAP.

Operating expenses excludes integration, restructuring and other non-operating expenses, stock compensation expense, interest expense and policy acquisition expenses. We believe a measure like operating expenses is useful in analyzing the trends of our core business operations and profitability. While we believe operating expenses is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for policy and other operating expenses presented under GAAP.

In managing our business we analyze invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Invested assets represents the investments that directly back our reserve 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.

Sales statistics do not correspond to revenues under GAAP, but are used as relevant measures to understand our business performance as it relates to deposits generated during a specific period of time. Our sales statistics include deposits for 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).

Safe Harbor for Forward-Looking Statements

This press release contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in, or implied by, such statements. These statements are based on the beliefs and assumptions of Athene's management and the management of Athene's subsidiaries. Generally, forward-looking statements include actions, events, results, strategies and expectations and are often identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions. Forward-looking statements within this press release include, but are not limited to, discussion relating to the ACRA capital raise and the benefits to be derived there from and discussion regarding future financial performance. Factors that could cause actual results, events and developments to differ include, without limitation: failure to close the ACRA capital raise or failure to achieve the benefits expected to be derived therefrom; the accuracy of our assumptions and estimates; our ability to maintain or improve financial strength ratings; our ability to manage our business in a highly regulated industry; regulatory changes or actions; the impact of our reinsurers failing to meet their assumed obligations; the impact of interest rate fluctuations; changes in the federal income tax laws and regulations; the accuracy of our interpretation of the Tax Cuts and Jobs Act, litigation (including class action litigation), enforcement investigations or regulatory scrutiny; the performance of third parties; the loss of key personnel; telecommunication, information technology and other operational systems failures; the continued availability of capital; new accounting rules or changes to existing accounting rules; general economic conditions; our ability to protect our intellectual property; the ability to maintain or obtain approval of the Delaware Department of Insurance, the Iowa Insurance Division and other regulatory authorities as required for our operations; and other factors discussed from time to time in Athene's filings with the SEC, including our annual report on Form 10-K for the year ended December 31, 2018, which can be found at the SEC's website www.sec.gov.

All forward-looking statements described herein are qualified by these cautionary statements and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. We do not undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

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Athene Holding Ltd.
Condensed Consolidated Balance Sheets *(unaudited, in millions)*

	December 31, 2018	March 31, 2019
Assets		
Investments		
Available-for-sale securities, at fair value	\$ 59,265	\$ 64,655
Trading securities, at fair value	1,949	2,256
Equity securities, at fair value	216	252
Mortgage loans, net of allowances	10,340	11,042
Investment funds	703	683
Policy loans	488	487
Funds withheld at interest	15,023	15,241
Derivative assets	1,043	1,920
Short-term investments, at fair value	191	155
Other investments	122	121
Total investments	89,340	96,812
Cash and cash equivalents	2,911	3,021
Restricted cash	492	497
Investments in related parties		
Available-for-sale securities, at fair value	1,437	1,684
Trading securities, at fair value	249	239
Equity securities, at fair value	120	301
Mortgage loans	291	291
Investment funds	2,232	2,290
Funds withheld at interest	13,577	13,683
Other investments	386	387
Accrued investment income	682	751
Reinsurance recoverable	5,534	5,647
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	5,619
Other assets	1,635	962
Assets of consolidated variable interest entities		
Investments		
Trading securities, at fair value – related party	35	34
Equity securities, at fair value – related party	50	6
Investment funds	624	619
Cash and cash equivalents	2	2
Other assets	1	12
Total assets	\$ 125,505	\$ 132,857

(Continued)

Condensed Consolidated Balance Sheets (*unaudited, in millions*)

	December 31, 2018	March 31, 2019
Liabilities		
Interest sensitive contract liabilities	\$ 96,610	\$ 98,452
Future policy benefits	16,704	19,016
Other policy claims and benefits	142	162
Dividends payable to policyholders	118	118
Long-term debt	991	991
Derivative liabilities	85	85
Payables for collateral on derivatives	969	1,781
Funds withheld liability	721	724
Other liabilities	888	1,410
Liabilities of consolidated variable interest entities	1	1
Total liabilities	117,229	122,740
Equity		
Common stock	—	—
Additional paid-in capital	3,462	3,448
Retained earnings	5,286	5,963
Accumulated other comprehensive income	(472)	706
Total shareholders' equity	8,276	10,117
Total liabilities and equity	\$ 125,505	\$ 132,857

(Concluded)

Condensed Consolidated Statements of Income (*unaudited, in millions*)

	Three months ended March 31,	
	2018	2019
Revenue		
Premiums	\$ 278	\$ 1,966
Product charges	96	125
Net investment income	855	1,066
Investment related gains (losses)	(236)	1,772
OTTI investment losses		
OTTI losses	(3)	(2)
OTTI losses reclassified to (from) OCI	—	1
Net OTTI losses	(3)	(1)
Other revenues	6	12
Revenues of consolidated variable interest entities		
Net investment income	10	16
Investment related gains (losses)	5	5
Total revenues	1,011	4,961
Benefits and Expenses		
Interest sensitive contract benefits	31	1,516
Amortization of DSI	20	5
Future policy and other policy benefits	401	2,295
Amortization of DAC and VOBA	82	231
Dividends to policyholders	13	9
Policy and other operating expenses	142	165
Total benefits and expenses	689	4,221
Income (loss) before income taxes	322	740
Income tax expense (benefit)	45	32
Net income (loss)	\$ 277	\$ 708

Non-GAAP Measure Reconciliations

The reconciliation of basic earnings per Class A common share to adjusted operating earnings per share is as follows:

	Three months ended March 31,	
	2018	2019
Basic earnings per share – Class A common shares	\$ 1.40	\$ 3.65
Non-operating adjustments		
Investment gains (losses), net of offsets	(0.17)	2.38
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	0.44	(0.14)
Integration, restructuring and other non-operating expenses	(0.04)	(0.01)
Stock compensation expense	(0.01)	(0.01)
Income tax (expense) benefit – non-operating	(0.03)	(0.03)
Less: Total non-operating adjustments	0.19	2.19
Less: Effect of items convertible to or settled in Class A common shares	(0.02)	(0.04)
Adjusted operating earnings per share	\$ 1.23	\$ 1.50

The reconciliation of basic weighted average Class A shares to weighted average shares outstanding – adjusted operating, is as follows:

(In millions)	Three months ended March 31,	
	2018	2019
Basic weighted average shares outstanding – Class A	148.7	161.3
Conversion of Class B shares to Class A shares	41.1	25.4
Conversion of Class M shares to Class A shares	5.8	5.1
Effect of other stock compensation plans	0.4	0.4
Weighted average shares outstanding – adjusted operating	196.0	192.2

The reconciliation of shareholders' equity to adjusted shareholders' equity included in adjusted book value per share, adjusted debt to capital ratio, and adjusted operating ROE is as follows:

(In millions)	March 31,	
	2018	2019
Total shareholders' equity	\$ 8,687	\$ 10,117
Less: AOCI	634	706
Less: Accumulated change in fair value of reinsurance assets	107	309
Total adjusted shareholders' equity	\$ 7,946	\$ 9,102
Retirement Services	\$ 5,495	\$ 8,201
Corporate and Other	2,451	901
Total adjusted shareholders' equity	\$ 7,946	\$ 9,102

The reconciliation of average shareholders' equity to average adjusted shareholders' equity included in adjusted operating ROE is as follows:

(In millions)	Three months ended March 31,	
	2018	2019
Average shareholders' equity	\$ 8,932	\$ 9,197
Less: Average AOCI	1,042	117
Less: Average accumulated change in fair value of reinsurance assets	134	117
Average adjusted shareholders' equity	\$ 7,756	\$ 8,963
Retirement Services	\$ 5,366	\$ 8,004
Corporate and Other	2,390	959
Average adjusted shareholders' equity	\$ 7,756	\$ 8,963

The reconciliation of basic Class A shares outstanding to adjusted operating common shares outstanding is as follows:

<i>(In millions)</i>	March 31,	
	2018	2019
Class A common shares outstanding	164.5	161.3
Conversion of Class B shares to Class A shares	25.5	25.4
Conversion of Class M shares to Class A shares	5.8	5.0
Effect of other stock compensation plans	1.0	0.7
Adjusted operating common shares outstanding	196.8	192.4

The reconciliation of book value per share to adjusted book value per share is as follows:

	March 31,	
	2018	2019
Book value per share	\$ 44.05	\$ 52.12
AOCI	(3.22)	(3.64)
Accumulated change in fair value of reinsurance assets	(0.54)	(1.59)
Effect of items convertible to or settled in Class A common shares	0.08	0.41
Adjusted book value per share	\$ 40.37	\$ 47.30

The reconciliation of debt to capital ratio to adjusted debt to capital ratio is as follows:

	March 31,	
	2018	2019
Total debt	\$ 992	\$ 991
Total shareholders' equity	8,687	10,117
Total capitalization	9,679	11,108
Less: AOCI	634	706
Less: Accumulated change in fair value of reinsurance assets	107	309
Total adjusted capitalization	\$ 8,938	\$ 10,093
Debt to capital ratio	10.2%	8.9%
AOCI	0.8%	0.6%
Accumulated change in fair value of reinsurance assets	0.1%	0.3%
Adjusted debt to capital ratio	11.1%	9.8%

The reconciliation of net investment income to net investment earnings and earned rate is as follows:

<i>(In millions)</i>	Three months ended March 31,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
GAAP net investment income	\$ 855	4.41 %	\$ 1,066	3.79 %
Change in fair value of reinsurance assets	45	0.22 %	132	0.47 %
Net VIE earnings	15	0.08 %	21	0.08 %
Alternative income gain (loss)	1	0.01 %	(5)	(0.02)%
Held for trading amortization	(23)	(0.12)%	(11)	(0.04)%
Total adjustments to arrive at net investment earnings/earned rate	38	0.19 %	137	0.49 %
Total net investment earnings/earned rate	\$ 893	4.60 %	\$ 1,203	4.28 %
Retirement Services	\$ 866	4.63 %	\$ 1,171	4.21 %
Corporate and Other	27	3.76 %	32	13.19 %
Total net investment earnings/earned rate	\$ 893	4.60 %	\$ 1,203	4.28 %
Retirement Services average invested assets	\$ 74,735		\$ 111,443	
Corporate and Other average invested assets	2,844		959	
Average invested assets	\$ 77,579		\$ 112,402	

The reconciliation of interest sensitive contract benefits to Retirement Services' cost of crediting, and the respective rates, is as follows:

(In millions)	Three months ended March 31,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
GAAP interest sensitive contract benefits	\$ 31	0.16 %	\$ 1,516	5.44 %
Interest credited other than deferred annuities and institutional products	7	0.04 %	55	0.20 %
FIA option costs	174	0.93 %	278	1.00 %
Product charges (strategy fees)	(22)	(0.12)%	(28)	(0.10)%
Reinsurance embedded derivative impacts	3	0.02 %	15	0.05 %
Change in fair values of embedded derivatives – FIAs	121	0.65 %	(1,311)	(4.70)%
Negative VOBA amortization	10	0.05 %	12	0.04 %
Other changes in interest sensitive contract liabilities	(2)	(0.01)%	(2)	(0.01)%
Total adjustments to arrive at cost of crediting on deferred annuities	291	1.56 %	(981)	(3.52)%
Retirement Services cost of crediting	\$ 322	1.72 %	\$ 535	1.92 %
Retirement Services cost of crediting on deferred annuities	\$ 275	1.87 %	\$ 444	1.98 %
Retirement Services cost of crediting on institutional products	\$ 47	3.14 %	\$ 91	3.69 %
Retirement Services cost of crediting	\$ 322	1.72 %	\$ 535	1.92 %
Retirement Services average invested assets	\$ 74,735		\$ 111,443	
Average account value on deferred annuities	\$ 58,993		\$ 89,809	
Average institutional reserve liabilities	\$ 5,955		\$ 9,809	

The reconciliation of benefits and expenses to other liability costs is as follows:

	Three months ended March 31,	
	2018	2019
	GAAP benefits and expenses	\$ 689
Premiums	(278)	(1,966)
Product charges	(96)	(125)
Other revenues	(6)	(12)
Cost of crediting	(145)	(242)
Change in fair value of embedded derivatives - FIA, net of offsets	66	(1,260)
DAC, DSI and VOBA amortization related to investment gains and losses	20	(173)
Rider reserves	1	(28)
Policy and other operating expenses, excluding policy acquisition expenses	(97)	(103)
AmerUs closed block fair value liability	54	(53)
Other	—	1
Total adjustments to arrive at other liability costs	(481)	(3,961)
Other liability costs	\$ 208	\$ 260
Retirement Services	\$ 208	\$ 260
Corporate and Other	—	—
Consolidated other liability costs	\$ 208	\$ 260

The reconciliation of policy and other expenses to operating expenses is as follows:

	Three months ended March 31,	
	2018	2019
Policy and other operating expenses	\$ 142	\$ 165
Interest expense	(13)	(17)
Policy acquisition expenses, net of deferrals	(45)	(62)
Integration, restructuring and other non-operating expenses	(8)	(1)
Stock compensation expenses	(3)	(3)
Total adjustments to arrive at operating expenses	(69)	(83)
Operating expenses	\$ 73	\$ 82
Retirement Services	\$ 58	\$ 62
Corporate and Other	15	20
Consolidated operating expenses	\$ 73	\$ 82

The reconciliation of total investments, including related parties, to invested assets is as follows:

<i>(In millions)</i>	March 31,	
	2018	2019
Total investments, including related parties	\$ 80,273	\$ 115,687
Derivative assets	(2,031)	(1,920)
Cash and cash equivalents (including restricted cash)	2,822	3,518
Accrued investment income	620	751
Payables for collateral on derivatives	(1,145)	(1,781)
Reinsurance funds withheld and modified coinsurance	(466)	(578)
VIE and VOE assets, liabilities and noncontrolling interest	810	676
Unrealized (gains) losses	(1,332)	(1,254)
Ceded policy loans	(299)	(283)
Net investment receivables (payables)	(529)	(1,045)
Total adjustments to arrive at invested assets	(1,550)	(1,916)
Total invested assets	\$ 78,723	\$ 113,771



Athene Holding Ltd.
1Q'19 Financial Supplement

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Financial Highlights

Unaudited (in millions, except percentages and per share data)



	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
SELECTED INCOME STATEMENT DATA										
Net income (loss)	\$ 277	\$ 257	\$ 623	\$ (104)	\$ 708	781 %	156 %	\$ 277	\$ 708	156 %
Adjusted operating income	241	288	371	240	287	20 %	19 %	241	287	19 %
FINANCIAL RATIOS										
Return on assets (ROA)	1.14%	0.98%	2.14%	(0.34)%	2.19%	253bps	105bps	1.14%	2.19%	105bps
Adjusted operating ROA	1.24%	1.34%	1.49%	0.88 %	1.02%	14bps	(22)bps	1.24%	1.02%	(22)bps
Net investment spread – Retirement Services	1.79%	1.90%	1.78%	1.43 %	1.36%	(7)bps	(43)bps	1.79%	1.36%	(43)bps
Return on equity (ROE)	12.4%	12.0%	28.6%	(4.8)%	30.8%	3,560bps	1,840bps	12.4%	30.8%	1,840bps
Adjusted operating ROE	12.4%	14.2%	17.2%	10.8 %	12.8%	200bps	40bps	12.4%	12.8%	40bps
Adjusted operating ROE – Retirement Services	17.8%	19.8%	23.2%	16.0 %	14.4%	(160)bps	(340)bps	17.8%	14.4%	(340)bps
EARNINGS AND BOOK VALUE PER SHARE										
Basic ¹	\$ 1.40	\$ 1.30	\$ 3.16	\$ (0.53)	\$ 3.65	789 %	161 %	\$ 1.40	\$ 3.65	161 %
Diluted – Class A2	1.40	1.30	3.15	(0.53)	3.64	787 %	160 %	1.40	3.64	160 %
Adjusted operating earnings per share ³	1.23	1.47	1.90	1.23	1.50	22 %	22 %	1.23	1.50	22 %
Book value per share	44.05	42.89	45.51	42.45	52.12	23 %	18 %	44.05	52.12	18 %
Adjusted book value per share ³	40.37	42.27	45.53	45.59	47.30	4 %	17 %	40.37	47.30	17 %
SELECTED BALANCE SHEET DATA										
Total assets	\$ 94,001	\$ 115,191	\$ 118,250	\$ 125,505	\$ 132,857	6 %	41 %	\$ 94,001	\$ 132,857	41 %
Invested assets	78,723	98,609	100,596	111,034	113,771	2 %	45 %	78,723	113,771	45 %
Total liabilities	85,314	106,729	109,272	117,229	122,740	5 %	44 %	85,314	122,740	44 %
Reserve liabilities	75,823	96,248	98,553	107,732	111,791	4 %	47 %	75,823	111,791	47 %
Debt	992	1,174	991	991	991	— %	— %	992	991	— %
Total shareholders' equity	8,687	8,462	8,978	8,276	10,117	22 %	16 %	8,687	10,117	16 %
Adjusted shareholders' equity	7,946	8,303	8,976	8,823	9,102	3 %	15 %	7,946	9,102	15 %
DEPOSITS										
Retail	\$ 1,286	\$ 2,038	\$ 2,200	\$ 2,018	\$ 1,816	(10)%	41 %	\$ 1,286	\$ 1,816	41 %
Flow reinsurance	204	473	610	1,136	1,020	(10)%	400 %	204	1,020	400 %
Funding agreements	300	125	—	225	—	(100)%	(100)%	300	—	(100)%
Pension risk transfer	266	54	476	1,785	1,923	8 %	623 %	266	1,923	623 %
Total organic deposits	2,056	2,690	3,286	5,164	4,759	(8)%	131 %	2,056	4,759	131 %
Inorganic deposits	—	19,104	—	7,878	—	(100)%	— %	—	—	— %
Total deposits	\$ 2,056	\$ 21,794	\$ 3,286	\$ 13,042	\$ 4,759	(64)%	131 %	\$ 2,056	\$ 4,759	131 %

Note: Please refer to Notes to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on adjusted operating income, adjusted operating ROE, adjusted operating ROA, net investment spread, adjusted book value per share, invested assets, reserve liabilities, and adjusted equity. ¹ Basic earnings per share, including basic weighted average shares outstanding, includes all classes eligible to participate in dividends for each period presented. ² Diluted earnings per share on a GAAP basis for Class A common shares, including diluted Class A weighted average shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. ³ Represents Class A common shares outstanding or 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 common shares, Class M common shares 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.

Condensed Consolidated Statements of Income (GAAP view)

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
REVENUE										
Premiums	\$ 278	\$ 731	\$ 526	\$ 1,833	\$ 1,966	7 %	607 %	\$ 278	\$ 1,966	607 %
Product charges	96	106	119	128	125	(2)%	30 %	96	125	30 %
Net investment income	855	958	1,070	1,121	1,066	(5)%	25 %	855	1,066	25 %
Investment related gains (losses)	(236)	(2)	816	(1,902)	1,772	193 %	851 %	(236)	1,772	851 %
Other-than-temporary impairment investment losses										
Other-than-temporary impairment losses	(3)	—	(7)	(14)	(2)	86 %	33 %	(3)	(2)	33 %
Other-than-temporary impairment losses reclassified to (from) other comprehensive income	—	—	4	2	1	(50)%	100 %	—	1	100 %
Net other-than-temporary impairment losses	(3)	—	(3)	(12)	(1)	92 %	67 %	(3)	(1)	67 %
Other revenues	6	6	10	4	12	200 %	100 %	6	12	100 %
Revenues related to consolidated variable interest entities										
Net investment income	10	14	15	17	16	(6)%	60 %	10	16	60 %
Investment related gains (losses)	5	(11)	23	(35)	5	114 %	— %	5	5	— %
Total revenues	\$ 1,011	\$ 1,802	\$ 2,576	\$ 1,154	\$ 4,961	330 %	391 %	\$ 1,011	\$ 4,961	391 %
BENEFITS AND EXPENSES										
Interest sensitive contract benefits	\$ 31	\$ 342	\$ 742	\$ (825)	\$ 1,516	284 %	4,790 %	\$ 31	\$ 1,516	4,790 %
Amortization of deferred sales inducements	20	23	23	(12)	5	142 %	(75)%	20	5	(75)%
Future policy and other policy benefits	401	864	928	1,994	2,295	15 %	472 %	401	2,295	472 %
Amortization of deferred acquisition costs and value of business acquired	82	89	36	(33)	231	800 %	182 %	82	231	182 %
Dividends to policyholders	13	9	10	5	9	80 %	(31)%	13	9	(31)%
Policy and other operating expenses	142	153	158	172	165	(4)%	16 %	142	165	16 %
Operating expenses of consolidated variable interest entities	—	1	—	—	—	— %	— %	—	—	— %
Total benefits and expenses	689	1,481	1,897	1,301	4,221	224 %	513 %	689	4,221	513 %
Income (loss) before income taxes	322	321	679	(147)	740	603 %	130 %	322	740	130 %
Income tax expense (benefit)	45	64	56	(43)	32	174 %	(29)%	45	32	(29)%
Net income (loss)	\$ 277	\$ 257	\$ 623	\$ (104)	\$ 708	781 %	156 %	\$ 277	\$ 708	156 %

Segment Results of Operations (Management view)

Unaudited (in millions, except percentages and per share data)



	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
ADJUSTED OPERATING INCOME – CONSOLIDATED										
Fixed income and other investment income	\$ 798	\$ 921	\$ 1,036	\$ 1,142	\$ 1,154	1 %	45 %	\$ 798	\$ 1,154	45 %
Alternative investment income	95	88	90	62	49	(21)%	(48)%	95	49	(48)%
Net investment earnings	893	1,009	1,126	1,204	1,203	— %	35 %	893	1,203	35 %
Cost of crediting	(322)	(368)	(453)	(516)	(535)	(4)%	(66)%	(322)	(535)	(66)%
Other liability costs ¹	(208)	(220)	(221)	(332)	(260)	22 %	(25)%	(208)	(260)	(25)%
Cost of funds	(530)	(588)	(674)	(848)	(795)	6 %	(50)%	(530)	(795)	(50)%
Operating expenses	(73)	(70)	(78)	(82)	(82)	— %	(12)%	(73)	(82)	(12)%
Interest expense	(10)	(14)	(13)	(12)	(13)	(8)%	(30)%	(10)	(13)	(30)%
Pre-tax adjusted operating income	280	337	361	262	313	19 %	12 %	280	313	12 %
Income tax (expense) benefit – operating	(39)	(49)	10	(22)	(26)	(18)%	33 %	(39)	(26)	33 %
Adjusted operating income	<u>\$ 241</u>	<u>\$ 288</u>	<u>\$ 371</u>	<u>\$ 240</u>	<u>\$ 287</u>	20 %	19 %	<u>\$ 241</u>	<u>\$ 287</u>	19 %
Adjusted operating earnings per share	\$ 1.23	\$ 1.47	\$ 1.90	\$ 1.23	\$ 1.50	22 %	22 %	\$ 1.23	\$ 1.50	22 %
ADJUSTED OPERATING INCOME – RETIREMENT SERVICES										
Fixed income and other investment income	\$ 775	\$ 897	\$ 1,021	\$ 1,132	\$ 1,151	2 %	49 %	\$ 775	\$ 1,151	49 %
Alternative investment income	91	86	87	99	20	(80)%	(78)%	91	20	(78)%
Net investment earnings	866	983	1,108	1,231	1,171	(5)%	35 %	866	1,171	35 %
Cost of crediting	(322)	(368)	(453)	(516)	(535)	(4)%	(66)%	(322)	(535)	(66)%
Other liability costs ¹	(208)	(220)	(221)	(332)	(260)	22 %	(25)%	(208)	(260)	(25)%
Cost of funds	(530)	(588)	(674)	(848)	(795)	6 %	(50)%	(530)	(795)	(50)%
Operating expenses	(58)	(56)	(63)	(65)	(62)	5 %	(7)%	(58)	(62)	(7)%
Interest expense	—	(3)	(2)	—	(2)	(100)%	(100)%	—	(2)	(100)%
Pre-tax adjusted operating income	278	336	369	318	312	(2)%	12 %	278	312	12 %
Income tax (expense) benefit – operating	(39)	(49)	10	(22)	(26)	(18)%	33 %	(39)	(26)	33 %
Adjusted operating income	<u>\$ 239</u>	<u>\$ 287</u>	<u>\$ 379</u>	<u>\$ 296</u>	<u>\$ 286</u>	(3)%	20 %	<u>\$ 239</u>	<u>\$ 286</u>	20 %
ADJUSTED OPERATING INCOME (LOSS) – CORPORATE & OTHER										
Fixed income and other investment income	\$ 23	\$ 24	\$ 15	\$ 10	\$ 3	(70)%	(87)%	\$ 23	\$ 3	(87)%
Alternative investment income	4	2	3	(37)	29	178 %	625 %	4	29	625 %
Net investment earnings	27	26	18	(27)	32	219 %	19 %	27	32	19 %
Operating expenses	(15)	(14)	(15)	(17)	(20)	(18)%	(33)%	(15)	(20)	(33)%
Interest expense	(10)	(11)	(11)	(12)	(11)	8 %	(10)%	(10)	(11)	(10)%
Pre-tax adjusted operating income	2	1	(8)	(56)	1	102 %	(50)%	2	1	(50)%
Income tax (expense) benefit – operating	—	—	—	—	—	— %	— %	—	—	— %
Adjusted operating income (loss)	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ (8)</u>	<u>\$ (56)</u>	<u>\$ 1</u>	102 %	(50)%	<u>\$ 2</u>	<u>\$ 1</u>	(50)%

Note: Please refer to Notes to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on adjusted operating income and adjusted operating earnings per share. ¹ Other liability costs primarily includes DAC, DSI and VOBA amortization and rider reserve changes for all products, the cost of liabilities on products other than deferred annuities and institutional costs including offsets for premiums, product charges and other revenues.

Reconciliation of Earnings Measures

Unaudited (in millions, except percentages and per share data)



	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
RECONCILIATION OF NET INCOME TO ADJUSTED OPERATING INCOME										
Net income (loss)	\$ 277	\$ 257	\$ 623	\$ (104)	\$ 708	781 %	156 %	\$ 277	\$ 708	156 %
Non-operating adjustments										
Realized gains (losses) on sale of AFS securities	17	11	5	(20)	12	160 %	(29)%	17	12	(29)%
Unrealized, impairments and other investment gains (losses)	6	10	6	(40)	29	173 %	383 %	6	29	383 %
Change in fair value of reinsurance assets	(78)	(129)	(95)	(100)	616	716 %	890 %	(78)	616	890 %
Offsets to investment gains (losses)	22	34	31	46	(199)	(533)%	(1,005)%	22	(199)	(1,005)%
Investment gains (losses), net of offsets	(33)	(74)	(53)	(114)	458	502 %	1,488 %	(33)	458	1,488 %
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	86	68	376	(288)	(27)	91 %	(131)%	86	(27)	(131)%
Integration, restructuring and other non-operating expenses	(8)	(8)	(2)	(4)	(1)	75 %	88 %	(8)	(1)	88 %
Stock compensation expense	(3)	(2)	(3)	(3)	(3)	— %	— %	(3)	(3)	— %
Income tax (expense) benefit – non-operating	(6)	(15)	(66)	65	(6)	(109)%	— %	(6)	(6)	— %
Less: Total non-operating adjustments	36	(31)	252	(344)	421	222 %	1,069 %	36	421	1,069 %
Adjusted operating income	\$ 241	\$ 288	\$ 371	\$ 240	\$ 287	20 %	19 %	\$ 241	\$ 287	19 %
RECONCILIATION OF BASIC EARNINGS PER CLASS A SHARES TO ADJUSTED OPERATING EARNINGS PER SHARE										
Basic earnings per share – Class A common shares	\$ 1.40	\$ 1.30	\$ 3.16	\$ (0.53)	\$ 3.65	789 %	161 %	\$ 1.40	\$ 3.65	161 %
Non-operating adjustments										
Realized gains (losses) on sale of AFS securities	0.09	0.05	0.02	(0.11)	0.06	155 %	(33)%	0.09	0.06	(33)%
Unrealized, impairments and other investment gains (losses)	0.03	0.05	0.03	(0.20)	0.16	180 %	433 %	0.03	0.16	433 %
Change in fair value of reinsurance assets	(0.40)	(0.66)	(0.49)	(0.51)	3.20	727 %	900 %	(0.40)	3.20	900 %
Offsets to investment gains (losses)	0.11	0.18	0.15	0.23	(1.04)	(552)%	(1,045)%	0.11	(1.04)	(1,045)%
Investment gains (losses), net of offsets	(0.17)	(0.38)	(0.29)	(0.59)	2.38	503 %	1,500 %	(0.17)	2.38	1,500 %
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	0.44	0.35	1.91	(1.47)	(0.14)	90 %	(132)%	0.44	(0.14)	(132)%
Integration, restructuring and other non-operating expenses	(0.04)	(0.05)	(0.02)	(0.02)	(0.01)	50 %	75 %	(0.04)	(0.01)	75 %
Stock compensation expense	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	— %	— %	(0.01)	(0.01)	— %
Income tax (expense) benefit – non-operating	(0.03)	(0.08)	(0.34)	0.33	(0.03)	(109)%	— %	(0.03)	(0.03)	— %
Less: Total non-operating adjustments	0.19	(0.18)	1.25	(1.76)	2.19	224 %	1,053 %	0.19	2.19	1,053 %
Effect of items convertible to or settled in Class A common shares	(0.02)	0.01	0.01	—	(0.04)	(100)%	(100)%	(0.02)	(0.04)	(100)%
Adjusted operating earnings per share	\$ 1.23	\$ 1.47	\$ 1.90	\$ 1.23	\$ 1.50	22 %	22 %	\$ 1.23	\$ 1.50	22 %

Note: Please refer to Notes to the Financial Supplement section for discussion on adjusted operating income.

Retirement Services Segment Highlights

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NET INVESTMENT SPREAD – RETIREMENT SERVICES										
Net investment earned rate	4.63%	4.74%	4.55%	4.57%	4.21%	(36)bps	(42)bps	4.63%	4.21%	(42)bps
Cost of crediting	1.72%	1.78%	1.86%	1.91%	1.92%	1bps	20bps	1.72%	1.92%	20bps
Other liability costs	1.12%	1.06%	0.91%	1.23%	0.93%	(30)bps	(19)bps	1.12%	0.93%	(19)bps
Cost of funds	2.84%	2.84%	2.77%	3.14%	2.85%	(29)bps	1bps	2.84%	2.85%	1bps
Net investment spread	1.79%	1.90%	1.78%	1.43%	1.36%	(7)bps	(43)bps	1.79%	1.36%	(43)bps
Average invested assets	\$ 74,735	\$ 82,879	\$ 97,500	\$ 107,939	\$ 111,443	3 %	49%	\$ 74,735	\$ 111,443	49%
COST OF CREDITING – RETIREMENT SERVICES										
FIA option costs	\$ 155	\$ 186	\$ 235	\$ 261	\$ 265	2 %	71%	\$ 155	\$ 265	71%
Fixed interest credited to policyholders	120	132	160	182	179	(2)%	49%	120	179	49%
Cost of crediting on deferred annuities	275	318	395	443	444	— %	61%	275	444	61%
Average account value on deferred annuities	58,993	66,241	79,673	88,874	89,809	1 %	52%	58,993	89,809	52%
Cost of crediting on deferred annuities rate	1.87%	1.92%	1.98%	2.00%	1.98%	(2)bps	11bps	1.87%	1.98%	11bps
Cost of crediting on institutional products	\$ 47	\$ 50	\$ 58	\$ 73	\$ 91	25 %	94%	\$ 47	\$ 91	94%
Average institutional reserve liabilities	5,955	6,341	6,608	7,827	9,809	25 %	65%	5,955	9,809	65%
Cost of crediting on institutional products rate	3.14%	3.16%	3.54%	3.74%	3.69%	(5)bps	55bps	3.14%	3.69%	55bps
Cost of crediting	\$ 322	\$ 368	\$ 453	\$ 516	\$ 535	4 %	66%	\$ 322	\$ 535	66%
OTHER LIABILITY COSTS – RETIREMENT SERVICES										
Change in rider reserve	\$ 110	\$ 84	\$ 248	\$ 173	\$ 154	(11)%	40%	\$ 110	\$ 154	40%
DAC, DSI and VOBA amortization	85	101	(44)	130	91	(30)%	7%	85	91	7%
Other ¹	13	35	17	29	15	(48)%	15%	13	15	15%
Other liability costs	\$ 208	\$ 220	\$ 221	\$ 332	\$ 260	(22)%	25%	\$ 208	\$ 260	25%
INVESTMENT MARGIN ON DEFERRED ANNUITIES – RETIREMENT SERVICES										
Net investment earned rate	4.63%	4.74%	4.55%	4.57%	4.21%	(36)bps	(42)bps	4.63%	4.21%	(42)bps
Cost of crediting on deferred annuities	1.87%	1.92%	1.98%	2.00%	1.98%	(2)bps	11bps	1.87%	1.98%	11bps
Investment margin on deferred annuities	2.76%	2.82%	2.57%	2.57%	2.23%	(34)bps	(53)bps	2.76%	2.23%	(53)bps

Note: Please refer to Notes to the Financial Supplement section and the Non-GAAP Reconciliations for discussion on net investment spread, investment margin on deferred annuities, net investment earned rate, and cost of crediting on deferred annuities. 1 Other primarily includes payout annuities, policy maintenance costs, reinsurance expense allowances, excise taxes and non-deferred acquisition costs, net of product charges.

Condensed Consolidated Balance Sheets

Unaudited (in millions, except percentages)



	December 31, 2018	March 31, 2019	Δ
ASSETS			
Investments			
Available-for-sale securities, at fair value	\$ 59,265	\$ 64,655	9 %
Trading securities, at fair value	1,949	2,256	16 %
Equity securities, at fair value	216	252	17 %
Mortgage loans, net of allowances	10,340	11,042	7 %
Investment funds	703	683	(3)%
Policy loans	488	487	— %
Funds withheld at interest	15,023	15,241	1 %
Derivative assets	1,043	1,920	84 %
Short-term investments, at fair value	191	155	(19)%
Other investments	122	121	(1)%
Total investments	89,340	96,812	8 %
Cash and cash equivalents	2,911	3,021	4 %
Restricted cash	492	497	1 %
Investments in related parties			
Available-for-sale securities, at fair value	1,437	1,684	17 %
Trading securities, at fair value	249	239	(4)%
Equity securities, at fair value	120	301	151 %
Mortgage loans	291	291	— %
Investment funds	2,232	2,290	3 %
Funds withheld at interest	13,577	13,683	1 %
Other investments	386	387	— %
Accrued investment income	682	751	10 %
Reinsurance recoverable	5,534	5,647	2 %
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	5,619	(5)%
Other assets	1,635	962	(41)%
Assets of consolidated variable interest entities			
Investments			
Trading securities, at fair value – related party	35	34	(3)%
Equity securities, at fair value – related party	50	6	(88)%
Investment funds	624	619	(1)%
Cash and cash equivalents	2	2	— %
Other assets	1	12	1,100 %
Total assets	\$ 125,505	\$ 132,857	6 %

Condensed Consolidated Balance Sheets, continued

Unaudited (in millions, except percentages)



	December 31, 2018	March 31, 2019	Δ
LIABILITIES			
Interest sensitive contract liabilities	\$ 96,610	\$ 98,452	2 %
Future policy benefits	16,704	19,016	14 %
Other policy claims and benefits	142	162	14 %
Dividends payable to policyholders	118	118	— %
Long-term debt	991	991	— %
Derivative liabilities	85	85	— %
Payables for collateral on derivatives	969	1,781	84 %
Funds withheld liability	721	724	— %
Other liabilities	888	1,410	59 %
Liabilities of consolidated variable interest entities	1	1	— %
Total liabilities	\$ 117,229	\$ 122,740	5 %
EQUITY			
Common stock	\$ —	\$ —	— %
Additional paid-in-capital	3,462	3,448	— %
Retained earnings	5,286	5,963	13 %
Accumulated other comprehensive income (loss)	(472)	706	250 %
Total shareholders' equity	8,276	10,117	22 %
Total liabilities and equity	\$ 125,505	\$ 132,857	6 %

Investments (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
INVESTMENTS AND INVESTMENTS IN RELATED PARTIES SUMMARY				
Investments				
Available-for-sale securities, at fair value				
U.S. government and agencies	\$ 57	0.1%	\$ 50	0.0%
U.S. state, municipal and political subdivisions	1,293	1.2%	1,365	1.2%
Foreign governments	161	0.1%	271	0.2%
Corporate	37,097	34.4%	41,411	35.8%
CLO	5,361	5.0%	6,142	5.3%
ABS	4,920	4.6%	5,075	4.4%
CMBS	2,357	2.2%	2,424	2.1%
RMBS	8,019	7.5%	7,917	6.9%
Total available-for-sale securities, at fair value	59,265	55.1%	64,655	55.9%
Trading securities, at fair value	1,949	1.8%	2,256	2.0%
Equity securities, at fair value	216	0.2%	252	0.2%
Mortgage loans, net of allowances	10,340	9.6%	11,042	9.5%
Investment funds	703	0.6%	683	0.6%
Policy loans	488	0.4%	487	0.4%
Funds withheld at interest	15,023	14.0%	15,241	13.2%
Derivative assets	1,043	1.0%	1,920	1.7%
Short-term investments, at fair value	191	0.2%	155	0.1%
Other investments	122	0.1%	121	0.1%
Total investments	89,340	83.0%	96,812	83.7%
Investment in related parties				
Available-for-sale securities, at fair value	1,437	1.3%	1,684	1.5%
Trading securities, at fair value	249	0.2%	239	0.2%
Equity securities, at fair value	120	0.1%	301	0.3%
Mortgage loans	291	0.3%	291	0.2%
Investment funds	2,232	2.1%	2,290	2.0%
Funds withheld at interest	13,577	12.6%	13,683	11.8%
Other investments	386	0.4%	387	0.3%
Total investments in related parties	18,292	17.0%	18,875	16.3%
Total investments including related parties	\$ 107,632	100.0%	\$ 115,687	100.0%

Invested Assets (Management view)

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Invested Asset Value ¹	Percent of Total	Invested Asset Value ¹	Percent of Total
INVESTED ASSETS				
Corporate	\$ 55,772	50.2%	\$ 57,142	50.2%
CLO	8,275	7.5%	9,192	8.1%
Credit	64,047	57.7%	66,334	58.3%
RMBS	9,814	8.9%	9,636	8.5%
Mortgage loans	14,423	13.0%	15,207	13.3%
CMBS	3,018	2.7%	3,046	2.7%
Real estate	27,255	24.6%	27,889	24.5%
ABS	7,706	6.9%	8,294	7.3%
Alternative investments	4,492	4.1%	4,390	3.9%
State, municipal, political subdivisions and foreign government	2,122	1.9%	2,256	2.0%
Equity securities	467	0.4%	832	0.7%
Short-term investments	765	0.7%	613	0.5%
U.S. government and agencies	134	0.1%	102	0.1%
Other investments	15,686	14.1%	16,487	14.5%
Cash and equivalents	2,881	2.6%	1,853	1.6%
Policy loans and other	1,165	1.0%	1,208	1.1%
Total invested assets	\$ 111,034	100.0%	\$ 113,771	100.0%

¹ Please refer to Notes to the Financial Supplement for discussion on invested assets including alternative investments and Non-GAAP Measure Reconciliations for the reconciliation of investments including related parties to invested assets.

Investment Funds (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
INVESTMENT FUNDS INCLUDING RELATED PARTIES¹				
Investment funds				
Real estate	\$ 215	6.0%	\$ 224	6.2%
Credit funds	172	4.8%	155	4.3%
Private equity	253	7.1%	239	6.7%
Real assets	56	1.6%	64	1.8%
Natural resources	4	0.1%	1	0.0%
Other	3	0.1%	—	—%
Total investment funds	703	19.7%	683	19.0%
Investment funds – related parties				
Differentiated investments				
AmeriHome	463	13.0%	436	12.1%
Catalina	233	6.5%	232	6.5%
Athora	105	3.0%	124	3.5%
Venerable	92	2.6%	87	2.4%
Other	162	4.6%	171	4.8%
Total differentiated investments	1,055	29.7%	1,050	29.3%
Real estate	506	14.2%	498	13.9%
Credit funds	341	9.6%	340	9.5%
Private equity	18	0.5%	52	1.4%
Real assets	145	4.1%	144	4.0%
Natural resources	104	2.9%	123	3.4%
Public equities	63	1.8%	83	2.3%
Total investment funds – related parties	2,232	62.8%	2,290	63.8%
Investment funds – assets of consolidated VIEs				
Private equity – MidCap	552	15.5%	550	15.3%
Credit funds	1	0.0%	1	0.0%
Real estate	30	0.8%	29	0.8%
Real assets	41	1.2%	39	1.1%
Total investment funds – assets of consolidated VIEs	624	17.5%	619	17.2%
Total investment funds including related parties and funds owned by consolidated VIEs	\$ 3,559	100.0%	\$ 3,592	100.0%

¹ Investment funds, including related parties and investment funds of consolidated VIE's, is the GAAP measure which does not include investments that we view as alternative investments. Alternative investments include CLO equity tranche securities that are included in trading securities in the GAAP view, investment funds included in our funds withheld at interest reinsurance portfolios, net assets of VIEs other than investment funds as well as royalties and other investments. Please refer to Notes to the Financial Supplement section for discussion on invested assets including alternative investments and the Non-GAAP Measure Reconciliations section for the reconciliation of investment funds to alternative investments.

Alternative Investments (Management view)

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Invested Asset Value ¹	Percent of Total	Invested Asset Value ¹	Percent of Total
ALTERNATIVE INVESTMENTS				
Retirement Services				
Differentiated investments				
AmeriHome	\$ 568	12.6%	\$ 535	12.2%
MidCap	552	12.3%	550	12.5%
Catalina	232	5.2%	232	5.3%
Venerable	92	2.1%	87	2.0%
Other	195	4.3%	207	4.7%
Total differentiated investments	1,639	36.5%	1,611	36.7%
Real estate	1,024	22.8%	955	21.8%
Credit	563	12.5%	550	12.5%
Private equity	279	6.2%	309	7.0%
Real assets	276	6.2%	283	6.4%
Natural resources	55	1.2%	55	1.3%
Other	4	0.1%	2	0.0%
Total Retirement Services	3,840	85.5%	3,765	85.7%
Corporate & Other				
Athora	130	2.9%	131	3.0%
Credit	203	4.5%	194	4.4%
Natural resources	213	4.8%	215	4.9%
Public equities ²	100	2.2%	83	1.9%
Other	6	0.1%	2	0.1%
Total Corporate & Other	652	14.5%	625	14.3%
Total alternative investments ¹	\$ 4,492	100.0%	\$ 4,390	100.0%

¹ Alternative investments does not correspond to the total investment funds, including related parties and VIEs, on our condensed consolidated balance sheets. Alternative investments adjusts the GAAP presentation to include CLO equity tranche securities that are included in trading securities in the GAAP view, investment funds included in our funds withheld at interest reinsurance portfolios, net assets of VIEs other than investment funds, as well as royalties and other investments. Please refer to Notes to the Financial Supplement section for discussion on invested assets including alternative investments and the Non-GAAP Measure Reconciliations section for the reconciliation of investment funds, including related parties and VIEs to alternative investments.

² Public Equities include: Caesars Entertainment (Ticker: CZR) - 0.0 million and 5.5 million of shares as of March 31, 2019 and December 31, 2018; OneMain Financial (OMF) - 2.8 million and 2.8 million of shares, respectively, as of March 31, 2019 and December 31, 2018.

Funds Withheld at Interest (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
FUNDS WITHHELD AT INTEREST INCLUDING RELATED PARTIES				
Fixed maturity securities				
U.S. government and agencies	\$ 77	0.3 %	\$ 55	0.2 %
U.S. state, municipal and political subdivisions	563	2.0 %	556	1.9 %
Foreign governments	145	0.5 %	179	0.6 %
Corporate	16,267	56.9 %	15,787	54.6 %
CLO	1,990	7.0 %	2,420	8.4 %
ABS	1,601	5.6 %	2,023	7.0 %
CMBS	575	2.0 %	615	2.1 %
RMBS	1,876	6.6 %	1,924	6.7 %
Total fixed maturity securities	23,094	80.9 %	23,559	81.5 %
Equity securities	66	0.2 %	242	0.8 %
Mortgage loans	3,815	13.3 %	3,929	13.6 %
Investment funds	660	2.3 %	591	2.0 %
Derivative assets	77	0.3 %	174	0.6 %
Short-term investments	641	2.2 %	514	1.8 %
Cash and cash equivalents	455	1.6 %	373	1.3 %
Other assets and liabilities	(208)	(0.8)%	(458)	(1.6)%
Total funds withheld at interest including related parties ¹	\$ 28,600	100.0 %	\$ 28,924	100.0 %

¹ Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with modco and funds withheld reinsurance agreements in which we act as the reinsurer. In managing our business we utilize invested assets, were we adjust the presentation for funds withheld and modco transactions to include or exclude the underlying investments based upon the contractual transfer of economic exposure to such underlying investments.

Net Investment Earned Rates (NIER)

Unaudited (In millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NIER – CONSOLIDATED										
Fixed income and other investments	4.32%	4.49%	4.33%	4.35 %	4.28%	(7)bps	(4)bps	4.32%	4.28%	(4)bps
Alternative investments	10.38%	9.37%	9.13%	5.81 %	4.36%	(145)bps	(602)bps	10.38%	4.36%	(602)bps
Total net investment earned rate	<u>4.60%</u>	<u>4.71%</u>	<u>4.52%</u>	<u>4.40 %</u>	<u>4.28%</u>	(12)bps	(32)bps	<u>4.60%</u>	<u>4.28%</u>	(32)bps
NIER SUMMARY – RETIREMENT SERVICES										
Fixed income and other investments	4.32%	4.49%	4.33%	4.35 %	4.28%	(7)bps	(4)bps	4.32%	4.28%	(4)bps
Alternative investments	12.34%	11.28%	10.65%	11.00 %	2.13%	(887)bps	(1,021)bps	12.34%	2.13%	(1,021)bps
Total net investment earned rate	<u>4.63%</u>	<u>4.74%</u>	<u>4.55%</u>	<u>4.57 %</u>	<u>4.21%</u>	(36)bps	(42)bps	<u>4.63%</u>	<u>4.21%</u>	(42)bps
Fixed income and other investment income	\$ 775	\$ 897	\$ 1,021	\$ 1,132	\$ 1,151	2 %	49 %	\$ 775	\$ 1,151	49 %
Alternatives investment income	91	86	87	99	20	(80)%	(78)%	91	20	(78)%
Total net investment earnings	<u>\$ 866</u>	<u>\$ 983</u>	<u>\$ 1,108</u>	<u>\$ 1,231</u>	<u>\$ 1,171</u>	(5)%	35 %	<u>\$ 866</u>	<u>\$ 1,171</u>	35 %
Fixed income and other investments	\$ 71,778	\$ 79,847	\$ 94,227	\$ 104,342	\$ 107,641	3 %	50 %	\$ 71,778	\$ 107,641	50 %
Alternatives investments	2,957	3,032	3,273	3,597	3,802	6 %	29 %	2,957	3,802	29 %
Total average invested assets	<u>\$ 74,735</u>	<u>\$ 82,879</u>	<u>\$ 97,500</u>	<u>\$ 107,939</u>	<u>\$ 111,443</u>	3 %	49 %	<u>\$ 74,735</u>	<u>\$ 111,443</u>	49 %
NIER SUMMARY – CORPORATE & OTHER										
Fixed income and other investments	4.32%	4.51%	4.33%	4.34 %	4.28%	(6)bps	(4)bps	4.32%	4.28%	(4)bps
Alternative investments	2.02%	1.34%	1.81%	(22.46)%	17.66%	4,012bps	1,564bps	2.02%	17.66%	1,564bps
Total net investment earned rate	<u>3.76%</u>	<u>3.71%</u>	<u>3.51%</u>	<u>(7.57)%</u>	<u>13.19%</u>	2,076bps	943bps	<u>3.76%</u>	<u>13.19%</u>	943bps
Fixed income and other investment income	\$ 23	\$ 24	\$ 15	\$ 10	\$ 3	(70)%	(87)%	\$ 23	\$ 3	(87)%
Alternatives investment income	4	2	3	(37)	29	178 %	625 %	4	29	625 %
Total net investment earnings	<u>\$ 27</u>	<u>\$ 26</u>	<u>\$ 18</u>	<u>\$ (27)</u>	<u>\$ 32</u>	219 %	19 %	<u>\$ 27</u>	<u>\$ 32</u>	19 %
Fixed income and other investments	\$ 2,148	\$ 2,130	\$ 1,422	\$ 824	\$ 320	(61)%	(85)%	\$ 2,148	\$ 320	(85)%
Alternatives investments	696	718	681	660	639	(3)%	(8)%	696	639	(8)%
Total average invested assets	<u>\$ 2,844</u>	<u>\$ 2,848</u>	<u>\$ 2,103</u>	<u>\$ 1,484</u>	<u>\$ 959</u>	(35)%	(66)%	<u>\$ 2,844</u>	<u>\$ 959</u>	(66)%

Note: Please refer to Note to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on net investment earned rate. The investment results above are presented net of investment management fees.

Net Investment Earned Rates (NIER), continued

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NIER BY ASSET CLASS										
Corporate securities	3.90%	3.97%	3.88%	3.99%	3.93%	(6)bps	3bps	3.90%	3.93%	3bps
Structured securities										
RMBS	5.42%	5.87%	6.04%	6.03%	6.03%	0bps	61bps	5.42%	6.03%	61bps
CLO	5.09%	5.09%	4.95%	4.69%	4.76%	7bps	(33)bps	5.09%	4.76%	(33)bps
ABS	4.03%	4.95%	4.59%	4.55%	3.95%	(60)bps	(8)bps	4.03%	3.95%	(8)bps
CMBS	4.16%	4.64%	4.24%	4.18%	4.16%	(2)bps	0bps	4.16%	4.16%	0bps
Total structured securities	4.91%	5.33%	5.19%	5.07%	4.90%	(17)bps	(1)bps	4.91%	4.90%	(1)bps
State, municipal, political subdivisions and U.S. and foreign government	4.72%	4.63%	4.02%	4.19%	4.27%	8bps	(45)bps	4.72%	4.27%	(45)bps
Mortgage loans	5.57%	5.63%	4.97%	4.99%	4.91%	(8)bps	(66)bps	5.57%	4.91%	(66)bps
Alternative investments	10.38%	9.37%	9.13%	5.81%	4.36%	(145)bps	(602)bps	10.38%	4.36%	(602)bps
Other U.S. and Bermuda invested assets	2.14%	2.27%	2.55%	2.45%	2.70%	25bps	56bps	2.14%	2.70%	56bps
Consolidated net investment earned rate	4.60%	4.71%	4.52%	4.40%	4.28%	(12)bps	(32)bps	4.60%	4.28%	(32)bps

Note: Please refer to Note to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on net investment earned rate. The investment results above are presented net of investment management fees.

Credit Quality of Securities

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Fair Value	Percent of Total	Fair Value	Percent of Total
CREDIT QUALITY OF AFS SECURITIES (GAAP VIEW)				
NAIC designation				
1	\$ 31,311	51.6%	\$ 34,021	51.3%
2	25,871	42.6%	28,659	43.2%
Total investment grade	57,182	94.2%	62,680	94.5%
3	2,746	4.5%	2,711	4.1%
4	533	0.9%	689	1.0%
5	232	0.4%	248	0.4%
6	9	0.0%	11	0.0%
Total below investment grade	3,520	5.8%	3,659	5.5%
Total AFS securities including related parties	\$ 60,702	100.0%	\$ 66,339	100.0%
NRSRO designation				
AAA/AA/A	\$ 19,690	32.4%	\$ 22,804	34.3%
BBB	23,326	38.4%	25,773	38.9%
Non-rated ¹	9,624	15.9%	9,723	14.7%
Total investment grade ²	52,640	86.7%	58,300	87.9%
BB	2,670	4.4%	2,729	4.1%
B	875	1.4%	888	1.3%
CCC	2,340	3.9%	2,253	3.4%
CC and lower	1,296	2.1%	1,320	2.0%
Non-rated ¹	881	1.5%	849	1.3%
Total below investment grade	8,062	13.3%	8,039	12.1%
Total AFS securities including related parties	\$ 60,702	100.0%	\$ 66,339	100.0%
	Invested Asset Value³	% NAIC 1 or 2	Invested Asset Value³	% NAIC 1 or 2
SUMMARY OF NAIC 1 & 2 DESIGNATIONS BY ASSET CLASS (MANAGEMENT VIEW)				
Corporate securities	\$ 52,496	93.8%	\$ 53,761	93.1%
RMBS	9,410	96.0%	9,210	95.6%
CLO	7,823	94.5%	9,007	98.0%
ABS	7,146	92.8%	7,542	90.9%
CMBS	2,797	92.7%	2,828	92.8%
Total structured securities	27,176	94.3%	28,587	93.8%
State, municipal, political subdivisions and U.S. and foreign government	2,233	99.0%	2,334	99.0%
Short-term investments	775	100.0%	613	100.0%
Total NAIC 1 & 2 Designations	\$ 82,680		\$ 85,295	

¹ Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security's respective NAIC designation. ² We view the NAIC designation methodology as the most appropriate way to view our AFS portfolio when evaluating credit risk since a large portion of our holdings were purchased at a significant discount to par. NRSRO ratings methodology is focused on the likelihood of recovery of all contractual payments, including principal at par regardless of entry price, while the NAIC designation methodology considers our investment and amortized cost, and the likelihood of recovery of that book value as opposed to the likelihood of the recovery of all contractual payments. ³ Please refer to Notes to the Financial Supplement section for discussion on invested assets and Non-GAAP Measure Reconciliations section for the reconciliation of AFS to invested assets.

Credit Quality of Invested Assets (Management view)

Unaudited (In millions, except percentages)



	December 31, 2018		March 31, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF INVESTED ASSETS				
NAIC designation				
1	\$ 45,287	51.7%	\$ 46,658	51.7%
2	37,393	42.7%	38,637	42.8%
Non-rated ³	—	—%	—	—%
Total investment grade	82,680	94.4%	85,295	94.5%
3	3,659	4.2%	3,537	3.9%
4	930	1.1%	1,082	1.2%
5	315	0.3%	342	0.4%
6	22	0.0%	25	0.0%
Non-rated ³	—	—%	—	—%
Total below investment grade	4,926	5.6%	4,986	5.5%
Total NAIC designated assets ²	87,606	100.0%	90,281	100.0%
Assets without NAIC designation				
Commercial mortgage loans				
CM1	4,276	39.3%	4,172	36.0%
CM2	4,184	38.4%	4,575	39.5%
CM3	1,894	17.4%	2,264	19.6%
CM4	393	3.6%	433	3.7%
CM5	138	1.3%	138	1.2%
CM6	—	—%	—	—%
CM7	—	—%	—	—%
Total CMLs	10,885	100.0%	11,582	100.0%
Residential mortgage loans				
In good standing	3,490	98.7%	3,569	98.5%
90 days late	33	0.9%	36	1.0%
In foreclosure	15	0.4%	20	0.5%
Total RMLs	3,538	100.0%	3,625	100.0%
Alternative investments	4,492		4,390	
Cash and equivalents	2,881		1,853	
Equity securities	467		832	
Other ⁴	1,165		1,208	
Total invested assets	\$ 111,034		\$ 113,771	

	December 31, 2018		March 31, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF INVESTED ASSETS				
NRSRO designation				
AAA/AA/A	\$ 30,630	35.0%	\$ 32,717	36.2%
BBB	33,289	38.0%	34,530	38.2%
Non-rated ³	13,522	15.4%	13,148	14.6%
Total investment grade	77,441	88.4%	80,395	89.0%
BB	3,587	4.1%	3,507	3.9%
B	1,316	1.5%	1,308	1.4%
CCC	2,610	3.0%	2,509	2.8%
CC and lower	1,412	1.6%	1,414	1.6%
Non-rated ³	1,240	1.4%	1,148	1.3%
Total below investment grade	10,165	11.6%	9,886	11.0%
Total NRSRO designated assets ²	87,606	100.0%	90,281	100.0%
Assets without NRSRO designation				
Commercial mortgage loans				
CM1	4,276	39.3%	4,172	36.0%
CM2	4,184	38.4%	4,575	39.5%
CM3	1,894	17.4%	2,264	19.6%
CM4	393	3.6%	433	3.7%
CM5	138	1.3%	138	1.2%
CM6	—	—%	—	—%
CM7	—	—%	—	—%
Total CMLs	10,885	100.0%	11,582	100.0%
Residential mortgage loans				
In good standing	3,490	98.7%	3,569	98.5%
90 days late	33	0.9%	36	1.0%
In foreclosure	15	0.4%	20	0.5%
Total RMLs	3,538	100.0%	3,625	100.0%
Alternative investments	4,492		4,390	
Cash and equivalents	2,881		1,853	
Equity securities	467		832	
Other ⁴	1,165		1,208	
Total invested assets	\$ 111,034		\$ 113,771	

¹ Please refer to Notes to the Financial Supplement section for discussion on invested assets and Non-GAAP Measure Reconciliations section for the reconciliation of AFS to invested assets. ² NAIC and NRSRO designations include corporates, CLO, RMBS, CMBS, ABS, state, municipal, political subdivisions and foreign government securities, short-term investments and U.S. government and agencies securities. ³ Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security's respective NAIC designation. ⁴ Other includes equity securities, policy loans, accrued interest, and other invested assets.

Credit Quality of Invested Assets – RMBS, CLOs, ABS (Management view)

Unaudited (In millions, except percentages)



	December 31, 2018		March 31, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF RMBS – NAIC DESIGNATION				
1	\$ 9,097	92.8%	\$ 8,820	91.5%
2	313	3.2%	390	4.1%
Non-rated ²	—	—%	—	—%
Total investment grade	9,410	96.0%	9,210	95.6%
3	248	2.5%	252	2.6%
4	112	1.1%	130	1.3%
5	28	0.3%	28	0.3%
6	16	0.1%	16	0.2%
Non-rated ²	—	—%	—	—%
Total below investment grade	404	4.0%	426	4.4%
Total invested assets RMBS	\$ 9,814	100.0%	\$ 9,636	100.0%

CREDIT QUALITY OF CLOs – NAIC DESIGNATION				
1	\$ 4,666	56.4%	\$ 5,132	55.8%
2	3,157	38.1%	3,875	42.2%
Total investment grade	7,823	94.5%	9,007	98.0%
3	423	5.1%	156	1.7%
4	22	0.3%	22	0.2%
5	7	0.1%	7	0.1%
6	—	—%	—	—%
Total below investment grade	452	5.5%	185	2.0%
Total invested assets CLOs	\$ 8,275	100.0%	\$ 9,192	100.0%

CREDIT QUALITY OF ABS – NAIC DESIGNATION				
1	\$ 4,720	61.3%	\$ 4,978	60.0%
2	2,426	31.5%	2,564	30.9%
Non-rated ²	—	—%	—	—%
Total investment grade	7,146	92.8%	7,542	90.9%
3	369	4.8%	485	5.9%
4	43	0.5%	121	1.5%
5	148	1.9%	145	1.7%
6	—	—%	1	0.0%
Non-rated ²	—	—%	—	—%
Total below investment grade	560	7.2%	752	9.1%
Total invested assets ABS	\$ 7,706	100.0%	\$ 8,294	100.0%

	December 31, 2018		March 31, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF RMBS – NRSRO DESIGNATION				
AAA/AA/A	\$ 1,129	11.5%	\$ 1,109	11.5%
BBB	314	3.2%	462	4.8%
Non-rated ²	3,337	34.0%	3,273	34.0%
Total investment grade	4,780	48.7%	4,844	50.3%
BB	507	5.1%	435	4.5%
B	372	3.8%	312	3.2%
CCC	2,521	25.7%	2,416	25.1%
CC and lower	1,410	14.4%	1,409	14.6%
Non-rated ²	224	2.3%	220	2.3%
Total below investment grade	5,034	51.3%	4,792	49.7%
Total invested assets RMBS	\$ 9,814	100.0%	\$ 9,636	100.0%

CREDIT QUALITY OF CLOs – NRSRO DESIGNATION				
AAA/AA/A	\$ 4,530	54.7%	\$ 5,120	55.7%
BBB	3,555	43.0%	3,887	42.3%
Total investment grade	8,085	97.7%	9,007	98.0%
BB	161	1.9%	156	1.7%
B	29	0.4%	22	0.2%
CCC	—	—%	7	0.1%
CC and lower	—	—%	—	—%
Total below investment grade	190	2.3%	185	2.0%
Total invested assets CLOs	\$ 8,275	100.0%	\$ 9,192	100.0%

CREDIT QUALITY OF ABS – NRSRO DESIGNATION				
AAA/AA/A	\$ 3,319	43.1%	\$ 3,838	46.3%
BBB	1,948	25.3%	1,939	23.4%
Non-rated ²	1,661	21.5%	1,764	21.2%
Total investment grade	6,928	89.9%	7,541	90.9%
BB	436	5.7%	465	5.6%
B	89	1.1%	90	1.1%
CCC	—	—%	—	—%
CC and lower	—	—%	—	—%
Non-rated ²	253	3.3%	198	2.4%
Total below investment grade	778	10.1%	753	9.1%
Total invested assets ABS	\$ 7,706	100.0%	\$ 8,294	100.0%

¹ Please refer to Notes to the Financial Supplement section for discussion on invested assets and Non-GAAP Measure Reconciliations section for the reconciliation of investments including related parties to invested assets. ² Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security's respective NAIC designation.

Reserve Liabilities & Rollforwards

Unaudited (in millions, except percentages)



	December 31, 2018		March 31, 2019	
	Dollars	Percent of Total	Dollars	Percent of Total
RESERVE LIABILITIES				
Fixed indexed annuities	\$ 73,224	68.0%	\$ 74,950	67.0%
Fixed rate annuities	17,802	16.5%	18,267	16.4%
Total deferred annuities	91,026	84.5%	93,217	83.4%
Payout annuities	6,009	5.6%	5,976	5.3%
Pension risk transfer annuities	4,710	4.4%	6,589	5.9%
Funding agreements	3,826	3.5%	3,815	3.4%
Life and other	2,161	2.0%	2,194	2.0%
Total reserve liabilities	\$ 107,732	100.0%	\$ 111,791	100.0%

	Quarterly Trends					Δ		Year-to-Date		
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
RESERVE LIABILITY ROLLFORWARD										
Reserve liabilities – beginning	\$ 75,447	\$ 75,823	\$ 96,248	\$ 98,553	\$ 107,732	9 %	43 %	\$ 75,447	\$ 107,732	43 %
Deposits ¹	2,135	2,794	3,407	5,269	4,860	(8)%	128 %	2,135	4,860	128 %
Acquisition and block reinsurance ²	—	19,104	—	7,878	—	(100)%	— %	—	—	— %
Withdrawals	(1,755)	(1,812)	(2,167)	(3,125)	(2,780)	(11)%	58 %	(1,755)	(2,780)	58 %
Other reserve changes	(4)	339	1,065	(843)	1,979	335 %	49,575 %	(4)	1,979	49,575 %
Reserve liabilities – ending	\$ 75,823	\$ 96,248	\$ 98,553	\$ 107,732	\$ 111,791	4 %	47 %	\$ 75,823	\$ 111,791	47 %

DEFERRED ANNUITY ACCOUNT VALUE ROLLFORWARD³										
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
Account value – beginning	\$ 58,539	\$ 59,447	\$ 78,848	\$ 80,499	\$ 89,435	11 %	53 %	\$ 58,539	\$ 89,435	53 %
Deposits ¹	1,516	2,529	2,783	3,110	2,800	(10)%	85 %	1,516	2,800	85 %
Acquisition and block reinsurance ²	—	17,721	—	7,815	—	(100)%	— %	—	—	— %
Premium and interest bonuses	47	73	77	68	58	(15)%	23 %	47	58	23 %
Fixed and index credits to policyholders	659	672	754	559	423	(24)%	(36)%	659	423	(36)%
Surrenders and benefits paid	(1,238)	(1,511)	(1,867)	(2,513)	(2,431)	(3)%	96 %	(1,238)	(2,431)	96 %
Fee and product charges	(76)	(83)	(96)	(103)	(101)	(2)%	33 %	(76)	(101)	33 %
Account value – ending	\$ 59,447	\$ 78,848	\$ 80,499	\$ 89,435	\$ 90,184	1 %	52 %	\$ 59,447	\$ 90,184	52 %

INSTITUTIONAL RESERVE LIABILITY ROLLFORWARD (PENSION RISK TRANSFER AND FUNDING AGREEMENTS)										
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
Reserve liabilities – beginning	\$ 6,038	\$ 6,311	\$ 6,426	\$ 6,862	\$ 8,536	24 %	41 %	\$ 6,038	\$ 8,536	41 %
Deposits	566	184	472	2,010	1,922	(4)%	240 %	566	1,922	240 %
Withdrawals	(337)	(111)	(93)	(405)	(143)	(65)%	(58)%	(337)	(143)	(58)%
Other reserve changes	44	42	57	69	89	29 %	102 %	44	89	102 %
Reserve liabilities – ending	\$ 6,311	\$ 6,426	\$ 6,862	\$ 8,536	\$ 10,404	22 %	65 %	\$ 6,311	\$ 10,404	65 %

Note: Please refer to Notes to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on reserve liabilities. 1 Deposits equal deposits from our retail, flow reinsurance and institutional channels as well as premiums and deposits for life and products other than deferred annuities or our institutional products, renewal deposits on older blocks of business and annuitizations. 2 Acquisition and block reinsurance includes total reserves at inception. Q2 and Q4 2018 includes Voya and Lincoln block reinsurance, respectively. 3 The account value rollforwards on deferred annuities include our fixed rate and fixed indexed annuities and are net of ceded reinsurance activity.

Deferred Annuity Liability Characteristics

Unaudited (in millions, except percentages)



	Surrender charge (gross)	Percent of total	Surrender charge (net of MVA)	Percent of total
SURRENDER CHARGE PERCENTAGES ON DEFERRED ANNUITIES ACCOUNT VALUE				
No Surrender Charge	\$ 20,224	22.4%	\$ 20,224	22.4%
0.0% < 2.0%	786	0.9%	1,156	1.3%
2.0% < 4.0%	2,898	3.2%	4,885	5.4%
4.0% < 6.0%	8,056	8.9%	8,942	9.9%
6.0% or greater	58,220	64.6%	54,977	61.0%
	<u>\$ 90,184</u>	<u>100.0%</u>	<u>\$ 90,184</u>	<u>100.0%</u>

	Surrender charge (gross)	MVA benefit	Surrender charge (net)
Aggregate surrender charge protection	6.4%	0.4%	6.8%

	Deferred annuities	Percent of total	Average surrender charge (gross)
YEARS OF SURRENDER CHARGE REMAINING ON DEFERRED ANNUITIES ACCOUNT VALUE			
No Surrender Charge	\$ 20,224	22.4%	—%
Less than 2	14,121	15.7%	5.0%
2 to less than 4	17,627	19.5%	7.0%
4 to less than 6	13,758	15.3%	8.3%
6 to less than 8	9,685	10.7%	9.8%
8 to less than 10	11,042	12.3%	10.8%
10 or greater	3,727	4.1%	14.3%
	<u>\$ 90,184</u>	<u>100.0%</u>	

	At minimum guarantees	Total account value	Percent of total account value at minimum guarantees
MINIMUM GUARANTEES ON DEFERRED ANNUITIES			
Fixed indexed annuities	\$ 17,432	\$ 72,173	24%
Fixed rate annuities	8,096	18,011	45%
Total deferred annuities	<u>\$ 25,528</u>	<u>\$ 90,184</u>	<u>28%</u>

	March 31, 2019
Distance to guarantees ¹	100 – 110

¹ The distance to guarantee reflects the average distance in option costs between the current and guaranteed rates for indexed strategies and between current and guaranteed fixed rates for fixed strategies. The option costs used reflects an estimate of option cost in the market.

	December 31, 2018	March 31, 2019	Δ
DEFERRED ANNUITY RIDER RESERVE SUMMARY			
Rider reserve	\$ 3,025	\$ 3,407	13%
Account value with rider reserves	36,445	36,633	1%
Rider reserve as a percentage of account value with rider reserves	8.3%	9.3%	100bps

Capitalization & Regulatory Capital Ratios

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ	
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y
CAPITALIZATION							
Total debt	\$ 992	\$ 1,174	\$ 991	\$ 991	\$ 991	— %	— %
Total shareholders' equity	8,687	8,462	8,978	8,276	10,117	22 %	16 %
Total capitalization	9,679	9,636	9,969	9,267	11,108	20 %	15 %
Less: Accumulated other comprehensive income (loss) (AOCI)	634	147	33	(472)	706	250 %	11 %
Less: Accumulated change in fair value of reinsurance assets	107	12	(31)	(75)	309	512 %	189 %
Total adjusted capitalization	<u>\$ 8,938</u>	<u>\$ 9,477</u>	<u>\$ 9,967</u>	<u>\$ 9,814</u>	<u>\$ 10,093</u>	3 %	13 %
EQUITY CAPITALIZATION							
Total shareholders' equity	\$ 8,687	\$ 8,462	\$ 8,978	\$ 8,276	\$ 10,117	22 %	16 %
Less: AOCI	634	147	33	(472)	706	250 %	11 %
Less: Accumulated change in fair value of reinsurance assets	107	12	(31)	(75)	309	512 %	189 %
Total adjusted shareholders' equity	<u>\$ 7,946</u>	<u>\$ 8,303</u>	<u>\$ 8,976</u>	<u>\$ 8,823</u>	<u>\$ 9,102</u>	3 %	15 %
EQUITY CAPITALIZATION BY SEGMENT							
Retirement Services	\$ 5,495	\$ 6,050	\$ 7,024	\$ 7,807	\$ 8,201	5 %	49 %
Corporate and Other	2,451	2,253	1,952	1,016	901	(11)%	(63)%
Total adjusted shareholders' equity	<u>\$ 7,946</u>	<u>\$ 8,303</u>	<u>\$ 8,976</u>	<u>\$ 8,823</u>	<u>\$ 9,102</u>	3 %	15 %
FINANCIAL LEVERAGE							
Debt to capital ratio	10.2%	12.2%	9.9%	10.7 %	8.9%	(177)bps	(128)bps
AOCI	0.8%	0.2%	0.0%	(0.5)%	0.6%	114bps	(14)bps
Accumulated change in fair value of reinsurance assets	0.1%	0.0%	0.0%	(0.1)%	0.3%	35bps	14bps
Adjusted debt to capital ratio ¹	<u>11.1%</u>	<u>12.4%</u>	<u>9.9%</u>	<u>10.1 %</u>	<u>9.8%</u>	(28)bps	(128)bps

¹ Total debt in Q2 2018 includes a short-term borrowing of \$183 million that was repaid in Q3 2018.

	December 31, 2017	December 31, 2018	Δ	
REGULATORY CAPITAL RATIOS				
U.S. RBC ratio – Athene Annuity & Life Assurance Company		490%	421%	(6,900)bps
BSCR – Athene Life Re Ltd.		354%	340%	(1,400)bps
Athene Life Re Ltd. RBC ratio ¹		562%	405%	(15,700)bps

¹ ALRe RBC ratio, which is used in evaluating our capital position and the amount of capital needed to support our segment, is calculated by applying the NAIC RBC factors.

Financial Strength, Credit Ratings & Share Data

Unaudited (in millions, except percentages)



	A.M. Best	Standard & Poor's	Fitch
FINANCIAL STRENGTH RATINGS			
Athene Annuity & Life Assurance Company	A	A	A
Athene Annuity and Life Company	A	A	A
Athene Annuity & Life Assurance Company of New York	A	A	A
Athene Life Insurance Company of New York	A	Not Rated	Not Rated
Athene Life Re Ltd.	A	A	A

	A.M. Best	Standard & Poor's	Fitch
CREDIT RATINGS			
Athene Holding Ltd.	bbb	BBB+	BBB+
Senior notes	bbb	BBB+	BBB

	Quarterly Trends					Δ		Year-to-Date		Δ
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	Q/Q	Y/Y	2018	2019	Y/Y
SHARE DATA										
Weighted average shares outstanding – basic ¹	197.1	197.3	197.3	197.1	194.0	(2)%	(2)%	197.1	194.0	(2)%
Weighted average shares outstanding – diluted – Class A common shares ²	149.0	164.8	165.1	164.2	161.7	(2)%	9 %	149.0	161.7	9 %
Weighted average shares outstanding – adjusted operating ³	196.0	195.1	196.1	195.5	192.2	(2)%	(2)%	196.0	192.2	(2)%
Common shares outstanding ⁴	197.2	197.3	197.3	195.0	194.1	0 %	(2)%	197.2	194.1	(2)%
Adjusted operating common shares outstanding ³	196.8	196.4	197.2	193.5	192.4	(1)%	(2)%	196.8	192.4	(2)%

¹ Basic earnings per share, including basic weighted average shares outstanding, includes all classes eligible to participate in dividends for each period presented. ² Diluted earnings per share on a GAAP basis for Class A common shares, including diluted Class A weighted average shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. ³ Represents Class A common shares outstanding or 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 common shares, Class M common shares 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. ⁴ Represents common shares outstanding for all classes eligible to participate in dividends for each period presented.

KEY OPERATING AND NON-GAAP MEASURES

In addition to our results presented in accordance with GAAP, we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant GAAP measures, provides information that may enhance an investor's understanding of our results of operations and the underlying profitability drivers of our business. The majority of these non-GAAP measures are intended to remove from the results of operations the impact of market volatility (other than with respect to alternative investments) as well as integration, restructuring and certain other expenses which are not part of our underlying profitability drivers, as such items fluctuate from period to period in a manner inconsistent with these drivers. These measures should be considered supplementary to our results in accordance with GAAP and should not be viewed as a substitute for the corresponding GAAP measures. See *Non-GAAP Measure Reconciliations* for the appropriate reconciliations to the corresponding GAAP measures.

ADJUSTED OPERATING INCOME AND ADJUSTED OPERATING RETURN ON ASSETS (ROA)

Adjusted operating income 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 adjusted operating income equals net income adjusted to eliminate the impact of the following (collectively, the "non-operating adjustments"):

- **Investment Gains (Losses), Net of Offsets**—Investment gains (losses), net of offsets, consist of the realized gains and losses on the sale of AFS securities, the change in fair value of reinsurance assets, unrealized gains and losses, impairments, and other investment gains and losses. Unrealized, impairments and other investment gains and losses are comprised of the fair value adjustments of trading securities (other than CLOs) and investments held under the fair value option, derivative gains and losses not hedging FIA index credits, and the net other-than-temporary impairment (OTTI) impacts recognized in operations net of the change in AmerUs Closed Block fair value reserve related to the corresponding change in fair value of investments and the change in unit-linked reserves related to the corresponding trading securities. Investment gains and losses are net of offsets related to DAC, DSI, and VOBA amortization and changes to guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) reserves (together, GLWB and GMDB reserves represent rider reserves) as well as the MVAs associated with surrenders or terminations of contracts.
- **Change in Fair Values of Derivatives and Embedded Derivatives – FIAs, Net of Offsets**—Impacts related to the fair value accounting for derivatives hedging the FIA index credits and the related embedded derivative liability fluctuations from period to period. The index reserve is measured at fair value for the current period and all periods beyond the current policyholder index term. However, the FIA hedging derivatives are purchased to hedge only the current index period. Upon policyholder renewal at the end of the period, new FIA hedging derivatives are purchased to align with the new term. The difference in duration between the FIA hedging derivatives and the index credit reserves creates a timing difference in earnings. This timing difference of the FIA hedging derivatives and index credit reserves is included as a non-operating adjustment, net of offsets related to DAC, DSI, and VOBA amortization and changes to rider reserves. We primarily hedge with options that align with the index terms of our FIA products (typically 1–2 years). From an economic basis, we believe this is suitable because policyholder accounts are credited with index performance at the end of each index term. However, because the "value of an embedded derivative" in an FIA contract is longer-dated, there is a duration mismatch which may lead to mismatches for accounting purposes.
- **Integration, Restructuring, and Other Non-operating Expenses**—Integration, restructuring, and other non-operating expenses consist of restructuring and integration expenses related to acquisitions and block reinsurance costs as well as certain other expenses which are not related to our underlying profitability drivers or likely to re-occur in the foreseeable future.
- **Stock Compensation Expense**—Stock compensation expenses associated with our share incentive plans, excluding our long-term incentive plan, are not related to our underlying profitability drivers and fluctuate from time to time due to the structure of our plans.
- **Bargain Purchase Gain**—Bargain purchase gains associated with acquisitions are adjustments to net income as they are not related to our underlying profitability drivers.
- **Income Tax (Expense) Benefit – Non-operating**—The non-operating income tax expense represents the income tax effect of non-operating adjustments and is computed by applying the appropriate jurisdiction's tax rate to the non-operating adjustments that are subject to income tax.

We consider these non-operating adjustments to be meaningful adjustments to net income for the reasons discussed in greater detail above. Accordingly, we believe using a measure which excludes the impact of these items is useful in analyzing our business performance and the trends in our results of operations. Together with net income, we believe adjusted operating income, provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income should not be used as a substitute for net income.

Adjusted operating ROA is a non-GAAP measure used to evaluate our financial performance and profitability. Adjusted operating ROA is computed using our adjusted operating income divided by average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. While we believe each of these metrics 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 ROA presented under GAAP.

ADJUSTED OPERATING ROE

Adjusted operating ROE is a non-GAAP measure used to evaluate our financial performance excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, in each case net of DAC, DSI, rider reserve and tax offsets. Adjusted shareholders' equity is calculated as the ending shareholders' equity excluding AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets. Adjusted operating ROE is calculated as the adjusted operating income, divided by average adjusted shareholders' equity. These adjustments fluctuate 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. Except with respect to reinvestment activity relating to 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 and the cumulative change in fair value of funds withheld and modco reinsurance assets are useful in analyzing trends in our operating results. To enhance the ability to analyze these measures across periods, interim periods are annualized. Adjusted operating ROE 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 financial performance.

ADJUSTED OPERATING EARNINGS PER SHARE, WEIGHTED AVERAGE SHARES OUTSTANDING – ADJUSTED OPERATING, AND ADJUSTED BOOK VALUE PER SHARE

Adjusted operating earnings per share, weighted average shares outstanding – adjusted operating and adjusted book value per share are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the number of shares included in the corresponding GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe using these measures represents an economic view of our share counts and provides a simplified and consistent view of our outstanding shares. Adjusted operating earnings per share is calculated as the adjusted operating income, over the weighted average shares outstanding – adjusted operating. Adjusted book value per share is calculated as the adjusted shareholders' equity divided by the adjusted operating common shares outstanding. 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 payment 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, after considering the dilutive effects of the more dilutive securities in the sequence, they are excluded. Weighted average shares outstanding – adjusted operating and adjusted operating common shares outstanding 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. Adjusted operating earnings per share, weighted average shares outstanding – adjusted operating and adjusted book value per share should not be used as a substitute for basic earnings per share – Class A common shares, basic weighted average shares outstanding – Class A or book value per share. However, we believe the adjustments to the shares and equity are significant to gaining an understanding of our overall results of operations and financial condition.

ADJUSTED DEBT TO CAPITAL RATIO

Adjusted debt to capital ratio is a non-GAAP measure used to evaluate our capital structure excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, net of DAC, DSI, rider reserve and tax offsets. Adjusted debt to capital ratio is calculated as total debt excluding consolidated variable interest entities (VIEs) divided by adjusted shareholders' equity. Adjusted debt to capital ratio should not be used as a substitute for the debt to capital ratio. However, we believe the adjustments to total debt and shareholders' equity are significant to gaining an understanding of our capitalization, debt utilization, and debt capacity.

RETIREMENT SERVICES NET INVESTMENT SPREAD, INVESTMENT MARGIN ON DEFERRED ANNUITIES, AND OPERATING EXPENSES

Net investment spread is a key measurement of the financial health of our Retirement Services profitability. Net investment spread measures our investment performance less the total cost of our liabilities. Net investment earned rate is a key measure of our investment performance, while cost of funds is a key measure of the cost of our policyholder benefits and liabilities. Investment margin on our deferred annuities measures our investment performance less the cost of crediting for our deferred annuities, which make up a significant portion of our reserve liabilities.

- 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 fair value of reinsurance assets. We include the income and assets supporting our change in fair value of reinsurance assets 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 change in fair value of reinsurance assets. 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 funds includes liability costs related to cost of crediting on both deferred annuities and institutional products as well as other liability costs. Cost of funds is computed as the total liability costs divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Cost of crediting includes the costs for both deferred annuities and institutional products. 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 indexed 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. Cost of crediting on institutional products is comprised of PRT costs including interest credited, benefit payments and other reserve changes, net of premiums received when issued, as well as funding agreement costs including the interest payments and other reserve changes. Cost of crediting is computed as the cost of crediting for deferred annuities and institutional products divided by the average invested assets for the relevant periods. Cost of crediting on deferred annuities is computed as the interest credited on fixed strategies and option costs on indexed annuity strategies divided by the average account value of our deferred annuities. Cost of crediting on institutional products is computed as the PRT and funding agreement costs divided by the average institutional reserve liabilities. Our average invested assets, account values and institutional reserve liabilities are averaged over the number of quarters in the relevant period to obtain our associated cost of crediting for such period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, premiums, product charges and other revenues. We believe a measure like other liability costs is useful in analyzing the trends of our core business operations and profitability. While we believe other liability costs is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total benefits and expenses presented under GAAP.
- Net investment earned rate, cost of funds, net investment spread and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our business. We believe these metrics are useful in analyzing the trends of our business operations, profitability and pricing discipline. While we believe each of these metrics 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, interest sensitive contract benefits or total benefits and expenses presented under GAAP.
- Operating expenses excludes integration, restructuring and other non-operating expenses, stock compensation expense, interest expense and policy acquisition expenses. We believe a measure like operating expenses is useful in analyzing the trends of our core business operations and profitability. While we believe operating expenses is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for policy and other operating expenses presented under GAAP.

INVESTED ASSETS

In managing our business we analyze invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Invested assets represents the investments that directly back our reserve 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

In managing our business we also analyze reserve liabilities, which does not correspond to total liabilities as disclosed in our consolidated financial statements and notes thereto. 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 recoverable, 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

Sales statistics do not correspond to revenues under GAAP, but are used as relevant measures to understand our business performance as it relates to deposits generated during a specific period of time. Our sales statistics include deposits for 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 Reconciliations

Unaudited (in millions, except per share data)



	Quarterly Trends					Year-to-Date	
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2018	2019
RECONCILIATION OF BOOK VALUE PER SHARE TO ADJUSTED BOOK VALUE PER SHARE							
Book value per share	\$ 44.05	\$ 42.89	\$ 45.51	\$ 42.45	\$ 52.12		
AOCI	(3.22)	(0.75)	(0.17)	2.42	(3.64)		
Accumulated change in fair value of reinsurance assets	(0.54)	(0.06)	0.16	0.39	(1.59)		
Effect of items convertible to or settled in Class A common shares	0.08	0.19	0.03	0.33	0.41		
Adjusted book value per share	<u>\$ 40.37</u>	<u>\$ 42.27</u>	<u>\$ 45.53</u>	<u>\$ 45.59</u>	<u>\$ 47.30</u>		
RECONCILIATION OF AVERAGE SHAREHOLDERS' EQUITY TO AVERAGE ADJUSTED SHAREHOLDERS' EQUITY							
Average shareholders' equity	\$ 8,932	\$ 8,575	\$ 8,720	\$ 8,627	\$ 9,197	\$ 8,932	\$ 9,197
Less: Average AOCI	1,042	391	90	(220)	117	1,042	117
Less: Average accumulated change in fair value of reinsurance assets	134	60	(10)	(53)	117	134	117
Average adjusted shareholders' equity	<u>\$ 7,756</u>	<u>\$ 8,124</u>	<u>\$ 8,640</u>	<u>\$ 8,900</u>	<u>\$ 8,963</u>	<u>\$ 7,756</u>	<u>\$ 8,963</u>
Retirement Services	\$ 5,366	\$ 5,772	\$ 6,537	\$ 7,416	\$ 8,004	\$ 5,366	\$ 8,004
Corporate and Other	2,390	2,352	2,103	1,484	959	2,390	959
Average adjusted shareholders' equity	<u>\$ 7,756</u>	<u>\$ 8,124</u>	<u>\$ 8,640</u>	<u>\$ 8,900</u>	<u>\$ 8,963</u>	<u>\$ 7,756</u>	<u>\$ 8,963</u>
RECONCILIATION OF BASIC WEIGHTED AVERAGE SHARES OUTSTANDING – CLASS A TO WEIGHTED AVERAGE SHARES OUTSTANDING – ADJUSTED OPERATING							
Basic weighted average shares outstanding – Class A	148.7	164.5	164.5	164.2	161.3	148.7	161.3
Conversion of Class B shares to Class A shares	41.1	25.5	25.5	25.5	25.4	41.1	25.4
Conversion of Class M shares to Class A shares	5.8	4.7	5.6	5.2	5.1	5.8	5.1
Effect of other stock compensation plans	0.4	0.4	0.5	0.6	0.4	0.4	0.4
Weighted average shares outstanding – adjusted operating	<u>196.0</u>	<u>195.1</u>	<u>196.1</u>	<u>195.5</u>	<u>192.2</u>	<u>196.0</u>	<u>192.2</u>
RECONCILIATION OF CLASS A COMMON SHARES OUTSTANDING TO ADJUSTED OPERATING COMMON SHARES OUTSTANDING							
Class A common shares outstanding	164.5	164.5	164.6	162.2	161.3		
Conversion of Class B shares to Class A shares	25.5	25.5	25.5	25.4	25.4		
Conversion of Class M shares to Class A shares	5.8	5.4	6.0	4.9	5.0		
Effect of other stock compensation plans	1.0	1.0	1.1	1.0	0.7		
Adjusted operating common shares outstanding	<u>196.8</u>	<u>196.4</u>	<u>197.2</u>	<u>193.5</u>	<u>192.4</u>		

Non-GAAP Reconciliations

Unaudited (in millions, except percentages)



	Quarterly Trends					Year-to-Date	
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2018	2019
RECONCILIATION OF NET INVESTMENT INCOME TO NET INVESTMENT EARNINGS							
GAAP net investment income	\$ 855	\$ 958	\$ 1,070	\$ 1,121	\$ 1,066	\$ 855	\$ 1,066
Change in fair value of reinsurance assets	45	72	52	132	132	45	132
Net VIE earnings	15	1	39	(18)	21	15	21
Alternative income gain (loss)	1	(1)	(14)	(20)	(5)	1	(5)
Held for trading amortization	(23)	(21)	(21)	(11)	(11)	(23)	(11)
Total adjustments to arrive at net investment earnings	38	51	56	83	137	38	137
Total net investment earnings	\$ 893	\$ 1,009	\$ 1,126	\$ 1,204	\$ 1,203	\$ 893	\$ 1,203
Retirement Services	\$ 866	\$ 983	\$ 1,108	\$ 1,231	\$ 1,171	\$ 866	\$ 1,171
Corporate and Other	27	26	18	(27)	32	27	32
Total net investment earnings	\$ 893	\$ 1,009	\$ 1,126	\$ 1,204	\$ 1,203	\$ 893	\$ 1,203
RECONCILIATION OF NET INVESTMENT INCOME RATE TO NET INVESTMENT EARNED RATE							
GAAP net investment income rate	4.41 %	4.47 %	4.30 %	4.10 %	3.79 %	4.41 %	3.79 %
Change in fair value of reinsurance assets	0.22 %	0.34 %	0.20 %	0.48 %	0.47 %	0.22 %	0.47 %
Net VIE earnings	0.08 %	0.00 %	0.16 %	(0.07)%	0.08 %	0.08 %	0.08 %
Alternative income gain (loss)	0.01 %	0.00 %	(0.06)%	(0.07)%	(0.02)%	0.01 %	(0.02)%
Held for trading amortization	(0.12)%	(0.10)%	(0.08)%	(0.04)%	(0.04)%	(0.12)%	(0.04)%
Total adjustments to arrive at net investment earned rate	0.19 %	0.24 %	0.22 %	0.30 %	0.49 %	0.19 %	0.49 %
Consolidated net investment earned rate	4.60 %	4.71 %	4.52 %	4.40 %	4.28 %	4.60 %	4.28 %
Retirement Services	4.63 %	4.74 %	4.55 %	4.57 %	4.21 %	4.63 %	4.21 %
Corporate and Other	3.76 %	3.71 %	3.51 %	(7.57)%	13.19 %	3.76 %	13.19 %
Consolidated net investment earned rate	4.60 %	4.71 %	4.52 %	4.40 %	4.28 %	4.60 %	4.28 %
Retirement Services	\$ 74,735	\$ 82,879	\$ 97,500	\$ 107,939	\$ 111,443	\$ 74,735	\$ 111,443
Corporate and Other	2,844	2,848	2,103	1,484	959	2,844	959
Consolidated average invested assets	\$ 77,579	\$ 85,727	\$ 99,603	\$ 109,423	\$ 112,402	\$ 77,579	\$ 112,402

Non-GAAP Reconciliations

Unaudited (in millions, except percentages)



	Quarterly Trends					Year-to-Date	
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2018	2019
RECONCILIATION OF INTEREST SENSITIVE CONTRACT BENEFITS TO COST OF CREDITING							
GAAP interest sensitive contract benefits	\$ 31	\$ 342	\$ 742	\$ (825)	\$ 1,516	\$ 31	\$ 1,516
Interest credited other than deferred annuities and institutional products	7	9	14	35	55	7	55
FIA option costs	174	206	231	275	278	174	278
Product charges (strategy fees)	(22)	(23)	(25)	(28)	(28)	(22)	(28)
Reinsurance embedded derivative impacts	3	3	29	14	15	3	15
Change in fair values of embedded derivatives – FIAs	121	(178)	(546)	1,039	(1,311)	121	(1,311)
Negative VOBA amortization	10	7	5	9	12	10	12
Other changes in interest sensitive contract liabilities	(2)	2	3	(3)	(2)	(2)	(2)
Total adjustments to arrive at cost of crediting	291	26	(289)	1,341	(981)	291	(981)
Retirement Services cost of crediting	\$ 322	\$ 368	\$ 453	\$ 516	\$ 535	\$ 322	\$ 535
GAAP interest sensitive contract benefits	0.16 %	1.65 %	3.04 %	(3.06)%	5.44 %	0.16 %	5.44 %
Interest credited other than deferred annuities and institutional products	0.04 %	0.04 %	0.06 %	0.13 %	0.20 %	0.04 %	0.20 %
FIA option costs	0.93 %	0.99 %	0.95 %	1.02 %	1.00 %	0.93 %	1.00 %
Product charges (strategy fees)	(0.12)%	(0.11)%	(0.10)%	(0.10)%	(0.10)%	(0.12)%	(0.10)%
Reinsurance embedded derivative impacts	0.02 %	0.02 %	0.12 %	0.05 %	0.05 %	0.02 %	0.05 %
Change in fair values of embedded derivatives – FIAs	0.65 %	(0.85)%	(2.24)%	3.85 %	(4.70)%	0.65 %	(4.70)%
Negative VOBA amortization	0.05 %	0.03 %	0.02 %	0.03 %	0.04 %	0.05 %	0.04 %
Other changes in interest sensitive contract liabilities	(0.01)%	0.01 %	0.01 %	(0.01)%	(0.01)%	(0.01)%	(0.01)%
Total adjustments to arrive at cost of crediting	1.56 %	0.13 %	(1.18)%	4.97 %	(3.52)%	1.56 %	(3.52)%
Retirement Services cost of crediting	1.72 %	1.78 %	1.86 %	1.91 %	1.92 %	1.72 %	1.92 %
Retirement Services cost of crediting on deferred annuities	1.87 %	1.92 %	1.98 %	2.00 %	1.98 %	1.87 %	1.98 %
Retirement Services cost of crediting on institutional products	3.14 %	3.16 %	3.54 %	3.74 %	3.69 %	3.14 %	3.69 %
Retirement Services cost of crediting	1.72 %	1.78 %	1.86 %	1.91 %	1.92 %	1.72 %	1.92 %
Retirement Services average invested assets	\$ 74,735	\$ 82,879	\$ 97,500	\$ 107,939	\$ 111,443	\$ 74,735	\$ 111,443
Average account value on deferred annuities	58,993	66,241	79,673	88,874	89,809	58,993	89,809
Average institutional reserve liabilities	5,955	6,341	6,608	7,827	9,809	5,955	9,809

Non-GAAP Reconciliations

Unaudited (in millions)



	Quarterly Trends					Year-to-Date	
	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2018	2019
RECONCILIATION OF BENEFITS AND EXPENSES TO OTHER LIABILITY COSTS							
GAAP benefits and expenses	\$ 689	\$ 1,481	\$ 1,897	\$ 1,301	\$ 4,221	\$ 689	\$ 4,221
Premiums	(278)	(731)	(526)	(1,833)	(1,966)	(278)	(1,966)
Product charges	(96)	(106)	(119)	(128)	(125)	(96)	(125)
Other revenues	(6)	(6)	(10)	(4)	(12)	(6)	(12)
Cost of crediting	(145)	(159)	(193)	(227)	(242)	(145)	(242)
Change in fair value of embedded derivatives - FIA, net of offsets	66	(237)	(768)	1,266	(1,260)	66	(1,260)
DAC, DSI and VOBA amortization related to investment gains and losses	20	26	28	36	(173)	20	(173)
Rider reserves	1	6	1	8	(28)	1	(28)
Policy and other operating expenses, excluding policy acquisition expenses	(97)	(97)	(98)	(102)	(103)	(97)	(103)
VIE operating expenses	—	(1)	—	—	—	—	—
AmerUs closed block fair value liability	54	36	8	14	(53)	54	(53)
Other	—	8	1	1	1	—	1
Total adjustments to arrive at other liability costs	(481)	(1,261)	(1,676)	(969)	(3,961)	(481)	(3,961)
Other liability costs	\$ 208	\$ 220	\$ 221	\$ 332	\$ 260	\$ 208	\$ 260
Retirement Services	\$ 208	\$ 220	\$ 221	\$ 332	\$ 260	\$ 208	\$ 260
Corporate and Other	—	—	—	—	—	—	—
Consolidated other liability costs	\$ 208	\$ 220	\$ 221	\$ 332	\$ 260	\$ 208	\$ 260
RECONCILIATION OF POLICY AND OTHER OPERATING EXPENSES TO OPERATING EXPENSES							
Policy and other operating expenses	\$ 142	\$ 153	\$ 158	\$ 172	\$ 165	\$ 142	\$ 165
Interest expense	(13)	(16)	(15)	(13)	(17)	(13)	(17)
Policy acquisition expenses, net of deferrals	(45)	(57)	(60)	(70)	(62)	(45)	(62)
Integration, restructuring and other non-operating expenses	(8)	(8)	(2)	(4)	(1)	(8)	(1)
Stock compensation expenses	(3)	(2)	(3)	(3)	(3)	(3)	(3)
Total adjustments to arrive at operating expenses	(69)	(83)	(80)	(90)	(83)	(69)	(83)
Operating expenses	\$ 73	\$ 70	\$ 78	\$ 82	\$ 82	\$ 73	\$ 82
Retirement Services	\$ 58	\$ 56	\$ 63	\$ 65	\$ 62	\$ 58	\$ 62
Corporate and Other	15	14	15	17	20	15	20
Consolidated operating expenses	\$ 73	\$ 70	\$ 78	\$ 82	\$ 82	\$ 73	\$ 82

Non-GAAP Reconciliations

Unaudited (in millions)



	December 31, 2018	March 31, 2019
RECONCILIATION OF TOTAL INVESTMENTS INCLUDING RELATED PARTIES TO INVESTED ASSETS		
Total investments including related parties	\$ 107,632	\$ 115,687
Derivative assets	(1,043)	(1,920)
Cash and cash equivalents (including restricted cash)	3,403	3,518
Accrued investment income	682	751
Payables for collateral on derivatives	(969)	(1,781)
Reinsurance funds withheld and modified coinsurance	223	(578)
VIE and VOE assets, liabilities and noncontrolling interest	718	676
Unrealized (gains) losses	808	(1,254)
Ceded policy loans	(281)	(283)
Net investment receivables (payables)	(139)	(1,045)
Total adjustments to arrive at invested assets	3,402	(1,916)
Total invested assets	<u>\$ 111,034</u>	<u>\$ 113,771</u>
RECONCILIATION OF INVESTMENT FUNDS INCLUDING RELATED PARTIES AND VIES TO ALTERNATIVE INVESTMENTS		
Investment funds including related parties and VIEs	\$ 3,559	\$ 3,592
CLO equities included in trading securities	125	124
Investment funds within funds withheld at interest	660	591
Royalties and other assets included in other investments	71	69
Net assets of the VIE, excluding investment funds	50	18
Unrealized (gains) losses and other adjustments	27	(4)
Total adjustments to arrive at alternative investments	933	798
Alternative investments	<u>\$ 4,492</u>	<u>\$ 4,390</u>
RECONCILIATION OF TOTAL LIABILITIES TO RESERVE LIABILITIES		
Total liabilities	\$ 117,229	\$ 122,740
Long-term debt	(991)	(991)
Derivative liabilities	(85)	(85)
Payables for collateral on derivatives	(969)	(1,781)
Funds withheld liability	(721)	(724)
Other liabilities	(888)	(1,410)
Liabilities of consolidated VIEs	(1)	(1)
Reinsurance ceded receivables	(5,534)	(5,647)
Policy loans ceded	(281)	(283)
Other	(27)	(27)
Total adjustments to arrive at reserve liabilities	(9,497)	(10,949)
Total reserve liabilities	<u>\$ 107,732</u>	<u>\$ 111,791</u>