

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): August 5, 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))

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, par value \$0.001 per share	ATH	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Share, Series A, par value \$1.00 per share	ATHPrA	New York Stock Exchange

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.

Item 2.02 Results of Operations and Financial Condition

On August 5, 2019, Athene Holding Ltd. (the “Company”) issued a press release to announce its financial results for the second 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 second 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 August 5, 2019 \(furnished and not filed\).](#)

99.2 [Quarterly Financial Supplement for Athene Holding Ltd. for the second 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: August 5, 2019

/s/ Martin P. Klein

Martin P. Klein

Executive Vice President and Chief Financial Officer

ATHENE HOLDING LTD. REPORTS SECOND QUARTER 2019 RESULTS

PEMBROKE, Bermuda – August 5, 2019 – Athene Holding Ltd. ("Athene") (NYSE: ATH), a leading provider of retirement savings products, announced financial results for the second quarter 2019.

Net income for the second quarter 2019 was \$720 million, or \$3.75 per diluted Class A common share ("diluted share"), compared to net income for the second quarter 2018 of \$257 million, or \$1.30 per diluted common share. The increase from the prior year quarter was primarily driven by favorable changes in the fair value of reinsurance assets related to the decrease in Treasury rates, as well as an increase in adjusted operating income.

Adjusted operating income¹ for the second quarter 2019 was \$370 million, or \$1.95 per adjusted operating common share, compared to adjusted operating income for the second quarter 2018 of \$288 million, or \$1.47 per adjusted operating common share. The increase from the prior year quarter was primarily driven by rising investment income related to continued invested asset growth.

Highlights

- Book value per common share of \$66.69, an increase of 28% and 55% for the quarter-over-quarter and year-over-year periods ended June 30, 2019, respectively
- Adjusted book value per common share of \$49.50, an increase of 5% and 17% for the quarter-over-quarter and year-over-year periods ended June 30, 2019, respectively
- ROE of 25.6%, Consolidated adjusted operating ROE of 16.2%, and Retirement Services adjusted operating ROE of 18.9% for the quarter ended June 30, 2019
- ROA of 2.12% and adjusted operating ROA of 1.28% for the quarter ended June 30, 2019
- Repurchased \$542 million of common stock from December 2018 through July 2019, including \$376 million in the second quarter
- Athene's Board of Directors has increased the share repurchase authorization by \$350 million, effective immediately, bringing the total outstanding authorization to \$425 million
- Raised \$863 million of gross proceeds through successful perpetual preferred stock offering in June 2019, at an attractive cost of capital of 6.35%
- Through July, Apollo/Athene Dedicated Investment Program ("ADIP"), the investment fund managed by Apollo that will help fund Athene Co-Invest Reinsurance Affiliate ("ACRA"), has raised nearly \$1.5 billion of capital commitments.
- Total deposits of \$4.0 billion underwritten to target returns for the quarter ended June 30, 2019
- Estimated ALRe RBC of 415%² and U.S. RBC of 411% as of June 30, 2019

"In the second quarter, strong investment returns drove near-record earnings as our business generated an adjusted operating ROE of 19% in Retirement Services," said Jim Belardi, CEO of Athene. "Our adjusted book value of nearly \$50 per share continues to accrete in line with our superior long-term track record of 17% compound annual growth."

Mr. Belardi continued, "As we have consistently stated, we will deploy capital opportunistically across organic and inorganic growth initiatives, share repurchases, and bolstering for ratings upgrades, as we seek the highest risk-adjusted returns for our shareholders. In the current environment, it's clear the market is improperly discounting our growing earnings power, which led us to repurchase \$376 million of our shares in the second quarter at an average price of less than 90% of adjusted book value per share and high-teens returns. Following another increase in our repurchase capacity, our Board has now authorized nearly \$1 billion in the past eight months. Given the attractive levels at which we're executing, we believe this method of capital deployment is very accretive to shareholders."

¹ This news release references certain Non-GAAP measures. See *Non-GAAP Measures* for additional discussion.

² 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 to the statutory financial statements of ALRe and its non-U.S. reinsurance subsidiary, on an aggregate basis.

Second Quarter 2019 Results

Net income for the second quarter 2019 was \$720 million, an increase of \$463 million, or 180%, from the second 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 net FIA derivatives. The change in the fair value of reinsurance assets resulted from a decline in Treasury rates, while the unfavorable change in FIA derivatives resulted from a change in discount rates.

Adjusted operating income for the second quarter 2019 was \$370 million, an increase of \$82 million, or 28%, from the second quarter 2018, primarily driven by higher investment income. The increase in investment income over the prior year quarter was driven by strong alternative investment income and invested asset growth.

Deposit Highlights

In the second quarter 2019, Athene generated organic deposits of \$4.0 billion, an increase of 50% compared to the second quarter 2018, driven by solid results across all channels. Notably, the liabilities supporting these deposits were underwritten to the same return standards as previously generated business.

Retail: In the second quarter 2019, Athene generated \$1.9 billion of new deposits, a decrease of 6% from the prior year quarter, reflecting Athene's disciplined approach to pricing in a declining interest rate environment. Athene continues to expand distribution particularly through financial institutions, and sales momentum in newer products continues to be strong. In early July, Athene also launched its first-ever registered index-linked (RILA) annuity product, Athene® Amplify, complementing Athene's suite of retirement solutions.

Flow Reinsurance: In the second quarter 2019, Athene generated \$1.1 billion of new deposits, up 138% from the prior year quarter, driven by new reinsurance relationships formed in the second half of 2018.

Institutional: In the second quarter 2019, Athene generated \$1.0 billion of new deposits from institutional products, including \$706 million of new deposits from one pension risk transfer transaction, and \$299 million of new deposits from one funding agreement.

Selected Results

	As of and for the three months ended June 30,	
	2018	2019
<i>(In millions, except percentages and per share data)</i>		
Book value per common share	\$ 42.89	\$ 66.69
Adjusted book value per common share	\$ 42.27	\$ 49.50
Common shares outstanding ¹	197.3	185.4
Adjusted operating common shares outstanding ²	196.4	184.4
Return on equity (ROE)	12.0%	25.6%
Adjusted operating ROE	14.2%	16.2%
Adjusted operating ROE – Retirement Services	19.8%	18.9%
Return on assets (ROA)	0.98%	2.12%
Adjusted operating ROA	1.34%	1.28%
Net investment spread – Retirement Services	1.90%	1.68%
Investments, including related parties	\$ 98,682	\$ 120,106
Invested assets	\$ 98,609	\$ 116,671
Debt to capital ratio	12.2%	7.4%
Adjusted debt to capital ratio	12.4%	9.0%
Total shareholders' equity	\$ 8,462	\$ 12,365
Adjusted common shareholders' equity	\$ 8,303	\$ 9,127
Organic deposits	\$ 2,690	\$ 4,039
Inorganic deposits	19,104	—
Total deposits	\$ 21,794	\$ 4,039

¹ Represents common shares outstanding for all classes eligible to participate in dividends for each period presented. Used for the book value per common 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 June 30,	
	2018	2019
<i>(In millions, except per share data)</i>		
Net income	\$ 257	\$ 720
Non-operating adjustments		
Investment gains (losses), net of offsets	(74)	417
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	68	(57)
Integration, restructuring and other non-operating expenses	(8)	(11)
Stock compensation expense	(2)	(3)
Income tax (expense) benefit – non-operating	(15)	4
Less: Total non-operating adjustments	(31)	350
Adjusted operating income	\$ 288	\$ 370
Adjusted operating income by segment		
Retirement Services	\$ 287	\$ 376
Corporate and Other	1	(6)
Adjusted operating income	\$ 288	\$ 370
Earnings per common share – basic ¹	\$ 1.30	\$ 3.76
Earnings per common share – diluted Class A ²	\$ 1.30	\$ 3.75
Adjusted operating earnings per common share ³	\$ 1.47	\$ 1.95
Weighted average common shares outstanding – basic ¹	197.3	191.2
Weighted average common shares outstanding – diluted Class A ²	164.8	158.8
Weighted average common shares outstanding – adjusted operating ³	195.1	189.4

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

² Diluted earnings per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common 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 349,391 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 \$596 million (83% of net income) and \$214 million (83% of net income) for the three months ended June 30, 2019 and 2018, respectively.

³ Weighted average common 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 second quarter 2019, adjusted operating income in Retirement Services was \$376 million, an increase of \$89 million, or 31%, from the second quarter 2018, resulting in an adjusted operating ROE of 18.9%. The increase in adjusted operating income over the prior year quarter was primarily driven by an increase of \$338 million in investment income primarily due to invested asset growth, as well as strong alternative asset returns.

The net investment spread, which measures net investment earnings less cost of funds, was 1.68% of average invested assets for the second quarter 2019, a decrease of 22 basis points from the second quarter 2018. The decrease from the prior year quarter was driven by a lower net investment earned rate ("NIER") and a higher cost of funds. The net investment spread of 1.68% in the second quarter 2019 increased 32 basis points quarter-over-quarter from 1.36% in the first quarter 2019, primarily driven by the strong alternative investment performance in the period.

The NIER was 4.63% for the second quarter 2019, a decrease of 11 basis points from the prior year quarter, primarily due to lower onboarded rates on the Voya and Lincoln assets. The annualized return on alternative investments during the second quarter 2019 was 14.46%, compared to 11.28% in the prior year quarter, reflecting broad-based strength across the alternatives portfolio, including the lagged effect of positive equity market performance in the first quarter 2019 and tightening credit spreads.

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 2.95% for the second quarter 2019, an increase of 11 basis points from the second quarter 2018. Total cost of crediting was 1.92% for the second quarter 2019, an increase of 14 basis points from the prior year quarter, driven by higher option costs for deferred annuities 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 3.76%. Other liability costs were 1.03% for the second quarter 2019, a decrease of 3 basis points from the prior year quarter primarily due to the declining mix of deferred annuity expenses within cost of funds.

Corporate & Other

In the second quarter 2019, the adjusted operating loss was \$6 million in Corporate & Other, a decrease of \$7 million from adjusted operating income of \$1 million in the second quarter 2018. The decrease was driven by a lower balance of excess capital generating earnings and higher operating expenses, partially offset by higher alternative investment income.

Share Repurchase Activity

From December 2018 through July 2019, Athene repurchased 12.9 million shares of its common stock for \$542 million under previously announced share repurchase programs. During this period, shares were purchased at an average cost of \$42.08 per share and an average price-to-book value multiple of 0.9x. This activity includes 8.8 million shares repurchased during the second quarter 2019 for \$376 million.

Athene's Board of Directors has increased the share repurchase authorization by \$350 million, effective immediately. As of August 5, 2019, Athene has total outstanding share repurchase capacity of \$425 million.

Update on Strategic Capital Solution (ACRA)

In May 2019, Athene announced the formation of a strategic capital solution called Athene Co-Invest Reinsurance Affiliate ("ACRA"). 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 issuances in the future, and eliminates the impact undeployed on-balance sheet capital has on key financial measures, such as ROE. To date, unfunded capital commitments for Apollo/Athene Dedicated Investment Program ("ADIP"), the investment fund managed by Apollo Global Management that will help capitalize ACRA, are nearly \$1.5 billion, and significant additional commitments are expected to close over the coming months. Additional information on ACRA and ADIP can be found in a presentation previously posted on Athene's website at ir.athene.com.

Conference Call Information

Athene will host a conference call today, Monday, August 5, 2019, at 10 a.m. ET. During the call, members of Athene's senior management team will review Athene's financial results for the second quarter ended June 30, 2019. This press release, the second quarter 2019 earnings presentation and financial supplement are posted to Athene's website at ir.athene.com.

- Live conference call: Toll-free at (866) 901-0811 (domestic) or +1 (346) 354-0810 (international)
- Conference call replay available through August 21, 2019 at (800) 585-8367 (domestic) or +1 (404) 537-3406 (international)
- Conference ID number: 5889279
- 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, fixed indexed and index-linked 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 \$139.0 billion as of June 30, 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 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 common shareholders' equity is calculated as the ending shareholders' equity available to common shareholders excluding AOCI, the cumulative change in fair value of funds withheld and modco reinsurance assets and preferred stock. Adjusted operating ROE is calculated as the adjusted operating income, divided by average adjusted common 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 common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common 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 common share is calculated as the adjusted operating income, over the weighted average common shares outstanding – adjusted operating. Adjusted book value per common share is calculated as the adjusted common 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 common 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 common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common share should not be used as a substitute for basic earnings per share – Class A common shares, basic weighted average common shares outstanding – Class A or book value per common 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 therefrom, discussion regarding the future outcome of Athene's capital allocation determinations, 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, our quarterly report on Form 10-Q for the quarterly period ended March 31, 2019, and our current report on Form 8-K filed with the SEC on June 5, 2019, 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	June 30, 2019
Assets		
Investments		
Available-for-sale securities, at fair value	\$ 59,265	\$ 66,878
Trading securities, at fair value	1,949	2,381
Equity securities, at fair value	216	336
Mortgage loans, net of allowances	10,340	11,912
Investment funds	703	722
Policy loans	488	480
Funds withheld at interest	15,023	15,307
Derivative assets	1,043	2,299
Short-term investments, at fair value	191	288
Other investments	122	119
Total investments	89,340	100,722
Cash and cash equivalents	2,911	4,847
Restricted cash	492	391
Investments in related parties		
Available-for-sale securities, at fair value	1,437	1,740
Trading securities, at fair value	249	311
Equity securities, at fair value	120	344
Mortgage loans	291	287
Investment funds	2,232	2,578
Funds withheld at interest	13,577	13,737
Other investments	386	387
Accrued investment income	682	758
Reinsurance recoverable	5,534	5,678
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	5,324
Other assets	1,635	1,224
Assets of consolidated variable interest entities		
Investments		
Trading securities, at fair value – related party	35	21
Equity securities, at fair value – related party	50	6
Investment funds	624	612
Cash and cash equivalents	2	1
Other assets	1	12
Total assets	\$ 125,505	\$ 138,980

(Continued)

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

	December 31, 2018	June 30, 2019
Liabilities		
Interest sensitive contract liabilities	\$ 96,610	\$ 100,291
Future policy benefits	16,704	20,089
Other policy claims and benefits	142	147
Dividends payable to policyholders	118	116
Long-term debt	991	991
Derivative liabilities	85	80
Payables for collateral on derivatives	969	2,183
Funds withheld liability	721	759
Other liabilities	888	1,958
Liabilities of consolidated variable interest entities	1	1
Total liabilities	117,229	126,615
Equity		
Preferred stock	—	—
Common stock	—	—
Additional paid-in capital	3,462	4,144
Retained earnings	5,286	6,461
Accumulated other comprehensive income	(472)	1,760
Total shareholders' equity	8,276	12,365
Total liabilities and equity	\$ 125,505	\$ 138,980

(Concluded)

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

	Three months ended June 30,	
	2018	2019
Revenue		
Premiums	\$ 731	\$ 733
Product charges	106	132
Net investment income	958	1,161
Investment related gains (losses)	(2)	1,316
OTTI investment losses		
OTTI losses	—	(7)
OTTI losses reclassified to (from) OCI	—	1
Net OTTI losses	—	(6)
Other revenues	6	9
Revenues of consolidated variable interest entities		
Net investment income	14	21
Investment related gains (losses)	(11)	3
Total revenues	1,802	3,369
Benefits and Expenses		
Interest sensitive contract benefits	342	1,094
Amortization of DSI	23	13
Future policy and other policy benefits	864	1,057
Amortization of DAC and VOBA	89	261
Dividends to policyholders	9	9
Policy and other operating expenses	154	185
Total benefits and expenses	1,481	2,619
Income before income taxes	321	750
Income tax expense	64	30
Net income	\$ 257	\$ 720

Non-GAAP Measure Reconciliations

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

	Three months ended June 30,	
	2018	2019
Basic earnings per share – Class A common shares	\$ 1.30	\$ 3.76
Non-operating adjustments		
Investment gains (losses), net of offsets	(0.38)	2.20
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	0.35	(0.30)
Integration, restructuring and other non-operating expenses	(0.05)	(0.06)
Stock compensation expense	(0.02)	(0.02)
Income tax (expense) benefit – non-operating	(0.08)	0.02
Less: Total non-operating adjustments	(0.18)	1.84
Less: Effect of items convertible to or settled in Class A common shares	0.01	(0.03)
Adjusted operating earnings per common share	\$ 1.47	\$ 1.95

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

<i>(In millions)</i>	Three months ended June 30,	
	2018	2019
Basic weighted average common shares outstanding – Class A	164.5	158.5
Conversion of Class B shares to Class A shares	25.5	25.4
Conversion of Class M shares to Class A shares	4.7	5.1
Effect of other stock compensation plans	0.4	0.4
Weighted average common shares outstanding – adjusted operating	195.1	189.4

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

<i>(In millions)</i>	June 30,	
	2018	2019
Total shareholders' equity	\$ 8,462	\$ 12,365
Less: Preferred stock	—	839
Total common shareholders' equity	8,462	11,526
Less: AOCI	147	1,760
Less: Accumulated change in fair value of reinsurance assets	12	639
Total adjusted common shareholders' equity	\$ 8,303	\$ 9,127
Retirement Services	\$ 6,050	\$ 7,704
Corporate and Other	2,253	1,423
Total adjusted common shareholders' equity	\$ 8,303	\$ 9,127

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

<i>(In millions)</i>	Three months ended June 30,	
	2018	2019
Average shareholders' equity	\$ 8,575	\$ 11,241
Less: Average preferred stock	—	420
Less: Average AOCI	391	1,233
Less: Average accumulated change in fair value of reinsurance assets	60	474
Average adjusted common shareholders' equity	\$ 8,124	\$ 9,114
Retirement Services	\$ 5,772	\$ 7,952
Corporate and Other	2,352	1,162
Average adjusted common shareholders' equity	\$ 8,124	\$ 9,114

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

<i>(In millions)</i>	June 30,	
	2018	2019
Class A common shares outstanding	164.5	152.6
Conversion of Class B shares to Class A shares	25.5	25.4
Conversion of Class M shares to Class A shares	5.4	5.3
Effect of other stock compensation plans	1.0	1.1
Adjusted operating common shares outstanding	196.4	184.4

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

	December 31,		June 30,	
	2009	2018	2019	
Book value per common share	\$ 11.62	\$ 42.89	\$ 66.69	
Preferred stock	—	—	(4.53)	
AOCI	(0.13)	(0.75)	(9.49)	
Accumulated change in fair value of reinsurance assets	—	(0.06)	(3.45)	
Effect of items convertible to or settled in Class A common shares	—	0.19	0.28	
Adjusted book value per common share	\$ 11.49	\$ 42.27	\$ 49.50	

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

<i>(In millions)</i>	June 30,	
	2018	2019
Total debt	\$ 1,174	\$ 991
Total shareholders' equity	8,462	12,365
Total capitalization	9,636	13,356
Less: AOCI	147	1,760
Less: Accumulated change in fair value of reinsurance assets	12	639
Total adjusted capitalization	\$ 9,477	\$ 10,957
Debt to capital ratio	12.2%	7.4%
AOCI	0.2%	1.2%
Accumulated change in fair value of reinsurance assets	—%	0.4%
Adjusted debt to capital ratio	12.4%	9.0%

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

<i>(In millions)</i>	Three months ended June 30,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
GAAP net investment income	\$ 958	4.47 %	\$ 1,161	4.03 %
Change in fair value of reinsurance assets	72	0.34 %	161	0.56 %
Net VIE earnings	1	— %	24	0.09 %
Alternative income gain (loss)	(1)	— %	12	0.04 %
Held for trading amortization	(21)	(0.10)%	(13)	(0.05)%
Total adjustments to arrive at net investment earnings/earned rate	51	0.24 %	184	0.64 %
Total net investment earnings/earned rate	\$ 1,009	4.71 %	\$ 1,345	4.67 %
Retirement Services	\$ 983	4.74 %	\$ 1,321	4.63 %
Corporate and Other	26	3.71 %	24	8.39 %
Total net investment earnings/earned rate	\$ 1,009	4.71 %	\$ 1,345	4.67 %
Retirement Services average invested assets	\$ 82,879		\$ 114,059	
Corporate and Other average invested assets	2,848		1,162	
Average invested assets	\$ 85,727		\$ 115,221	

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

<i>(In millions)</i>	Three months ended June 30,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
GAAP interest sensitive contract benefits	\$ 342	1.65 %	\$ 1,094	3.84 %
Interest credited other than deferred annuities and institutional products	9	0.04 %	50	0.18 %
FIA option costs	206	0.99 %	280	0.98 %
Product charges (strategy fees)	(23)	(0.11)%	(29)	(0.10)%
Reinsurance embedded derivative impacts	3	0.02 %	14	0.05 %
Change in fair values of embedded derivatives – FIAs	(178)	(0.85)%	(868)	(3.05)%
Negative VOBA amortization	7	0.03 %	7	0.02 %
Other changes in interest sensitive contract liabilities	2	0.01 %	(1)	— %
Total adjustments to arrive at cost of crediting	26	0.13 %	(547)	(1.92)%
Retirement Services cost of crediting	\$ 368	1.78 %	\$ 547	1.92 %
Retirement Services cost of crediting on deferred annuities	\$ 318	1.92 %	\$ 448	1.98 %
Retirement Services cost of crediting on institutional products	50	3.16 %	99	3.76 %
Retirement Services cost of crediting	\$ 368	1.78 %	\$ 547	1.92 %
Retirement Services average invested assets	\$ 82,879		\$ 114,059	
Average account value on deferred annuities	66,241		90,675	
Average institutional reserve liabilities	6,341		10,470	

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

<i>(In millions)</i>	Three months ended June 30,	
	2018	2019
GAAP benefits and expenses	\$ 1,481	\$ 2,619
Premiums	(731)	(733)
Product charges	(106)	(132)
Other revenues	(6)	(9)
Cost of crediting	(159)	(253)
Change in fair value of embedded derivatives – FIA, net of offsets	(237)	(817)
DAC, DSI and VOBA amortization related to investment gains and losses	26	(181)
Rider reserves	6	(24)
Policy and other operating expenses, excluding policy acquisition expenses	(98)	(117)
AmerUs closed block fair value liability	36	(59)
Other	8	1
Total adjustments to arrive at other liability costs	(1,261)	(2,324)
Other liability costs	\$ 220	\$ 295
Retirement Services	\$ 220	\$ 295
Corporate and Other	—	—
Consolidated other liability costs	\$ 220	\$ 295

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

<i>(In millions)</i>	Three months ended June 30,	
	2018	2019
Policy and other operating expenses	\$ 154	\$ 185
Interest expense	(16)	(15)
Policy acquisition expenses, net of deferrals	(58)	(69)
Integration, restructuring and other non-operating expenses	(8)	(11)
Stock compensation expenses	(2)	(3)
Total adjustments to arrive at operating expenses	(84)	(98)
Operating expenses	\$ 70	\$ 87
Retirement Services	\$ 56	\$ 68
Corporate and Other	14	19
Consolidated operating expenses	\$ 70	\$ 87

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

<i>(In millions)</i>	June 30,	
	2018	2019
Total investments, including related parties	\$ 98,682	\$ 120,106
Derivative assets	(1,929)	(2,299)
Cash and cash equivalents (including restricted cash)	3,786	5,238
Accrued investment income	662	758
Payables for collateral on derivatives	(1,746)	(2,183)
Reinsurance funds withheld and modified coinsurance	(130)	(1,236)
VIE and VOE assets, liabilities and noncontrolling interest	809	656
Unrealized (gains) losses	(370)	(3,084)
Ceded policy loans	(297)	(280)
Net investment receivables (payables)	(858)	(1,005)
Total adjustments to arrive at invested assets	(73)	(3,435)
Total invested assets	\$ 98,609	\$ 116,671



Athene Holding Ltd.
2Q'19 Financial Supplement

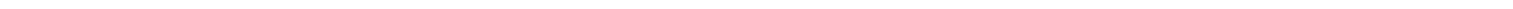


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Financial Highlights

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



	Quarterly Trends					Δ		Year-to-Date		Δ
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
SELECTED INCOME STATEMENT DATA										
Net income (loss)	\$ 257	\$ 623	\$ (104)	\$ 708	\$ 720	2 %	180 %	\$ 534	\$ 1,428	167 %
Adjusted operating income	288	371	240	287	370	29 %	28 %	529	657	24 %
FINANCIAL RATIOS										
Return on assets (ROA)	0.98%	2.14%	(0.34)%	2.19%	2.12%	(7)bps	114bps	1.04%	2.16%	112bps
Adjusted operating ROA	1.34%	1.49%	0.88 %	1.02%	1.28%	26bps	(6)bps	1.29%	1.15%	(14)bps
Net investment spread – Retirement Services	1.90%	1.78%	1.43 %	1.36%	1.68%	32bps	(22)bps	1.85%	1.52%	(33)bps
Return on equity (ROE)	12.0%	28.6%	(4.8)%	30.8%	25.6%	(520)bps	1,360bps	12.1%	27.7%	1,560bps
Adjusted operating ROE	14.2%	17.2%	10.8 %	12.8%	16.2%	340bps	200bps	13.3%	14.6%	130bps
Adjusted operating ROE – Retirement Services	19.8%	23.2%	16.0 %	14.4%	18.9%	450bps	(90)bps	18.6%	17.1%	(150)bps
EARNINGS AND BOOK VALUE PER COMMON SHARE										
Earnings per common share – basic ¹	\$ 1.30	\$ 3.16	\$ (0.53)	\$ 3.65	\$ 3.76	3 %	189 %	\$ 2.71	\$ 7.43	174 %
Earnings per common share – diluted class A ²	1.30	3.15	(0.53)	3.64	3.75	3 %	188 %	2.70	7.41	174 %
Adjusted operating earnings per common share ³	1.47	1.90	1.23	1.50	1.95	30 %	33 %	2.70	3.45	28 %
Book value per common share	42.89	45.51	42.45	52.12	66.69	28 %	55 %	42.89	66.69	55 %
Adjusted book value per common share ³	42.27	45.53	45.59	47.30	49.50	5 %	17 %	42.27	49.50	17 %
SELECTED BALANCE SHEET DATA										
Total assets	\$ 115,191	\$ 118,250	\$ 125,505	\$ 132,857	\$ 138,980	5 %	21 %	\$ 115,191	\$ 138,980	21 %
Invested assets	98,609	100,596	111,034	113,771	116,671	3 %	18 %	98,609	116,671	18 %
Total liabilities	106,729	109,272	117,229	122,740	126,615	3 %	19 %	106,729	126,615	19 %
Reserve liabilities	96,248	98,553	107,732	111,791	114,680	3 %	19 %	96,248	114,680	19 %
Debt	1,174	991	991	991	991	— %	(16)%	1,174	991	(16)%
Total shareholders' equity	8,462	8,978	8,276	10,117	12,365	22 %	46 %	8,462	12,365	46 %
Adjusted common shareholders' equity	8,303	8,976	8,823	9,102	9,127	— %	10 %	8,303	9,127	10 %
DEPOSITS										
Retail	\$ 2,038	\$ 2,200	\$ 2,018	\$ 1,816	\$ 1,909	5 %	(6)%	\$ 3,324	\$ 3,725	12 %
Flow reinsurance	473	610	1,136	1,020	1,125	10 %	138 %	677	2,145	217 %
Funding agreements	125	—	225	—	299	100 %	139 %	425	299	(30)%
Pension risk transfer	54	476	1,785	1,923	706	(63)%	NM	320	2,629	NM
Total organic deposits	2,690	3,286	5,164	4,759	4,039	(15)%	50 %	4,746	8,798	85 %
Inorganic deposits	19,104	—	7,878	—	—	— %	(100)%	19,104	—	(100)%
Total deposits	\$ 21,794	\$ 3,286	\$ 13,042	\$ 4,759	\$ 4,039	(15)%	(81)%	\$ 23,850	\$ 8,798	(63)%

Note: "NM" represents changes that are not meaningful. 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 common share, invested assets, reserve liabilities, and adjusted common shareholders' equity. ¹ Basic earnings per common share, including basic weighted average common shares outstanding, includes all classes eligible to participate in dividends for each period presented. ² Diluted earnings per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common 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
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
REVENUE										
Premiums	\$ 731	\$ 526	\$ 1,833	\$ 1,966	\$ 733	(63)%	—%	\$ 1,009	\$ 2,699	167%
Product charges	106	119	128	125	132	6%	25%	202	257	27%
Net investment income	958	1,070	1,121	1,066	1,161	9%	21%	1,813	2,227	23%
Investment related gains (losses)	(2)	816	(1,902)	1,772	1,316	(26)%	NM	(238)	3,088	NM
Other-than-temporary impairment investment losses										
Other-than-temporary impairment losses	—	(7)	(14)	(2)	(7)	(250)%	(100)%	(3)	(9)	(200)%
Other-than-temporary impairment losses reclassified to (from) other comprehensive income	—	4	2	1	1	—%	100%	—	2	100%
Net other-than-temporary impairment losses	—	(3)	(12)	(1)	(6)	NM	(100)%	(3)	(7)	(133)%
Other revenues	6	10	4	12	9	(25)%	50%	12	21	75%
Revenues related to consolidated variable interest entities										
Net investment income	14	15	17	16	21	31%	50%	24	37	54%
Investment related gains (losses)	(11)	23	(35)	5	3	(40)%	127%	(6)	8	233%
Total revenues	\$ 1,802	\$ 2,576	\$ 1,154	\$ 4,961	\$ 3,369	(32)%	87%	\$ 2,813	\$ 8,330	196%
BENEFITS AND EXPENSES										
Interest sensitive contract benefits	\$ 342	\$ 742	\$ (825)	\$ 1,516	\$ 1,094	(28)%	220%	\$ 373	\$ 2,610	NM
Amortization of deferred sales inducements	23	23	(12)	5	13	160%	(43)%	43	18	(58)%
Future policy and other policy benefits	864	928	1,994	2,295	1,057	(54)%	22%	1,265	3,352	165%
Amortization of deferred acquisition costs and value of business acquired	89	36	(33)	231	261	13%	193%	171	492	188%
Dividends to policyholders	9	10	5	9	9	—%	—%	22	18	(18)%
Policy and other operating expenses	154	158	172	165	185	12%	20%	296	350	18%
Total benefits and expenses	1,481	1,897	1,301	4,221	2,619	(38)%	77%	2,170	6,840	215%
Income (loss) before income taxes	321	679	(147)	740	750	1%	134%	643	1,490	132%
Income tax expense (benefit)	64	56	(43)	32	30	(6)%	(53)%	109	62	(43)%
Net income (loss)	\$ 257	\$ 623	\$ (104)	\$ 708	\$ 720	2%	180%	\$ 534	\$ 1,428	167%

Segment Results of Operations (Management view)

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



	Quarterly Trends					Δ		Year-to-Date		Δ
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
ADJUSTED OPERATING INCOME – CONSOLIDATED										
Fixed income and other investment income	\$ 921	\$ 1,036	\$ 1,142	\$ 1,154	\$ 1,175	2 %	28 %	\$ 1,719	\$ 2,329	35 %
Alternative investment income	88	90	62	49	170	247 %	93 %	183	219	20 %
Net investment earnings	1,009	1,126	1,204	1,203	1,345	12 %	33 %	1,902	2,548	34 %
Cost of crediting	(368)	(453)	(516)	(535)	(547)	(2)%	(49)%	(690)	(1,082)	(57)%
Other liability costs ¹	(220)	(221)	(332)	(260)	(295)	(13)%	(34)%	(428)	(555)	(30)%
Cost of funds	(588)	(674)	(848)	(795)	(842)	(6)%	(43)%	(1,118)	(1,637)	(46)%
Operating expenses	(70)	(78)	(82)	(82)	(87)	(6)%	(24)%	(143)	(169)	(18)%
Interest expense	(14)	(13)	(12)	(13)	(12)	8 %	14 %	(24)	(25)	(4)%
Pre-tax adjusted operating income	337	361	262	313	404	29 %	20 %	617	717	16 %
Income tax (expense) benefit – operating	(49)	10	(22)	(26)	(34)	(31)%	31 %	(88)	(60)	32 %
Adjusted operating income	<u>\$ 288</u>	<u>\$ 371</u>	<u>\$ 240</u>	<u>\$ 287</u>	<u>\$ 370</u>	29 %	28 %	<u>\$ 529</u>	<u>\$ 657</u>	24 %
Adjusted operating earnings per common share	\$ 1.47	\$ 1.90	\$ 1.23	\$ 1.50	\$ 1.95	30 %	33 %	\$ 2.70	\$ 3.45	28 %
ADJUSTED OPERATING INCOME – RETIREMENT SERVICES										
Fixed income and other investment income	\$ 897	\$ 1,021	\$ 1,132	\$ 1,151	\$ 1,170	2 %	30 %	\$ 1,672	\$ 2,321	39 %
Alternative investment income	86	87	99	20	151	NM	76 %	177	171	(3)%
Net investment earnings	983	1,108	1,231	1,171	1,321	13 %	34 %	1,849	2,492	35 %
Cost of crediting	(368)	(453)	(516)	(535)	(547)	(2)%	(49)%	(690)	(1,082)	(57)%
Other liability costs ¹	(220)	(221)	(332)	(260)	(295)	(13)%	(34)%	(428)	(555)	(30)%
Cost of funds	(588)	(674)	(848)	(795)	(842)	(6)%	(43)%	(1,118)	(1,637)	(46)%
Operating expenses	(56)	(63)	(65)	(62)	(68)	(10)%	(21)%	(114)	(130)	(14)%
Interest expense	(3)	(2)	—	(2)	(1)	50 %	67 %	(3)	(3)	— %
Pre-tax adjusted operating income	336	369	318	312	410	31 %	22 %	614	722	18 %
Income tax (expense) benefit – operating	(49)	10	(22)	(26)	(34)	(31)%	31 %	(88)	(60)	32 %
Adjusted operating income	<u>\$ 287</u>	<u>\$ 379</u>	<u>\$ 296</u>	<u>\$ 286</u>	<u>\$ 376</u>	31 %	31 %	<u>\$ 526</u>	<u>\$ 662</u>	26 %
ADJUSTED OPERATING INCOME (LOSS) – CORPORATE & OTHER										
Fixed income and other investment income	\$ 24	\$ 15	\$ 10	\$ 3	\$ 5	67 %	(79)%	\$ 47	\$ 8	(83)%
Alternative investment income	2	3	(37)	29	19	(34)%	NM	6	48	NM
Net investment earnings	26	18	(27)	32	24	(25)%	(8)%	53	56	6 %
Operating expenses	(14)	(15)	(17)	(20)	(19)	5 %	(36)%	(29)	(39)	(34)%
Interest expense	(11)	(11)	(12)	(11)	(11)	— %	— %	(21)	(22)	(5)%
Pre-tax adjusted operating income (loss)	1	(8)	(56)	1	(6)	NM	NM	3	(5)	(267)%
Income tax (expense) benefit – operating	—	—	—	—	—	— %	— %	—	—	— %
Adjusted operating income (loss)	<u>\$ 1</u>	<u>\$ (8)</u>	<u>\$ (56)</u>	<u>\$ 1</u>	<u>\$ (6)</u>	NM	NM	<u>\$ 3</u>	<u>\$ (5)</u>	(267)%

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 common 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
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
RECONCILIATION OF NET INCOME TO ADJUSTED OPERATING INCOME										
Net income (loss)	\$ 257	\$ 623	\$ (104)	\$ 708	\$ 720	2 %	180 %	\$ 534	\$ 1,428	167 %
Non-operating adjustments										
Realized gains (losses) on sale of AFS securities	11	5	(20)	12	41	242 %	273 %	28	53	89 %
Unrealized, impairments and other investment gains (losses)	10	6	(40)	29	10	(66)%	— %	16	39	144 %
Change in fair value of reinsurance assets	(129)	(95)	(100)	616	570	(7)%	NM	(207)	1,186	NM
Offsets to investment gains (losses)	34	31	46	(199)	(204)	(3)%	NM	56	(403)	NM
Investment gains (losses), net of offsets	(74)	(53)	(114)	458	417	(9)%	NM	(107)	875	NM
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	68	376	(288)	(27)	(57)	(111)%	(184)%	154	(84)	(155)%
Integration, restructuring and other non-operating expenses	(8)	(2)	(4)	(1)	(11)	NM	(38)%	(16)	(12)	25 %
Stock compensation expense	(2)	(3)	(3)	(3)	(3)	— %	(50)%	(5)	(6)	(20)%
Income tax (expense) benefit – non-operating	(15)	(66)	65	(6)	4	167 %	127 %	(21)	(2)	90 %
Less: Total non-operating adjustments	(31)	252	(344)	421	350	(17)%	NM	5	771	NM
Adjusted operating income	\$ 288	\$ 371	\$ 240	\$ 287	\$ 370	29 %	28 %	\$ 529	\$ 657	24 %
RECONCILIATION OF BASIC EARNINGS PER CLASS A COMMON SHARES TO ADJUSTED OPERATING EARNINGS PER COMMON SHARE										
Basic earnings per share – Class A common shares	\$ 1.30	\$ 3.16	\$ (0.53)	\$ 3.65	\$ 3.76	3 %	189 %	\$ 2.71	\$ 7.43	174 %
Non-operating adjustments										
Realized gains (losses) on sale of AFS securities	0.05	0.02	(0.11)	0.06	0.21	250 %	NM	0.14	0.28	100 %
Unrealized, impairments and other investment gains (losses)	0.05	0.03	(0.20)	0.16	0.05	(69)%	— %	0.08	0.21	163 %
Change in fair value of reinsurance assets	(0.66)	(0.49)	(0.51)	3.20	3.01	(6)%	NM	(1.06)	6.24	NM
Offsets to investment gains (losses)	0.18	0.15	0.23	(1.04)	(1.07)	(3)%	NM	0.29	(2.12)	NM
Investment gains (losses), net of offsets	(0.38)	(0.29)	(0.59)	2.38	2.20	(8)%	NM	(0.55)	4.61	NM
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	0.35	1.91	(1.47)	(0.14)	(0.30)	(114)%	(186)%	0.79	(0.44)	(156)%
Integration, restructuring and other non-operating expenses	(0.05)	(0.02)	(0.02)	(0.01)	(0.06)	NM	(20)%	(0.08)	(0.06)	25 %
Stock compensation expense	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(100)%	— %	(0.03)	(0.03)	— %
Income tax (expense) benefit – non-operating	(0.08)	(0.34)	0.33	(0.03)	0.02	167 %	125 %	(0.11)	(0.01)	91 %
Less: Total non-operating adjustments	(0.18)	1.25	(1.76)	2.19	1.84	(16)%	NM	0.02	4.07	NM
Effect of items convertible to or settled in Class A common shares	0.01	0.01	—	(0.04)	(0.03)	25 %	NM	(0.01)	(0.09)	NM
Adjusted operating earnings per common share	\$ 1.47	\$ 1.90	\$ 1.23	\$ 1.50	\$ 1.95	30 %	33 %	\$ 2.70	\$ 3.45	28 %

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
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NET INVESTMENT SPREAD – RETIREMENT SERVICES										
Net investment earned rate	4.74%	4.55%	4.57%	4.21%	4.63%	42bps	(11)bps	4.68%	4.42%	(26)bps
Cost of crediting	1.78%	1.86%	1.91%	1.92%	1.92%	0bps	14bps	1.75%	1.92%	17bps
Other liability costs	1.06%	0.91%	1.23%	0.93%	1.03%	10bps	(3)bps	1.08%	0.98%	(10)bps
Cost of funds	2.84%	2.77%	3.14%	2.85%	2.95%	10bps	11bps	2.83%	2.90%	7bps
Net investment spread	1.90%	1.78%	1.43%	1.36%	1.68%	32bps	(22)bps	1.85%	1.52%	(33)bps
Average invested assets	\$ 82,879	\$ 97,500	\$ 107,939	\$ 111,443	\$ 114,059	2 %	38 %	\$ 79,000	\$ 112,711	43 %
COST OF CREDITING – RETIREMENT SERVICES										
FIA option costs	\$ 186	\$ 235	\$ 261	\$ 265	\$ 265	— %	42 %	\$ 341	\$ 530	55 %
Fixed interest credited to policyholders	132	160	182	179	183	2 %	39 %	252	362	44 %
Cost of crediting on deferred annuities	318	395	443	444	448	1 %	41 %	593	892	50 %
Average account value on deferred annuities	66,241	79,673	88,874	89,809	90,675	1 %	37 %	62,694	90,261	44 %
Cost of crediting on deferred annuities rate	1.92%	1.98%	2.00%	1.98%	1.98%	0bps	6bps	1.89%	1.98%	9bps
Cost of crediting on institutional products	\$ 50	\$ 58	\$ 73	\$ 91	\$ 99	9 %	98 %	\$ 97	\$ 190	96 %
Average institutional reserve liabilities	6,341	6,608	7,827	9,809	10,470	7 %	65 %	6,148	10,140	65 %
Cost of crediting on institutional products rate	3.16%	3.54%	3.74%	3.69%	3.76%	7bps	60bps	3.15%	3.73%	58bps
Cost of crediting	\$ 368	\$ 453	\$ 516	\$ 535	\$ 547	2 %	49 %	\$ 690	\$ 1,082	57 %
OTHER LIABILITY COSTS – RETIREMENT SERVICES										
Change in rider reserve	\$ 84	\$ 248	\$ 173	\$ 154	\$ 138	(10)%	64 %	\$ 194	\$ 292	51 %
DAC, DSI and VOBA amortization	101	(44)	130	91	125	37 %	24 %	186	216	16 %
Other ¹	35	17	29	15	32	113 %	(9)%	48	47	(2)%
Other liability costs	\$ 220	\$ 221	\$ 332	\$ 260	\$ 295	13 %	34 %	\$ 428	\$ 555	30 %
INVESTMENT MARGIN ON DEFERRED ANNUITIES – RETIREMENT SERVICES										
Net investment earned rate	4.74%	4.55%	4.57%	4.21%	4.63%	42bps	(11)bps	4.68%	4.42%	(26)bps
Cost of crediting on deferred annuities	1.92%	1.98%	2.00%	1.98%	1.98%	0bps	6bps	1.89%	1.98%	9bps
Investment margin on deferred annuities	2.82%	2.57%	2.57%	2.23%	2.65%	42bps	(17)bps	2.79%	2.44%	(35)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	June 30, 2019	Δ
ASSETS			
Investments			
Available-for-sale securities, at fair value	\$ 59,265	\$ 66,878	13 %
Trading securities, at fair value	1,949	2,381	22 %
Equity securities, at fair value	216	336	56 %
Mortgage loans, net of allowances	10,340	11,912	15 %
Investment funds	703	722	3 %
Policy loans	488	480	(2)%
Funds withheld at interest	15,023	15,307	2 %
Derivative assets	1,043	2,299	120 %
Short-term investments, at fair value	191	288	51 %
Other investments	122	119	(2)%
Total investments	89,340	100,722	13 %
Cash and cash equivalents	2,911	4,847	67 %
Restricted cash	492	391	(21)%
Investments in related parties			
Available-for-sale securities, at fair value	1,437	1,740	21 %
Trading securities, at fair value	249	311	25 %
Equity securities, at fair value	120	344	187 %
Mortgage loans	291	287	(1)%
Investment funds	2,232	2,578	16 %
Funds withheld at interest	13,577	13,737	1 %
Other investments	386	387	— %
Accrued investment income	682	758	11 %
Reinsurance recoverable	5,534	5,678	3 %
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	5,324	(10)%
Other assets	1,635	1,224	(25)%
Assets of consolidated variable interest entities			
Investments			
Trading securities, at fair value – related party	35	21	(40)%
Equity securities, at fair value – related party	50	6	(88)%
Investment funds	624	612	(2)%
Cash and cash equivalents	2	1	(50)%
Other assets	1	12	NM
Total assets	\$ 125,505	\$ 138,980	11 %

Condensed Consolidated Balance Sheets, continued

Unaudited (in millions, except percentages)



	December 31, 2018	June 30, 2019	Δ
LIABILITIES			
Interest sensitive contract liabilities	\$ 96,610	\$ 100,291	4 %
Future policy benefits	16,704	20,089	20 %
Other policy claims and benefits	142	147	4 %
Dividends payable to policyholders	118	116	(2)%
Long-term debt	991	991	— %
Derivative liabilities	85	80	(6)%
Payables for collateral on derivatives	969	2,183	125 %
Funds withheld liability	721	759	5 %
Other liabilities	888	1,958	120 %
Liabilities of consolidated variable interest entities	1	1	— %
Total liabilities	\$ 117,229	\$ 126,615	8 %
EQUITY			
Preferred stock	\$ —	\$ —	— %
Common stock	—	—	— %
Additional paid-in-capital	3,462	4,144	20 %
Retained earnings	5,286	6,461	22 %
Accumulated other comprehensive income (loss)	(472)	1,760	NM
Total shareholders' equity	8,276	12,365	49 %
Total liabilities and equity	\$ 125,505	\$ 138,980	11 %

Investments (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		June 30, 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%	\$ 60	0.0%
U.S. state, municipal and political subdivisions	1,293	1.2%	1,407	1.2%
Foreign governments	161	0.1%	324	0.3%
Corporate	37,097	34.4%	42,800	35.7%
CLO	5,361	5.0%	6,641	5.5%
ABS	4,920	4.6%	5,232	4.4%
CMBS	2,357	2.2%	2,790	2.3%
RMBS	8,019	7.5%	7,624	6.3%
Total available-for-sale securities, at fair value	59,265	55.1%	66,878	55.7%
Trading securities, at fair value	1,949	1.8%	2,381	2.0%
Equity securities, at fair value	216	0.2%	336	0.3%
Mortgage loans, net of allowances	10,340	9.6%	11,912	9.9%
Investment funds	703	0.6%	722	0.6%
Policy loans	488	0.4%	480	0.4%
Funds withheld at interest	15,023	14.0%	15,307	12.7%
Derivative assets	1,043	1.0%	2,299	1.9%
Short-term investments, at fair value	191	0.2%	288	0.2%
Other investments	122	0.1%	119	0.1%
Total investments	89,340	83.0%	100,722	83.8%
Investment in related parties				
Available-for-sale securities, at fair value	1,437	1.3%	1,740	1.5%
Trading securities, at fair value	249	0.2%	311	0.3%
Equity securities, at fair value	120	0.1%	344	0.3%
Mortgage loans	291	0.3%	287	0.3%
Investment funds	2,232	2.1%	2,578	2.1%
Funds withheld at interest	13,577	12.6%	13,737	11.4%
Other investments	386	0.4%	387	0.3%
Total investments in related parties	18,292	17.0%	19,384	16.2%
Total investments including related parties	\$ 107,632	100.0%	\$ 120,106	100.0%

Invested Assets (Management view)

Unaudited (in millions, except percentages)



	December 31, 2018		June 30, 2019	
	Invested Asset Value ¹	Percent of Total	Invested Asset Value ¹	Percent of Total
INVESTED ASSETS				
Corporate	\$ 55,772	50.2%	\$ 56,651	48.6%
CLO	8,275	7.5%	9,627	8.2%
Credit	64,047	57.7%	66,278	56.8%
RMBS	9,814	8.9%	8,990	7.7%
Mortgage loans	14,423	13.0%	16,533	14.2%
CMBS	3,018	2.7%	3,358	2.9%
Real estate	27,255	24.6%	28,881	24.8%
ABS	7,706	6.9%	8,413	7.2%
Alternative investments	4,492	4.1%	5,194	4.5%
State, municipal, political subdivisions and foreign government	2,122	1.9%	2,253	1.9%
Equity securities	467	0.4%	485	0.4%
Short-term investments	765	0.7%	455	0.4%
U.S. government and agencies	134	0.1%	74	0.1%
Other investments	15,686	14.1%	16,874	14.5%
Cash and equivalents	2,881	2.6%	3,434	2.9%
Policy loans and other	1,165	1.0%	1,204	1.0%
Total invested assets	\$ 111,034	100.0%	\$ 116,671	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		June 30, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
INVESTMENT FUNDS INCLUDING RELATED PARTIES¹				
Investment funds				
Real estate	\$ 215	6.0%	\$ 249	6.4%
Credit funds	172	4.8%	169	4.3%
Private equity	253	7.1%	246	6.3%
Real assets	56	1.6%	57	1.5%
Natural resources	4	0.1%	1	—%
Other	3	0.1%	—	—%
Total investment funds	703	19.7%	722	18.5%
Investment funds – related parties				
Differentiated investments				
AmeriHome	463	13.0%	452	11.6%
Catalina	233	6.5%	262	6.7%
Athora	105	3.0%	127	3.3%
Venerable	92	2.6%	98	2.5%
Other	196	5.5%	221	5.6%
Total differentiated investments	1,089	30.6%	1,160	29.7%
Real estate	497	14.0%	614	15.7%
Credit funds	316	8.9%	352	9.0%
Private equity	18	0.5%	67	1.7%
Real assets	145	4.1%	150	3.8%
Natural resources	104	2.9%	144	3.7%
Public equities	63	1.8%	91	2.3%
Total investment funds – related parties	2,232	62.8%	2,578	65.9%
Investment funds – assets of consolidated VIEs				
MidCap	553	15.5%	554	14.2%
Real estate	30	0.8%	41	1.0%
Real assets	41	1.2%	17	0.4%
Total investment funds – assets of consolidated VIEs	624	17.5%	612	15.6%
Total investment funds including related parties and funds owned by consolidated VIEs	\$ 3,559	100.0%	\$ 3,912	100.0%

¹ Investment funds, including related parties and investment funds of consolidated VIEs, 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, a nonredeemable preferred stock viewed as an alternative investment for management view but included in equity securities for 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		June 30, 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%	\$ 554	10.7%
MidCap	553	12.3%	554	10.7%
Catalina	232	5.2%	262	5.0%
Venerable	92	2.1%	98	1.9%
Other	229	5.1%	211	4.1%
Total differentiated investments	1,674	37.3%	1,679	32.4%
Real estate	1,015	22.6%	1,116	21.5%
Credit	537	11.9%	1,022	19.7%
Private equity	279	6.2%	323	6.2%
Real assets	276	6.2%	330	6.3%
Natural resources	55	1.2%	57	1.1%
Other	4	0.1%	46	0.9%
Total Retirement Services	3,840	85.5%	4,573	88.1%
Corporate & Other				
Athora	130	2.9%	133	2.6%
Credit	203	4.5%	146	2.8%
Natural resources	213	4.8%	251	4.8%
Public equities ²	100	2.2%	91	1.7%
Other	6	0.1%	—	—%
Total Corporate & Other	652	14.5%	621	11.9%
Total alternative investments ¹	\$ 4,492	100.0%	\$ 5,194	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, a nonredeemable preferred stock viewed as an alternative investment for management view but included in equity securities for 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: OneMain Financial (OMF) - 2.8 million and 2.8 million of shares, respectively, as of June 30, 2019 and December 31, 2018; Caesars Entertainment (Ticker: CZR) - 0.0 million and 5.5 million of shares as of June 30, 2019 and December 31, 2018.

Funds Withheld at Interest (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		June 30, 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 %	\$ 17	0.1 %
U.S. state, municipal and political subdivisions	563	2.0 %	549	1.9 %
Foreign governments	145	0.5 %	176	0.6 %
Corporate	16,267	56.9 %	15,418	53.1 %
CLO	1,990	7.0 %	2,523	8.7 %
ABS	1,601	5.6 %	2,120	7.3 %
CMBS	575	2.0 %	736	2.5 %
RMBS	1,876	6.6 %	1,672	5.8 %
Total fixed maturity securities	23,094	80.9 %	23,211	80.0 %
Equity securities	66	0.2 %	221	0.7 %
Mortgage loans	3,815	13.3 %	4,428	15.2 %
Investment funds	660	2.3 %	687	2.4 %
Derivative assets	77	0.3 %	186	0.6 %
Short-term investments	641	2.2 %	223	0.8 %
Cash and cash equivalents	455	1.6 %	440	1.5 %
Other assets and liabilities	(208)	(0.8)%	(352)	(1.2)%
Total funds withheld at interest including related parties ¹	\$ 28,600	100.0 %	\$ 29,044	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, where 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		Δ
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NIER – CONSOLIDATED										
Fixed income and other investments	4.49%	4.33%	4.35 %	4.28%	4.26%	(2)bps	(23)bps	4.41%	4.27%	(14)bps
Alternative investments	9.37%	9.13%	5.81 %	4.36%	14.13%	977bps	476bps	9.78%	9.28%	(50)bps
Total net investment earned rate	<u>4.71%</u>	<u>4.52%</u>	<u>4.40 %</u>	<u>4.28%</u>	<u>4.67%</u>	39bps	(4)bps	<u>4.66%</u>	<u>4.48%</u>	(18)bps
NIER SUMMARY – RETIREMENT SERVICES										
Fixed income and other investments	4.49%	4.33%	4.35 %	4.28%	4.26%	(2)bps	(23)bps	4.40%	4.27%	(13)bps
Alternative investments	11.28%	10.65%	11.00 %	2.13%	14.46%	1,233bps	318bps	11.64%	8.42%	(322)bps
Total net investment earned rate	<u>4.74%</u>	<u>4.55%</u>	<u>4.57 %</u>	<u>4.21%</u>	<u>4.63%</u>	42bps	(11)bps	<u>4.68%</u>	<u>4.42%</u>	(26)bps
Fixed income and other investment income	\$ 897	\$ 1,021	\$ 1,132	\$ 1,151	\$ 1,170	2 %	30 %	\$ 1,672	\$ 2,321	39 %
Alternatives investment income	86	87	99	20	151	NM	76 %	177	171	(3)%
Total net investment earnings	<u>\$ 983</u>	<u>\$ 1,108</u>	<u>\$ 1,231</u>	<u>\$ 1,171</u>	<u>\$ 1,321</u>	13 %	34 %	<u>\$ 1,849</u>	<u>\$ 2,492</u>	35 %
Fixed income and other investments	\$ 79,847	\$ 94,227	\$ 104,342	\$ 107,641	\$ 109,888	2 %	38 %	\$ 75,965	\$ 108,651	43 %
Alternatives investments	3,032	3,273	3,597	3,802	4,171	10 %	38 %	3,035	4,060	34 %
Total average invested assets	<u>\$ 82,879</u>	<u>\$ 97,500</u>	<u>\$ 107,939</u>	<u>\$ 111,443</u>	<u>\$ 114,059</u>	2 %	38 %	<u>\$ 79,000</u>	<u>\$ 112,711</u>	43 %
NIER SUMMARY – CORPORATE & OTHER										
Fixed income and other investments	4.51%	4.33%	4.34 %	4.28%	4.26%	(2)bps	(25)bps	4.85%	3.81%	(104)bps
Alternative investments	1.34%	1.81%	(22.46)%	17.66%	11.96%	(570)bps	1,062bps	1.68%	14.80%	1,312bps
Total net investment earned rate	<u>3.71%</u>	<u>3.51%</u>	<u>(7.57)%</u>	<u>13.19%</u>	<u>8.39%</u>	(480)bps	468bps	<u>4.01%</u>	<u>10.05%</u>	604bps
Fixed income and other investment income	\$ 24	\$ 15	\$ 10	\$ 3	\$ 5	67 %	(79)%	\$ 47	\$ 8	(83)%
Alternatives investment income	2	3	(37)	29	19	(34)%	NM	6	48	NM
Total net investment earnings	<u>\$ 26</u>	<u>\$ 18</u>	<u>\$ (27)</u>	<u>\$ 32</u>	<u>\$ 24</u>	(25)%	(8)%	<u>\$ 53</u>	<u>\$ 56</u>	6 %
Fixed income and other investments	\$ 2,130	\$ 1,422	\$ 824	\$ 320	\$ 539	68 %	(75)%	\$ 1,951	\$ 481	(75)%
Alternatives investments	718	681	660	639	623	(3)%	(13)%	695	632	(9)%
Total average invested assets	<u>\$ 2,848</u>	<u>\$ 2,103</u>	<u>\$ 1,484</u>	<u>\$ 959</u>	<u>\$ 1,162</u>	21 %	(59)%	<u>\$ 2,646</u>	<u>\$ 1,113</u>	(58)%

Note: Please refer to Notes 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)



NIER BY ASSET CLASS	Quarterly Trends					Δ		Year-to-Date		Δ
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19 ¹	Q/Q	Y/Y	2018	2019	Y/Y
Corporate securities	3.97%	3.88%	3.99%	3.93%	4.12%	19bps	15bps	3.95%	4.02%	7bps
Structured securities										
RMBS	5.87%	6.04%	6.03%	6.03%	5.07%	(96)bps	(80)bps	5.65%	5.56%	(9)bps
CLO	5.09%	4.95%	4.69%	4.76%	4.73%	(3)bps	(36)bps	5.14%	4.86%	(28)bps
ABS	4.95%	4.59%	4.55%	3.95%	4.34%	39bps	(61)bps	4.57%	4.16%	(41)bps
CMBS	4.64%	4.24%	4.18%	4.16%	3.93%	(23)bps	(71)bps	4.39%	4.03%	(36)bps
Total structured securities	5.33%	5.19%	5.07%	4.90%	4.64%	(26)bps	(69)bps	5.15%	4.80%	(35)bps
State, municipal, political subdivisions and U.S. and foreign government	4.63%	4.02%	4.19%	4.27%	3.80%	(47)bps	(83)bps	4.61%	4.03%	(58)bps
Mortgage loans	5.63%	4.97%	4.99%	4.91%	4.54%	(37)bps	(109)bps	5.55%	4.72%	(83)bps
Alternative investments	9.37%	9.13%	5.81%	4.36%	14.13%	977bps	476bps	9.78%	9.28%	(50)bps
Other U.S. and Bermuda invested assets	2.27%	2.55%	2.45%	2.70%	2.84%	14bps	57bps	2.11%	2.67%	56bps
Consolidated net investment earned rate	4.71%	4.52%	4.40%	4.28%	4.67%	39bps	(4)bps	4.66%	4.48%	(18)bps

Note: Please refer to Notes 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. ¹ In the second quarter of 2019, we implemented a new management fee structure which changed the allocation of fees by asset class. Although the implementation of the new management fee structure had impacts on the allocation of fees by asset class, on a consolidated basis the impact was immaterial.

Credit Quality of Securities

Unaudited (in millions, except percentages)



CREDIT QUALITY OF AFS SECURITIES (GAAP VIEW)	December 31, 2018		June 30, 2019	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation				
1	\$ 31,311	51.6%	\$ 35,333	51.5%
2	25,871	42.6%	29,768	43.4%
Total investment grade	57,182	94.2%	65,101	94.9%
3	2,746	4.5%	2,655	3.9%
4	533	0.9%	712	1.0%
5	232	0.4%	130	0.2%
6	9	0.0%	20	0.0%
Total below investment grade	3,520	5.8%	3,517	5.1%
Total AFS securities including related parties	\$ 60,702	100.0%	\$ 68,618	100.0%
NRSRO designation				
AAA/AA/A	\$ 19,690	32.4%	\$ 24,216	35.3%
BBB	23,326	38.4%	26,780	39.0%
Non-rated ¹	9,624	15.9%	9,692	14.1%
Total investment grade ²	52,640	86.7%	60,688	88.4%
BB	2,670	4.4%	2,910	4.2%
B	875	1.4%	889	1.3%
CCC	2,340	3.9%	2,229	3.3%
CC and lower	1,296	2.1%	1,235	1.8%
Non-rated ¹	881	1.5%	667	1.0%
Total below investment grade	8,062	13.3%	7,930	11.6%
Total AFS securities including related parties	\$ 60,702	100.0%	\$ 68,618	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%	\$ 53,038	93.6%
RMBS	9,410	96.0%	8,591	95.6%
CLO	7,823	94.5%	9,454	98.2%
ABS	7,146	92.8%	7,663	91.1%
CMBS	2,797	92.7%	3,173	94.5%
Total structured securities	27,176	94.3%	28,881	95.0%
State, municipal, political subdivisions and U.S. and foreign government	2,233	99.0%	2,309	99.2%
Short-term investments	775	100.0%	455	100.0%
Total NAIC 1 & 2 Designations	\$ 82,680		\$ 84,683	

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. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology. 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. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology. 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 at 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		June 30, 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%	\$ 45,698	50.9%
2	37,393	42.7%	38,985	43.4%
Non-rated ³	—	—%	—	—%
Total investment grade	82,680	94.4%	84,683	94.3%
3	3,659	4.2%	3,620	4.0%
4	930	1.1%	1,160	1.3%
5	315	0.3%	324	0.4%
6	22	0.0%	34	0.0%
Non-rated ³	—	—%	—	—%
Total below investment grade	4,926	5.6%	5,138	5.7%
Total NAIC designated assets ²	87,606	100.0%	89,821	100.0%
Assets without NAIC designation				
Commercial mortgage loans				
CM1	4,276	39.3%	4,075	33.0%
CM2	4,184	38.4%	5,344	43.3%
CM3	1,894	17.4%	2,626	21.3%
CM4	393	3.6%	258	2.1%
CM5	138	1.3%	40	0.3%
CM6	—	—%	—	—%
CM7	—	—%	—	—%
Total CMLs	10,885	100.0%	12,343	100.0%
Residential mortgage loans				
In good standing	3,490	98.7%	4,132	98.6%
90 days late	33	0.9%	30	0.7%
In foreclosure	15	0.4%	28	0.7%
Total RMLs	3,538	100.0%	4,190	100.0%
Alternative investments	4,492		5,194	
Cash and equivalents	2,881		3,434	
Equity securities	467		485	
Other ⁴	1,165		1,204	
Total invested assets	\$ 111,034		\$ 116,671	

	December 31, 2018		June 30, 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%	\$ 32,231	35.9%
BBB	33,289	38.0%	34,719	38.6%
Non-rated ³	13,522	15.4%	12,918	14.4%
Total investment grade	77,441	88.4%	79,868	88.9%
BB	3,587	4.1%	3,715	4.1%
B	1,316	1.5%	1,314	1.5%
CCC	2,610	3.0%	2,477	2.8%
CC and lower	1,412	1.6%	1,324	1.5%
Non-rated ³	1,240	1.4%	1,123	1.2%
Total below investment grade	10,165	11.6%	9,953	11.1%
Total NRSRO designated assets ²	87,606	100.0%	89,821	100.0%
Assets without NRSRO designation				
Commercial mortgage loans				
CM1	4,276	39.3%	4,075	33.0%
CM2	4,184	38.4%	5,344	43.3%
CM3	1,894	17.4%	2,626	21.3%
CM4	393	3.6%	258	2.1%
CM5	138	1.3%	40	0.3%
CM6	—	—%	—	—%
CM7	—	—%	—	—%
Total CMLs	10,885	100.0%	12,343	100.0%
Residential mortgage loans				
In good standing	3,490	98.7%	4,132	98.6%
90 days late	33	0.9%	30	0.7%
In foreclosure	15	0.4%	28	0.7%
Total RMLs	3,538	100.0%	4,190	100.0%
Alternative investments	4,492		5,194	
Cash and equivalents	2,881		3,434	
Equity securities	467		485	
Other ⁴	1,165		1,204	
Total invested assets	\$ 111,034		\$ 116,671	

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. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology. 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		June 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF RMBS – NAIC DESIGNATION				
1	\$ 9,097	92.8%	\$ 8,191	91.1%
2	313	3.2%	400	4.5%
Non-rated ²	—	—%	—	—%
Total investment grade	9,410	96.0%	8,591	95.6%
3	248	2.5%	231	2.6%
4	112	1.1%	128	1.4%
5	28	0.3%	25	0.3%
6	16	0.1%	15	0.1%
Non-rated ²	—	—%	—	—%
Total below investment grade	404	4.0%	399	4.4%
Total invested assets RMBS	\$ 9,814	100.0%	\$ 8,990	100.0%

	December 31, 2018		June 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF CLOs – NAIC DESIGNATION				
1	\$ 4,666	56.4%	\$ 5,439	56.5%
2	3,157	38.1%	4,015	41.7%
Non-rated ²	—	—%	—	—%
Total investment grade	7,823	94.5%	9,454	98.2%
3	423	5.1%	144	1.5%
4	22	0.3%	22	0.2%
5	7	0.1%	7	0.1%
6	—	—%	—	—%
Total below investment grade	452	5.5%	173	1.8%
Total invested assets CLOs	\$ 8,275	100.0%	\$ 9,627	100.0%

	December 31, 2018		June 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF ABS – NAIC DESIGNATION				
1	\$ 4,720	61.3%	\$ 4,984	59.3%
2	2,426	31.5%	2,679	31.8%
Non-rated ²	—	—%	—	—%
Total investment grade	7,146	92.8%	7,663	91.1%
3	369	4.8%	481	5.7%
4	43	0.5%	127	1.5%
5	148	1.9%	142	1.7%
6	—	—%	—	—%
Non-rated ²	—	—%	—	—%
Total below investment grade	560	7.2%	750	8.9%
Total invested assets ABS	\$ 7,706	100.0%	\$ 8,413	100.0%

	December 31, 2018		June 30, 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%	\$ 851	9.5%
BBB	314	3.2%	459	5.1%
Non-rated ²	3,337	34.0%	3,132	34.8%
Total investment grade	4,780	48.7%	4,442	49.4%
BB	507	5.1%	388	4.3%
B	372	3.8%	299	3.3%
CCC	2,521	25.7%	2,342	26.1%
CC and lower	1,410	14.4%	1,310	14.6%
Non-rated ²	224	2.3%	209	2.3%
Total below investment grade	5,034	51.3%	4,548	50.6%
Total invested assets RMBS	\$ 9,814	100.0%	\$ 8,990	100.0%

	December 31, 2018		June 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF CLOs – NRSRO DESIGNATION				
AAA/AA/A	\$ 4,530	54.7%	\$ 5,367	55.8%
BBB	3,555	43.0%	4,027	41.8%
Non-rated ²	—	—%	60	0.6%
Total investment grade	8,085	97.7%	9,454	98.2%
BB	161	1.9%	144	1.5%
B	29	0.4%	22	0.2%
CCC	—	—%	7	0.1%
CC and lower	—	—%	—	—%
Total below investment grade	190	2.3%	173	1.8%
Total invested assets CLOs	\$ 8,275	100.0%	\$ 9,627	100.0%

	December 31, 2018		June 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF ABS – NRSRO DESIGNATION				
AAA/AA/A	\$ 3,319	43.1%	\$ 3,920	46.6%
BBB	1,948	25.3%	2,051	24.4%
Non-rated ²	1,661	21.5%	1,692	20.1%
Total investment grade	6,928	89.9%	7,663	91.1%
BB	436	5.7%	457	5.4%
B	89	1.1%	95	1.1%
CCC	—	—%	—	—%
CC and lower	—	—%	—	—%
Non-rated ²	253	3.3%	198	2.4%
Total below investment grade	778	10.1%	750	8.9%
Total invested assets ABS	\$ 7,706	100.0%	\$ 8,413	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. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology.

Reserve Liabilities & Rollforwards

Unaudited (in millions, except percentages)



	December 31, 2018		June 30, 2019	
	Dollars	Percent of Total	Dollars	Percent of Total
RESERVE LIABILITIES				
Fixed indexed annuities	\$ 73,224	68.0%	\$ 76,327	66.5%
Fixed rate annuities	17,802	16.5%	18,669	16.3%
Total deferred annuities	91,026	84.5%	94,996	82.8%
Pension risk transfer annuities	4,710	4.4%	7,229	6.3%
Payout annuities	6,009	5.6%	5,938	5.2%
Funding agreements	3,826	3.5%	4,125	3.6%
Life and other	2,161	2.0%	2,392	2.1%
Total reserve liabilities	\$ 107,732	100.0%	\$ 114,680	100.0%

	Quarterly Trends					Δ		Year-to-Date		Δ
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
	RESERVE LIABILITY ROLLFORWARD									
Reserve liabilities – beginning	\$ 75,823	\$ 96,248	\$ 98,553	\$ 107,732	\$ 111,791	4 %	47 %	\$ 75,447	\$ 107,732	43 %
Deposits ¹	2,794	3,407	5,269	4,860	4,153	(15)%	49 %	4,929	9,013	83 %
Acquisition and block reinsurance ²	19,104	—	7,878	—	—	— %	(100)%	19,104	—	(100)%
Withdrawals	(1,812)	(2,167)	(3,125)	(2,780)	(2,907)	(5)%	(60)%	(3,567)	(5,687)	(59)%
Other reserve changes	339	1,065	(843)	1,979	1,643	(17)%	NM	335	3,622	NM
Reserve liabilities – ending	\$ 96,248	\$ 98,553	\$ 107,732	\$ 111,791	\$ 114,680	3 %	19 %	\$ 96,248	\$ 114,680	19 %

DEFERRED ANNUITY ACCOUNT VALUE ROLLFORWARD³

Account value – beginning	\$ 59,447	\$ 78,848	\$ 80,499	\$ 89,435	\$ 90,184	1 %	52 %	\$ 58,539	\$ 89,435	53 %
Deposits ¹	2,529	2,783	3,110	2,800	2,976	6 %	18 %	4,045	5,776	43 %
Acquisition and block reinsurance ²	17,721	—	7,815	—	—	— %	(100)%	17,721	—	(100)%
Premium and interest bonuses	73	77	68	58	68	17 %	(7)%	120	126	5 %
Fixed and index credits to policyholders	672	754	559	423	591	40 %	(12)%	1,331	1,014	(24)%
Surrenders and benefits paid	(1,511)	(1,867)	(2,513)	(2,431)	(2,548)	(5)%	(69)%	(2,749)	(4,979)	(81)%
Fee and product charges	(83)	(96)	(103)	(101)	(106)	(5)%	(28)%	(159)	(207)	(30)%
Account value – ending	\$ 78,848	\$ 80,499	\$ 89,435	\$ 90,184	\$ 91,165	1 %	16 %	\$ 78,848	\$ 91,165	16 %

INSTITUTIONAL RESERVE LIABILITY ROLLFORWARD (PENSION RISK TRANSFER AND FUNDING AGREEMENTS)

Reserve liabilities – beginning	\$ 6,311	\$ 6,426	\$ 6,862	\$ 8,536	\$ 10,404	22 %	65 %	\$ 6,038	\$ 8,536	41 %
Deposits	184	472	2,010	1,922	1,008	(48)%	NM	750	2,930	291 %
Withdrawals	(111)	(93)	(405)	(143)	(158)	(10)%	(42)%	(448)	(301)	33 %
Other reserve changes	42	57	69	89	100	12 %	138 %	86	189	120 %
Reserve liabilities – ending	\$ 6,426	\$ 6,862	\$ 8,536	\$ 10,404	\$ 11,354	9 %	77 %	\$ 6,426	\$ 11,354	77 %

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	\$ 20,685	22.7%	\$ 20,685	22.7%
0.0% < 2.0%	818	0.9%	1,837	2.0%
2.0% < 4.0%	3,594	3.9%	6,149	6.7%
4.0% < 6.0%	8,186	9.0%	12,728	14.0%
6.0% or greater	57,882	63.5%	49,766	54.6%
	<u>\$ 91,165</u>	<u>100.0%</u>	<u>\$ 91,165</u>	<u>100.0%</u>

	Surrender charge (gross)	MVA benefit	Surrender charge (net)
Aggregate surrender charge protection	6.3%	(0.4)%	5.9%

	Deferred annuities	Percent of total	Average surrender charge (gross)
YEARS OF SURRENDER CHARGE REMAINING ON DEFERRED ANNUITIES ACCOUNT VALUE			
No Surrender Charge	\$ 20,685	22.7%	—%
Less than 2	14,932	16.4%	5.1%
2 to less than 4	17,245	18.9%	6.8%
4 to less than 6	13,188	14.5%	8.2%
6 to less than 8	10,304	11.3%	9.6%
8 to less than 10	11,121	12.2%	10.5%
10 or greater	3,690	4.0%	14.3%
	<u>\$ 91,165</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	\$ 16,679	\$ 72,761	23%
Fixed rate annuities	7,960	18,404	43%
Total deferred annuities	<u>\$ 24,639</u>	<u>\$ 91,165</u>	<u>27%</u>

	June 30, 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	June 30, 2019	Δ
DEFERRED ANNUITY RIDER RESERVE SUMMARY			
Rider reserve	\$ 3,025	\$ 3,755	24%
Account value with rider reserves	36,445	37,010	2%
Rider reserve as a percentage of account value with rider reserves	8.3%	10.1%	180bps

Capitalization & Regulatory Capital Ratios

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ	
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y
CAPITALIZATION							
Total debt	\$ 1,174	\$ 991	\$ 991	\$ 991	\$ 991	— %	(16)%
Total shareholders' equity	8,462	8,978	8,276	10,117	12,365	22 %	46 %
Total capitalization	9,636	9,969	9,267	11,108	13,356	20 %	39 %
Less: Accumulated other comprehensive income (loss) (AOCI)	147	33	(472)	706	1,760	149 %	NM
Less: Accumulated change in fair value of reinsurance assets	12	(31)	(75)	309	639	107 %	NM
Total adjusted capitalization	<u>\$ 9,477</u>	<u>\$ 9,967</u>	<u>\$ 9,814</u>	<u>\$ 10,093</u>	<u>\$ 10,957</u>	9 %	16 %
EQUITY							
Total shareholders' equity	\$ 8,462	\$ 8,978	\$ 8,276	\$ 10,117	\$ 12,365	22 %	46 %
Less: Preferred stock	—	—	—	—	839	100 %	100 %
Total common shareholders' equity	8,462	8,978	8,276	10,117	11,526	14 %	36 %
Less: AOCI	147	33	(472)	706	1,760	149 %	NM
Less: Accumulated change in fair value of reinsurance assets	12	(31)	(75)	309	639	107 %	NM
Total adjusted common shareholders' equity	<u>\$ 8,303</u>	<u>\$ 8,976</u>	<u>\$ 8,823</u>	<u>\$ 9,102</u>	<u>\$ 9,127</u>	— %	10 %
EQUITY BY SEGMENT							
Retirement Services	\$ 6,050	\$ 7,024	\$ 7,807	\$ 8,201	\$ 7,704	(6)%	27 %
Corporate and Other	2,253	1,952	1,016	901	1,423	58 %	(37)%
Total adjusted common shareholders' equity	<u>\$ 8,303</u>	<u>\$ 8,976</u>	<u>\$ 8,823</u>	<u>\$ 9,102</u>	<u>\$ 9,127</u>	— %	10 %
FINANCIAL LEVERAGE							
Debt to capital ratio	12.2%	9.9%	10.7 %	8.9%	7.4%	(148)bps	(476)bps
AOCI	0.2%	0.0%	(0.5)%	0.6%	1.2%	56bps	100bps
Accumulated change in fair value of reinsurance assets	0.0%	0.0%	(0.1)%	0.3%	0.4%	16bps	41bps
Adjusted debt to capital ratio ¹	<u>12.4%</u>	<u>9.9%</u>	<u>10.1 %</u>	<u>9.8%</u>	<u>9.0%</u>	(76)bps	(335)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
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	Q/Q	Y/Y	2018	2019	Y/Y
SHARE DATA										
Weighted average common shares outstanding – basic ¹	197.3	197.3	197.1	194.0	191.2	(1)%	(3)%	197.2	192.1	(3)%
Weighted average shares outstanding – diluted – Class A common shares ²	164.8	165.1	164.2	161.7	158.8	(2)%	(4)%	157.0	159.7	2%
Weighted average common shares outstanding – adjusted operating ³	195.1	196.1	195.5	192.2	189.4	(1)%	(3)%	195.6	190.3	(3)%
Common shares outstanding ⁴	197.3	197.3	195.0	194.1	185.4	(4)%	(6)%	197.3	185.4	(6)%
Adjusted operating common shares outstanding ³	196.4	197.2	193.5	192.4	184.4	(4)%	(6)%	196.4	184.4	(6)%

¹ Basic earnings per common share, including basic weighted average common shares outstanding, includes all classes eligible to participate in dividends for each period presented. ² Diluted earnings per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common 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 predictable or related to our underlying profitability drivers.
- **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 common shareholders' equity is calculated as the ending shareholders' equity available to common shareholders excluding AOCI, the cumulative change in fair value of funds withheld and modco reinsurance assets and preferred stock. Adjusted operating ROE is calculated as the adjusted operating income, divided by average adjusted common 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 COMMON SHARE, WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – ADJUSTED OPERATING, AND ADJUSTED BOOK VALUE PER COMMON SHARE

Adjusted operating earnings per common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common 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 common share is calculated as the adjusted operating income, over the weighted average common shares outstanding – adjusted operating. Adjusted book value per common share is calculated as the adjusted common 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 common 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 common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common share should not be used as a substitute for basic earnings per share – Class A common shares, basic weighted average common shares outstanding – Class A or book value per common 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	
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	2018	2019
RECONCILIATION OF BOOK VALUE PER COMMON SHARE TO ADJUSTED BOOK VALUE PER COMMON SHARE							
Book value per common share	\$ 42.89	\$ 45.51	\$ 42.45	\$ 52.12	\$ 66.69		
Preferred stock	—	—	—	—	(4.53)		
AOCI	(0.75)	(0.17)	2.42	(3.64)	(9.49)		
Accumulated change in fair value of reinsurance assets	(0.06)	0.16	0.39	(1.59)	(3.45)		
Effect of items convertible to or settled in Class A common shares	0.19	0.03	0.33	0.41	0.28		
Adjusted book value per common share	<u>\$ 42.27</u>	<u>\$ 45.53</u>	<u>\$ 45.59</u>	<u>\$ 47.30</u>	<u>\$ 49.50</u>		
RECONCILIATION OF AVERAGE SHAREHOLDERS' EQUITY TO AVERAGE ADJUSTED COMMON SHAREHOLDERS' EQUITY							
Average shareholders' equity	\$ 8,575	\$ 8,720	\$ 8,627	\$ 9,197	\$ 11,241	\$ 8,819	\$ 10,321
Less: Average preferred stock	—	—	—	—	420	—	420
Less: Average AOCI	391	90	(220)	117	1,233	798	644
Less: Average accumulated change in fair value of reinsurance assets	60	(10)	(53)	117	474	86	282
Average adjusted common shareholders' equity	<u>\$ 8,124</u>	<u>\$ 8,640</u>	<u>\$ 8,900</u>	<u>\$ 8,963</u>	<u>\$ 9,114</u>	<u>\$ 7,935</u>	<u>\$ 8,975</u>
RECONCILIATION OF CLASS A COMMON SHARES OUTSTANDING TO ADJUSTED OPERATING COMMON SHARES OUTSTANDING							
Class A common shares outstanding	164.5	164.6	162.2	161.3	152.6		
Conversion of Class B shares to Class A shares	25.5	25.5	25.4	25.4	25.4		
Conversion of Class M shares to Class A shares	5.4	6.0	4.9	5.0	5.3		
Effect of other stock compensation plans	1.0	1.1	1.0	0.7	1.1		
Adjusted operating common shares outstanding	<u>196.4</u>	<u>197.2</u>	<u>193.5</u>	<u>192.4</u>	<u>184.4</u>		

Non-GAAP Reconciliations

Unaudited (in millions, except percentages)



	Quarterly Trends					Year-to-Date	
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	2018	2019
RECONCILIATION OF NET INVESTMENT INCOME TO NET INVESTMENT EARNINGS							
GAAP net investment income	\$ 958	\$ 1,070	\$ 1,121	\$ 1,066	\$ 1,161	\$ 1,813	\$ 2,227
Change in fair value of reinsurance assets	72	52	132	132	161	117	293
Net VIE earnings	1	39	(18)	21	24	16	45
Alternative income gain (loss)	(1)	(14)	(20)	(5)	12	—	7
Held for trading amortization	(21)	(21)	(11)	(11)	(13)	(44)	(24)
Total adjustments to arrive at net investment earnings	51	56	83	137	184	89	321
Total net investment earnings	\$ 1,009	\$ 1,126	\$ 1,204	\$ 1,203	\$ 1,345	\$ 1,902	\$ 2,548
Retirement Services	\$ 983	\$ 1,108	\$ 1,231	\$ 1,171	\$ 1,321	\$ 1,849	\$ 2,492
Corporate and Other	26	18	(27)	32	24	53	56
Total net investment earnings	\$ 1,009	\$ 1,126	\$ 1,204	\$ 1,203	\$ 1,345	\$ 1,902	\$ 2,548
RECONCILIATION OF NET INVESTMENT INCOME RATE TO NET INVESTMENT EARNED RATE							
GAAP net investment income rate	4.47 %	4.30 %	4.10 %	3.79 %	4.03 %	4.44 %	3.91 %
Change in fair value of reinsurance assets	0.34 %	0.20 %	0.48 %	0.47 %	0.56 %	0.29 %	0.52 %
Net VIE earnings	0.00 %	0.16 %	(0.07)%	0.08 %	0.09 %	0.04 %	0.08 %
Alternative income gain (loss)	0.00 %	(0.06)%	(0.07)%	(0.02)%	0.04 %	— %	0.01 %
Held for trading amortization	(0.10)%	(0.08)%	(0.04)%	(0.04)%	(0.05)%	(0.11)%	(0.04)%
Total adjustments to arrive at net investment earned rate	0.24 %	0.22 %	0.30 %	0.49 %	0.64 %	0.22 %	0.57 %
Consolidated net investment earned rate	4.71 %	4.52 %	4.40 %	4.28 %	4.67 %	4.66 %	4.48 %
Retirement Services	4.74 %	4.55 %	4.57 %	4.21 %	4.63 %	4.68 %	4.42 %
Corporate and Other	3.71 %	3.51 %	(7.57)%	13.19 %	8.39 %	4.01 %	10.05 %
Consolidated net investment earned rate	4.71 %	4.52 %	4.40 %	4.28 %	4.67 %	4.66 %	4.48 %
Retirement Services	\$ 82,879	\$ 97,500	\$ 107,939	\$ 111,443	\$ 114,059	\$ 79,000	\$ 112,711
Corporate and Other	2,848	2,103	1,484	959	1,162	2,646	1,113
Consolidated average invested assets	\$ 85,727	\$ 99,603	\$ 109,423	\$ 112,402	\$ 115,221	\$ 81,646	\$ 113,824

Non-GAAP Reconciliations

Unaudited (in millions, except percentages)



	Quarterly Trends					Year-to-Date	
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	2018	2019
RECONCILIATION OF INTEREST SENSITIVE CONTRACT BENEFITS TO COST OF CREDITING							
GAAP interest sensitive contract benefits	\$ 342	\$ 742	\$ (825)	\$ 1,516	\$ 1,094	\$ 373	\$ 2,610
Interest credited other than deferred annuities and institutional products	9	14	35	55	50	16	105
FIA option costs	206	231	275	278	280	380	558
Product charges (strategy fees)	(23)	(25)	(28)	(28)	(29)	(45)	(57)
Reinsurance embedded derivative impacts	3	29	14	15	14	6	29
Change in fair values of embedded derivatives – FIAs	(178)	(546)	1,039	(1,311)	(868)	(57)	(2,179)
Negative VOBA amortization	7	5	9	12	7	17	19
Other changes in interest sensitive contract liabilities	2	3	(3)	(2)	(1)	—	(3)
Total adjustments to arrive at cost of crediting	26	(289)	1,341	(981)	(547)	317	(1,528)
Retirement Services cost of crediting	\$ 368	\$ 453	\$ 516	\$ 535	\$ 547	\$ 690	\$ 1,082
GAAP interest sensitive contract benefits	1.65 %	3.04 %	(3.06)%	5.44 %	3.84 %	0.94 %	4.63 %
Interest credited other than deferred annuities and institutional products	0.04 %	0.06 %	0.13 %	0.20 %	0.18 %	0.04 %	0.19 %
FIA option costs	0.99 %	0.95 %	1.02 %	1.00 %	0.98 %	0.96 %	0.99 %
Product charges (strategy fees)	(0.11)%	(0.10)%	(0.10)%	(0.10)%	(0.10)%	(0.11)%	(0.10)%
Reinsurance embedded derivative impacts	0.02 %	0.12 %	0.05 %	0.05 %	0.05 %	0.02 %	0.05 %
Change in fair values of embedded derivatives – FIAs	(0.85)%	(2.24)%	3.85 %	(4.70)%	(3.05)%	(0.14)%	(3.86)%
Negative VOBA amortization	0.03 %	0.02 %	0.03 %	0.04 %	0.02 %	0.04 %	0.03 %
Other changes in interest sensitive contract liabilities	0.01 %	0.01 %	(0.01)%	(0.01)%	— %	— %	(0.01)%
Total adjustments to arrive at cost of crediting	0.13 %	(1.18)%	4.97 %	(3.52)%	(1.92)%	0.81 %	(2.71)%
Retirement Services cost of crediting	1.78 %	1.86 %	1.91 %	1.92 %	1.92 %	1.75 %	1.92 %
Retirement Services cost of crediting on deferred annuities	1.92 %	1.98 %	2.00 %	1.98 %	1.98 %	1.89 %	1.98 %
Retirement Services cost of crediting on institutional products	3.16 %	3.54 %	3.74 %	3.69 %	3.76 %	3.15 %	3.73 %
Retirement Services cost of crediting	1.78 %	1.86 %	1.91 %	1.92 %	1.92 %	1.75 %	1.92 %
Retirement Services average invested assets	\$ 82,879	\$ 97,500	\$ 107,939	\$ 111,443	\$ 114,059	\$ 79,000	\$ 112,711
Average account value on deferred annuities	66,241	79,673	88,874	89,809	90,675	62,694	90,261
Average institutional reserve liabilities	6,341	6,608	7,827	9,809	10,470	6,148	10,140

Non-GAAP Reconciliations

Unaudited (in millions)



	Quarterly Trends					Year-to-Date	
	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	2018	2019
RECONCILIATION OF BENEFITS AND EXPENSES TO OTHER LIABILITY COSTS							
GAAP benefits and expenses	\$ 1,481	\$ 1,897	\$ 1,301	\$ 4,221	\$ 2,619	\$ 2,170	\$ 6,840
Premiums	(731)	(526)	(1,833)	(1,966)	(733)	(1,009)	(2,699)
Product charges	(106)	(119)	(128)	(125)	(132)	(202)	(257)
Other revenues	(6)	(10)	(4)	(12)	(9)	(12)	(21)
Cost of crediting	(159)	(193)	(227)	(242)	(253)	(304)	(495)
Change in fair value of embedded derivatives - FIA, net of offsets	(237)	(768)	1,266	(1,260)	(817)	(171)	(2,077)
DAC, DSI and VOBA amortization related to investment gains and losses	26	28	36	(173)	(181)	46	(354)
Rider reserves	6	1	8	(28)	(24)	7	(52)
Policy and other operating expenses, excluding policy acquisition expenses	(98)	(98)	(102)	(103)	(117)	(195)	(220)
AmerUs closed block fair value liability	36	8	14	(53)	(59)	90	(112)
Other	8	1	1	1	1	8	2
Total adjustments to arrive at other liability costs	(1,261)	(1,676)	(969)	(3,961)	(2,324)	(1,742)	(6,285)
Other liability costs	\$ 220	\$ 221	\$ 332	\$ 260	\$ 295	\$ 428	\$ 555
Retirement Services	\$ 220	\$ 221	\$ 332	\$ 260	\$ 295	\$ 428	\$ 555
Corporate and Other	—	—	—	—	—	—	—
Consolidated other liability costs	\$ 220	\$ 221	\$ 332	\$ 260	\$ 295	\$ 428	\$ 555
RECONCILIATION OF POLICY AND OTHER OPERATING EXPENSES TO OPERATING EXPENSES							
Policy and other operating expenses	\$ 154	\$ 158	\$ 172	\$ 165	\$ 185	\$ 296	\$ 350
Interest expense	(16)	(15)	(13)	(17)	(15)	(29)	(32)
Policy acquisition expenses, net of deferrals	(58)	(60)	(70)	(62)	(69)	(103)	(131)
Integration, restructuring and other non-operating expenses	(8)	(2)	(4)	(1)	(11)	(16)	(12)
Stock compensation expenses	(2)	(3)	(3)	(3)	(3)	(5)	(6)
Total adjustments to arrive at operating expenses	(84)	(80)	(90)	(83)	(98)	(153)	(181)
Operating expenses	\$ 70	\$ 78	\$ 82	\$ 82	\$ 87	\$ 143	\$ 169
Retirement Services	\$ 56	\$ 63	\$ 65	\$ 62	\$ 68	\$ 114	\$ 130
Corporate and Other	14	15	17	20	19	29	39
Consolidated operating expenses	\$ 70	\$ 78	\$ 82	\$ 82	\$ 87	\$ 143	\$ 169

Non-GAAP Reconciliations

Unaudited (in millions)



	December 31, 2018	June 30, 2019
RECONCILIATION OF TOTAL INVESTMENTS INCLUDING RELATED PARTIES TO INVESTED ASSETS		
Total investments including related parties	\$ 107,632	\$ 120,106
Derivative assets	(1,043)	(2,299)
Cash and cash equivalents (including restricted cash)	3,403	5,238
Accrued investment income	682	758
Payables for collateral on derivatives	(969)	(2,183)
Reinsurance funds withheld and modified coinsurance	223	(1,236)
VIE and VOE assets, liabilities and noncontrolling interest	718	656
Unrealized (gains) losses	808	(3,084)
Ceded policy loans	(281)	(280)
Net investment receivables (payables)	(139)	(1,005)
Total adjustments to arrive at invested assets	3,402	(3,435)
Total invested assets	\$ 111,034	\$ 116,671
RECONCILIATION OF INVESTMENT FUNDS INCLUDING RELATED PARTIES AND VIES TO ALTERNATIVE INVESTMENTS		
Investment funds including related parties and VIEs	\$ 3,559	\$ 3,912
Nonredeemable preferred stock included in equity securities	—	455
CLO equities included in trading securities	125	111
Investment funds within funds withheld at interest	660	687
Royalties and other assets included in other investments	71	68
Net assets of the VIE, excluding investment funds	50	(7)
Unrealized (gains) losses and other adjustments	27	(32)
Total adjustments to arrive at alternative investments	933	1,282
Alternative investments	\$ 4,492	\$ 5,194
RECONCILIATION OF TOTAL LIABILITIES TO RESERVE LIABILITIES		
Total liabilities	\$ 117,229	\$ 126,615
Long-term debt	(991)	(991)
Derivative liabilities	(85)	(80)
Payables for collateral on derivatives	(969)	(2,183)
Funds withheld liability	(721)	(759)
Other liabilities	(888)	(1,958)
Liabilities of consolidated VIEs	(1)	(1)
Reinsurance ceded receivables	(5,534)	(5,678)
Policy loans ceded	(281)	(280)
Other	(27)	(5)
Total adjustments to arrive at reserve liabilities	(9,497)	(11,935)
Total reserve liabilities	\$ 107,732	\$ 114,680