

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2019

or

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

Commission File Number: 001-37963



**ATHENE HOLDING LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**  
(State or other jurisdiction of  
incorporation or organization)

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

**96 Pitts Bay Road  
Pembroke, HM 08, Bermuda  
(441) 279-8400**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 1/1,000 <sup>th</sup> 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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of each class of our common stock outstanding is set forth in the table below, as of June 30, 2019:

Class A common shares	153,008,455	Class M-2 common shares	841,011
Class B common shares	25,433,465	Class M-3 common shares	1,001,110
Class M-1 common shares	3,311,390	Class M-4 common shares	3,998,686

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As used in this Quarterly Report on Form 10-Q (report), unless the context otherwise indicates, any reference to “Athene,” “our Company,” “the Company,” “us,” “we” and “our” refer to Athene Holding Ltd. together with its consolidated subsidiaries and any reference to “AHL” refers to Athene Holding Ltd. only.

## Forward-Looking Statements

Certain statements in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 (Securities Act), as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “seek,” “assume,” “believe,” “may,” “will,” “should,” “could,” “would,” “likely” and other words and terms of similar meaning, including the negative of these or similar words and terms, in connection with any discussion of the timing or nature of future operating or financial performance or other events. However, not all forward-looking statements contain these identifying words. Forward-looking statements appear in a number of places throughout and give our current expectations and projections relating to our business, financial condition, results of operations, plans, strategies, objectives, future performance and other matters.

We caution you that forward-looking statements are not guarantees of future performance and that our actual consolidated financial condition, results of operations, liquidity and cash flows may differ materially from those made in or suggested by the forward-looking statements contained in this report. A number of important factors could cause actual results or conditions to differ materially from those contained or implied by the forward-looking statements, including the risks discussed in *Part II—Item 1A. Risk Factors* included in this report and *Part I—Item 1A. Risk Factors* included in our Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Annual Report). Factors that could cause actual results or conditions to differ from those reflected in the forward-looking statements contained in this report include:

- the accuracy of management’s assumptions and estimates;
- variability in the amount of statutory capital that our insurance and reinsurance subsidiaries have or are required to hold;
- interest rate and/or foreign currency fluctuations;
- our potential need for additional capital in the future and the potential unavailability of such capital to us on favorable terms or at all;
- changes in relationships with important parties in our product distribution network;
- the activities of our competitors and our ability to grow our retail business in a highly competitive environment;
- the impact of general economic conditions on our ability to sell our products and on the fair value of our investments;
- our ability to successfully acquire new companies or businesses and/or integrate such acquisitions into our existing framework;
- downgrades, potential downgrades or other negative actions by rating agencies;
- our dependence on key executives and inability to attract qualified personnel, or the potential loss of Bermudian personnel as a result of Bermuda employment restrictions;
- market and credit risks that could diminish the value of our investments;
- the impact of changes to the creditworthiness of our reinsurance and derivative counterparties;
- changes in consumer perception regarding the desirability of annuities as retirement savings products;
- potential litigation (including class action litigation), enforcement investigations or regulatory scrutiny against us and our subsidiaries, which we may be required to defend against or respond to;
- the impact of new accounting rules or changes to existing accounting rules on our business;
- interruption or other operational failures in telecommunication and information technology and other operating systems, as well as our ability to maintain the security of those systems;
- the termination by Athene Asset Management LLC (AAM) of its investment management agreements with us and limitations on our ability to terminate such arrangements;
- AAM’s dependence on key executives and inability to attract qualified personnel;
- increased regulation or scrutiny of alternative investment advisers and certain trading methods;
- potential changes to regulations affecting, among other things, transactions with our affiliates, the ability of our subsidiaries to make dividend payments or distributions to AHL, acquisitions by or of us, minimum capitalization and statutory reserve requirements for insurance companies and fiduciary obligations on parties who distribute our products;
- suspension or revocation of our subsidiaries’ insurance and reinsurance licenses or our inability to procure licenses associated with new products or services;
- increases in our tax liability resulting from the Base Erosion and Anti-Abuse Tax (BEAT);
- improper interpretation or application of Public Law no. 115-97, the Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (Tax Act) or subsequent changes to, clarifications of or guidance under the Tax Act that is counter to our interpretation and has retroactive effect;
- AHL or any of its non-United States (U.S.) subsidiaries becoming subject to U.S. federal income taxation;
- adverse changes in U.S. tax law;
- our being subject to U.S. withholding tax under the Foreign Account Tax Compliance Act (FATCA);
- our potential inability to pay dividends or distributions; and
- other risks and factors listed in *Part II—Item 1A. Risk Factors* included in this report, *Part I—Item 1A. Risk Factors* included in our 2018 Annual Report and those discussed elsewhere in this report and in our 2018 Annual Report.

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We caution you that the important factors referenced above may not be exhaustive. In light of these risks, you should not place undue reliance upon any forward-looking statements contained in this report. The forward-looking statements included in this report are made only as of the date that the report was filed with the U.S. Securities and Exchange Commission (SEC). We undertake no obligation, except as may be required by law, to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

### GLOSSARY OF SELECTED TERMS

Unless otherwise indicated in this report, the following terms have the meanings set forth below:

#### Entities

<b>Term or Acronym</b>	<b>Definition</b>
A-A Mortgage	A-A Mortgage Opportunities, L.P.
AAA Investor	AAA Guarantor – Athene, L.P.
AAIA	Athene Annuity and Life Company
AAM	Athene Asset Management LLC
AARe	Athene Annuity Re Ltd., a Bermuda reinsurance subsidiary
ACRA	Athene Co-Invest Reinsurance Affiliate 1A Ltd.
ADIP	Apollo/Athene Dedicated Investment Program
AGM	Apollo Global Management, LLC
AHL	Athene Holding Ltd.
ALRe	Athene Life Re Ltd., a Bermuda reinsurance subsidiary
AmeriHome	AmeriHome Mortgage Company, LLC
Apollo	Apollo Global Management, LLC, together with its subsidiaries
Apollo Group	(1) Apollo, (2) the AAA Investor, (3) any investment fund or other collective investment vehicle whose general partner or managing member is owned, directly or indirectly, by Apollo or one or more of Apollo's subsidiaries, (4) BRH Holdings GP, Ltd. and its shareholders and (5) any affiliate of any of the foregoing (except that AHL and its subsidiaries and employees of AHL, its subsidiaries or AAM are not members of the Apollo Group)
Athene USA	Athene USA Corporation
Athora	Athora Holding Ltd., formerly known as AGER Bermuda Holding Ltd.
BMA	Bermuda Monetary Authority
CoInvest VI	AAA Investments (Co-Invest VI), L.P.
CoInvest VII	AAA Investments (Co-Invest VII), L.P.
LIMRA	Life Insurance and Market Research Association
MidCap	MidCap FinCo Designated Activity Company
NAIC	National Association of Insurance Commissioners
NYSDFS	New York State Department of Financial Services
RLI	ReliaStar Life Insurance Company
Treasury	United States Department of the Treasury
Voya	Voya Financial, Inc.
VIAC	Voya Insurance and Annuity Company
Venerable	Venerable Holdings, Inc., together with its subsidiaries

**Certain Terms & Acronyms**

<b>Term or Acronym</b>	<b>Definition</b>
ABS	Asset-backed securities
ACL	Authorized control level RBC as defined by the model created by the National Association of Insurance Commissioners
ALM	Asset liability management
ALRe RBC	The risk-based capital ratio of ALRe, when applying the NAIC risk-based capital factors.
Alternative investments	Alternative investments, including investment funds, CLO equity positions and certain other debt instruments considered to be equity-like
Base of earnings	Earnings generated from our results of operations and the underlying profitability drivers of our business
Bermuda capital	The capital of ALRe calculated under U.S. statutory accounting principles, including that for policyholder reserve liabilities which are subjected to U.S. cash flow testing requirements, but excluding certain items that do not exist under our applicable Bermuda requirements, such as interest maintenance reserves
Block reinsurance	A transaction in which the ceding company cedes all or a portion of a block of previously issued annuity contracts through a reinsurance agreement
BSCR	Bermuda Solvency Capital Requirement
CAL	Company action level risk-based capital as defined by the model created by the National Association of Insurance Commissioners
CLO	Collateralized loan obligation
CMBS	Commercial mortgage-backed securities
CML	Commercial mortgage loans
Cost of crediting	The interest credited to the policyholders on our fixed annuities, including, with respect to our fixed indexed annuities, option costs, as well as institutional costs related to institutional products, presented on an annualized basis for interim periods
Cost of funds	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. Presented on an annualized basis for interim periods.
DAC	Deferred acquisition costs
Deferred annuities	Fixed indexed annuities, annual reset annuities and multi-year guaranteed annuities
DSI	Deferred sales inducement
Excess capital	Capital in excess of the level management believes is needed to support our current operating strategy
FIA	Fixed indexed annuity, which is an insurance contract that earns interest at a crediting rate based on a specified index on a tax-deferred basis
Fixed annuities	FIAs together with fixed rate annuities
Fixed rate annuity	An insurance contract that offers tax-deferred growth and the opportunity to produce a guaranteed stream of retirement income for the lifetime of its policyholder
Flow reinsurance	A transaction in which the ceding company cedes a portion of newly issued policies to the reinsurer
GAAP	Accounting principles generally accepted in the United States of America
GLWB	Guaranteed lifetime withdrawal benefit
GMDB	Guaranteed minimum death benefit
IMA	Investment management agreement
IMO	Independent marketing organization
Invested assets	The sum of (a) total investments on the consolidated balance sheet with available-for-sale securities at amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) consolidated variable interest entities' assets, liabilities and noncontrolling interest and (f) policy loans ceded (which offset the direct policy loans in total investments). Invested assets includes investments supporting assumed funds withheld and modco agreements and excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions)
Investment margin	Investment margin applies to deferred annuities and is the excess of our net investment earned rate over the cost of crediting to our policyholders, presented on an annualized basis for interim periods
Liability outflows	The aggregate of withdrawals on our deferred annuities, maturities of our funding agreements, payments on payout annuities, and pension risk benefit payments
MMS	Minimum margin of solvency
Modco	Modified coinsurance

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<b>Term or Acronym</b>	<b>Definition</b>
MVA	Market value adjustment
MYGA	Multi-year guaranteed annuity
Net investment earned rate	Income from our invested assets divided by the average invested assets for the relevant period, presented on an annualized basis for interim periods
Net investment spread	Net investment spread measures our investment performance less the total cost of our liabilities, presented on an annualized basis for interim periods
Other liability costs	Other liability costs include DAC, DSI and VOBA amortization, rider reserves, institutional costs, the cost of liabilities on products other than deferred annuities including offsets for premiums, product charges and other revenues
OTTI	Other-than-temporary impairment
Payout annuities	Annuities with a current cash payment component, which consist primarily of single premium immediate annuities, supplemental contracts and structured settlements
Policy loan	A loan to a policyholder under the terms of, and which is secured by, a policyholder's policy
PRT	Pension risk transfer
RBC	Risk-based capital
Reserve liabilities	The sum of (a) 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 also includes the reserves related to assumed modco agreements in order to appropriately match the costs incurred in the consolidated statements of income with the liabilities. 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
Rider reserves	Guaranteed lifetime withdrawal benefits and guaranteed minimum death benefits reserves
RMBS	Residential mortgage-backed securities
RML	Residential mortgage loan
Sales	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)
SPIA	Single premium immediate annuity
Surplus assets	Assets in excess of policyholder obligations, determined in accordance with the applicable domiciliary jurisdiction's statutory accounting principles
TAC	Total adjusted capital as defined by the model created by the NAIC
U.S. RBC Ratio	The CAL RBC ratio for AADE, our parent U.S. insurance company
VIE	Variable interest entity
VOBA	Value of business acquired

**Item 1. Financial Statements**

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**ATHENE HOLDING LTD.**  
**Condensed Consolidated Balance Sheets (Unaudited)**

<i>(In millions)</i>	June 30, 2019	December 31, 2018
<b>Assets</b>		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2019 – \$63,949 and 2018 – \$60,025)	\$ 66,878	\$ 59,265
Trading securities, at fair value	2,381	1,949
Equity securities, at fair value	336	216
Mortgage loans, net of allowances (portion at fair value: 2019 – \$32 and 2018 – \$32)	11,912	10,340
Investment funds (portion at fair value: 2019 – \$163 and 2018 – \$182)	722	703
Policy loans	480	488
Funds withheld at interest (portion at fair value: 2019 – \$704 and 2018 – \$57)	15,307	15,023
Derivative assets	2,299	1,043
Short-term investments, at fair value	288	191
Other investments (portion at fair value: 2019 – \$52 and 2018 – \$52)	119	122
Total investments	100,722	89,340
Cash and cash equivalents	4,847	2,911
Restricted cash	391	492
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2019 – \$1,725 and 2018 – \$1,462)	1,740	1,437
Trading securities, at fair value	311	249
Equity securities, at fair value	344	120
Mortgage loans	287	291
Investment funds (portion at fair value: 2019 – \$241 and 2018 – \$201)	2,578	2,232
Funds withheld at interest (portion at fair value: 2019 – \$501 and 2018 – \$(110))	13,737	13,577
Other investments	387	386
Accrued investment income (related party: 2019 – \$22 and 2018 – \$25)	758	682
Reinsurance recoverable (related party: 2019 – \$335 and 2018 – \$344; portion at fair value: 2019 – \$1,834 and 2018 – \$1,676)	5,678	5,534
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,324	5,907
Other assets (related party: 2019 – \$3 and 2018 – \$357)	1,224	1,635
Assets of consolidated variable interest entities		
Investments		
Trading securities, at fair value (related party: 2019 – \$1 and 2018 – \$35)	21	35
Equity securities, at fair value – related party	6	50
Investment funds (related party: 2019 – \$593 and 2018 – \$583; portion at fair value: 2019 – \$568 and 2018 – \$567)	612	624
Cash and cash equivalents	1	2
Other assets	12	1
<b>Total assets</b>	<b>\$ 138,980</b>	<b>\$ 125,505</b>

*(Continued)*

See accompanying notes to the unaudited condensed consolidated financial statements



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**Condensed Consolidated Balance Sheets (Unaudited)***(In millions, except per share data)*

	June 30, 2019	December 31, 2018
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Interest sensitive contract liabilities (related party: 2019 – \$16,112 and 2018 – \$16,850; portion at fair value: 2019 – \$10,956 and 2018 – \$8,901)	\$ 100,291	\$ 96,610
Future policy benefits (related party: 2019 – \$1,429 and 2018 – \$1,259; portion at fair value: 2019 – \$2,304 and 2018 – \$2,173)	20,089	16,704
Other policy claims and benefits (related party: 2019 – \$6 and 2018 – \$10)	147	142
Dividends payable to policyholders	116	118
Long-term debt	991	991
Derivative liabilities	80	85
Payables for collateral on derivatives	2,183	969
Funds withheld liability (related party: 2019 – \$346 and 2018 – \$337; portion at fair value: 2019 – \$24 and 2018 – \$(1))	759	721
Other liabilities (related party: 2019 – \$76 and 2018 – \$59)	1,958	888
Liabilities of consolidated variable interest entities	1	1
<b>Total liabilities</b>	<b>126,615</b>	<b>117,229</b>
<b>Commitments and Contingencies (Note 9)</b>		
<b>Equity</b>		
Preferred stock – par value \$1 per share; \$863 aggregate liquidation preference; authorized, issued and outstanding: 2019 and 2018 – 0.0 shares	—	—
Common stock		
Class A – par value \$0.001 per share; authorized: 2019 and 2018 – 425.0 shares; issued and outstanding: 2019 – 153.0 and 2018 – 162.4 shares	—	—
Class B – par value \$0.001 per share; convertible to Class A; authorized: 2019 and 2018 – 325.0 shares; issued and outstanding: 2019 – 25.4 and 2018 – 25.4 shares	—	—
Class M-1 – par value \$0.001 per share; convertible to Class A; authorized: 2019 and 2018 – 7.1 shares; issued and outstanding: 2019 – 3.3 and 2018 – 3.4 shares	—	—
Class M-2 – par value \$0.001 per share; convertible to Class A; authorized: 2019 and 2018 – 5.0 shares; issued and outstanding: 2019 – 0.8 and 2018 – 0.8 shares	—	—
Class M-3 – par value \$0.001 per share; convertible to Class A; authorized: 2019 and 2018 – 7.5 shares; issued and outstanding: 2019 – 1.0 and 2018 – 1.0 shares	—	—
Class M-4 – par value \$0.001 per share; convertible to Class A; authorized: 2019 and 2018 – 7.5 shares; issued and outstanding: 2019 – 4.0 and 2018 – 4.1 shares	—	—
Additional paid-in capital	4,144	3,462
Retained earnings	6,461	5,286
Accumulated other comprehensive income (loss) (related party: 2019 – \$14 and 2018 – \$(25))	1,760	(472)
<b>Total shareholders' equity</b>	<b>12,365</b>	<b>8,276</b>
<b>Total liabilities and equity</b>	<b>\$ 138,980</b>	<b>\$ 125,505</b>

*(Concluded)**See accompanying notes to the unaudited condensed consolidated financial statements*

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**ATHENE HOLDING LTD.**  
**Condensed Consolidated Statements of Income (Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<i>(In millions, except per share data)</i>				
<b>Revenues</b>				
Premiums (related party of \$56 and \$582 for the three months ended and \$122 and \$582 for the six months ended June 30, 2019 and 2018, respectively)	\$ 733	\$ 731	\$ 2,699	\$ 1,009
Product charges (related party of \$14 and \$5 for the three months ended and \$28 and \$5 for the six months ended June 30, 2019 and 2018, respectively)	132	106	257	202
Net investment income (related party investment income of \$134 and \$100 for the three months ended and \$317 and \$176 for the six months ended June 30, 2019 and 2018, respectively, and related party investment expense of \$94 and \$86 for the three months ended and \$186 and \$169 for the six months ended June 30, 2019 and 2018, respectively)	1,161	958	2,227	1,813
Investment related gains (losses) (related party of \$429 and \$(59) for the three months ended and \$746 and \$(42) for the six months ended June 30, 2019 and 2018, respectively)	1,316	(2)	3,088	(238)
Other-than-temporary impairment investment losses				
Other-than-temporary impairment losses	(7)	—	(9)	(3)
Other-than-temporary impairment losses reclassified to (from) other comprehensive income	1	—	2	—
Net other-than-temporary impairment losses	(6)	—	(7)	(3)
Other revenues	9	6	21	12
Revenues of consolidated variable interest entities				
Net investment income (related party of \$20 and \$14 for the three months ended and \$36 and \$24 for the six months ended June 30, 2019 and 2018, respectively)	21	14	37	24
Investment related gains (losses) (related party of \$2 and \$(11) for the three months ended and \$6 and \$(6) for the six months ended June 30, 2019 and 2018, respectively)	3	(11)	8	(6)
<b>Total revenues</b>	<b>3,369</b>	<b>1,802</b>	<b>8,330</b>	<b>2,813</b>
<b>Benefits and expenses</b>				
Interest sensitive contract benefits (related party of \$114 and \$16 for the three months ended and \$297 and \$16 for the six months ended June 30, 2019 and 2018, respectively)	1,094	342	2,610	373
Amortization of deferred sales inducements	13	23	18	43
Future policy and other policy benefits (related party of \$91 and \$580 for the three months ended and \$197 and \$580 for the six months ended June 30, 2019 and 2018, respectively)	1,057	864	3,352	1,265
Amortization of deferred acquisition costs and value of business acquired	261	89	492	171
Dividends to policyholders	9	9	18	22
Policy and other operating expenses (related party of \$12 and \$3 for the three months ended and \$20 and \$5 for the six months ended June 30, 2019 and 2018, respectively)	185	154	350	296
<b>Total benefits and expenses</b>	<b>2,619</b>	<b>1,481</b>	<b>6,840</b>	<b>2,170</b>
<b>Income before income taxes</b>	<b>750</b>	<b>321</b>	<b>1,490</b>	<b>643</b>
Income tax expense	30	64	62	109
<b>Net income</b>	<b>\$ 720</b>	<b>\$ 257</b>	<b>\$ 1,428</b>	<b>\$ 534</b>
<b>Earnings per share</b>				
Basic – Classes A, B, M-1, M-2, M-3 and M-4	\$ 3.76	\$ 1.30	\$ 7.43	\$ 2.71
Diluted – Class A	3.75	1.30	7.41	2.70
Diluted – Class B	3.76	1.30	7.43	2.71
Diluted – Class M-1	3.76	1.30	7.43	2.71
Diluted – Class M-2	3.76	1.29	7.43	2.68
Diluted – Class M-3	3.76	1.30	7.43	2.68
Diluted – Class M-4	3.28	1.02	6.45	1.98

See accompanying notes to the unaudited condensed consolidated financial statements

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**Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)**

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income	\$ 720	\$ 257	\$ 1,428	\$ 534
Other comprehensive income (loss), before tax				
Unrealized investment gains (losses) on available-for-sale securities	1,262	(702)	2,740	(1,593)
Noncredit component of other-than-temporary impairment losses on available-for-sale securities	(1)	—	(2)	—
Unrealized gains on hedging instruments	55	101	47	45
Pension adjustments	—	—	(1)	3
Foreign currency translation adjustments	(1)	(2)	—	(10)
Other comprehensive income (loss), before tax	1,315	(603)	2,784	(1,555)
Income tax expense (benefit) related to other comprehensive income (loss)	261	(116)	552	(295)
Other comprehensive income (loss)	1,054	(487)	2,232	(1,260)
<b>Comprehensive income (loss)</b>	<b>\$ 1,774</b>	<b>\$ (230)</b>	<b>\$ 3,660</b>	<b>\$ (726)</b>

See accompanying notes to the unaudited condensed consolidated financial statements

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ATHENE HOLDING LTD.  
Condensed Consolidated Statements of Equity (Unaudited)

(In millions)	Three months ended					
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
<b>Balance at March 31, 2018</b>	\$ —	\$ —	\$ 3,485	\$ 4,568	\$ 634	\$ 8,687
Net income	—	—	—	257	—	257
Other comprehensive loss	—	—	—	—	(487)	(487)
Stock-based compensation	—	—	7	—	—	7
Retirement or repurchase of shares	—	—	—	(2)	—	(2)
<b>Balance at June 30, 2018</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,492</u>	<u>\$ 4,823</u>	<u>\$ 147</u>	<u>\$ 8,462</u>
<b>Balance at March 31, 2019</b>	\$ —	\$ —	\$ 3,448	\$ 5,963	\$ 706	\$ 10,117
Net income	—	—	—	720	—	720
Other comprehensive income	—	—	—	—	1,054	1,054
Issuance of preferred shares, net of expenses	—	—	839	—	—	839
Issuance of common shares, net of expenses	—	—	1	—	—	1
Stock-based compensation	—	—	10	—	—	10
Retirement or repurchase of shares	—	—	(154)	(222)	—	(376)
<b>Balance at June 30, 2019</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,144</u>	<u>\$ 6,461</u>	<u>\$ 1,760</u>	<u>\$ 12,365</u>
	Six months ended					
(In millions)	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
<b>Balance at December 31, 2017</b>	\$ —	\$ —	\$ 3,472	\$ 4,255	\$ 1,449	\$ 9,176
Adoption of accounting standards	—	—	—	39	(42)	(3)
Net income	—	—	—	534	—	534
Other comprehensive loss	—	—	—	—	(1,260)	(1,260)
Issuance of common shares, net of expenses	—	—	1	—	—	1
Stock-based compensation	—	—	19	—	—	19
Retirement or repurchase of shares	—	—	—	(5)	—	(5)
<b>Balance at June 30, 2018</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,492</u>	<u>\$ 4,823</u>	<u>\$ 147</u>	<u>\$ 8,462</u>
<b>Balance at December 31, 2018</b>	\$ —	\$ —	\$ 3,462	\$ 5,286	\$ (472)	\$ 8,276
Net income	—	—	—	1,428	—	1,428
Other comprehensive income	—	—	—	—	2,232	2,232
Issuance of preferred shares, net of expenses	—	—	839	—	—	839
Issuance of common shares, net of expenses	—	—	2	—	—	2
Stock-based compensation	—	—	15	—	—	15
Retirement or repurchase of shares	—	—	(174)	(253)	—	(427)
<b>Balance at June 30, 2019</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,144</u>	<u>\$ 6,461</u>	<u>\$ 1,760</u>	<u>\$ 12,365</u>

See accompanying notes to the unaudited condensed consolidated financial statements

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**ATHENE HOLDING LTD.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

<i>(In millions)</i>	Six months ended June 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net income	\$ 1,428	\$ 534
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred acquisition costs and value of business acquired	492	171
Amortization of deferred sales inducements	18	43
Accretion of net investment premiums, discounts and other	(54)	(99)
Payment at inception of reinsurance agreements, net (related party: 2019 – \$0 and 2018 – \$(407))	—	(394)
Net investment (income) loss (related party: 2019 – \$(52) and 2018 – \$(50))	(47)	(32)
Net recognized (gains) losses on investments and derivatives (related party: 2019 – \$(9) and 2018 – \$(18))	(1,518)	161
Policy acquisition costs deferred	(354)	(304)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2019 – \$3 and 2018 – \$(14))	(76)	(47)
Interest sensitive contract liabilities (related party: 2019 – \$264 and 2018 – \$11)	2,397	34
Future policy benefits, other policy claims and benefits, dividends payable to policyholders and reinsurance recoverable (related party: 2019 – \$162 and 2018 – \$15)	921	262
Funds withheld assets and liabilities (related party: 2019 – \$(953) and 2018 – \$23)	(1,886)	(32)
Other assets and liabilities	271	124
Consolidated variable interest entities related:		
Net recognized (gains) losses on investments and derivatives (related party: 2019 – \$(6) and 2018 – \$5)	(8)	5
Other operating activities, net	(1)	1
Net cash provided by operating activities	1,583	427
<b>Cash flows from investing activities</b>		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2019 – \$73 and 2018 – \$101)	5,567	6,309
Trading securities (related party: 2019 – \$27 and 2018 – \$22)	110	281
Equity securities	19	2
Mortgage loans (related party: 2019 – \$4 and 2018 – \$0)	994	686
Investment funds (related party: 2019 – \$116 and 2018 – \$143)	181	252
Derivative instruments and other invested assets	653	1,062
Short-term investments	163	161
Purchases of:		
Available-for-sale securities (related party: 2019 – \$(436) and 2018 – \$(266))	(7,813)	(8,854)
Trading securities (related party: 2019 – \$(6) and 2018 – \$0)	(382)	(17)
Equity securities (related party: 2019 – \$(213) and 2018 – \$0)	(332)	(62)
Mortgage loans (related party: 2019 – \$0 and 2018 – \$(389))	(2,558)	(1,924)
Investment funds (related party: 2019 – \$(390) and 2018 – \$(620))	(479)	(718)
Derivative instruments and other invested assets (related party: 2019 – \$0 and 2018 – \$(150))	(581)	(659)
Short-term investments (related party: 2019 – \$0 and 2018 – \$(121))	(259)	(370)
Consolidated variable interest entities related:		
Sales, maturities and repayments of investments (related party: 2019 – \$84 and 2018 – \$103)	89	103
Purchases of investments (related party: 2019 – \$(12) and 2018 – \$0)	(21)	(52)
Deconsolidation of Athora Holding Ltd.	—	(296)
Other investing activities, net	631	284
Net cash used in investing activities	(4,018)	(3,812)

*(Continued)*

See accompanying notes to the unaudited condensed consolidated financial statements

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**ATHENE HOLDING LTD.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

<i>(In millions)</i>	Six months ended June 30,	
	2019	2018
<b>Cash flows from financing activities</b>		
Proceeds from short-term debt	\$ —	\$ 183
Proceeds from long-term debt	—	998
Deposits on investment-type policies and contracts (related party: 2019 – \$117 and 2018 – \$128)	5,972	4,375
Withdrawals on investment-type policies and contracts (related party: 2019 – \$(225) and 2018 – \$(37))	(3,275)	(2,839)
Payments for coinsurance agreements on investment-type contracts, net	(31)	(12)
Net change in cash collateral posted for derivative transactions	1,214	(577)
Issuance of preferred stock, net of expenses	839	—
Repurchase of common stock	(427)	(5)
Other financing activities, net	(23)	53
Net cash provided by financing activities	4,269	2,176
Net increase (decrease) in cash and cash equivalents	1,834	(1,209)
Cash and cash equivalents at beginning of year <sup>1</sup>	3,405	4,997
Cash and cash equivalents at end of period <sup>1</sup>	\$ 5,239	\$ 3,788

**Supplementary information**

<b>Non-cash transactions</b>		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2019 – \$108 and 2018 – \$17,525)	\$ 423	\$ 18,247
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2019 – \$910 and 2018 – \$155)	1,873	341
Investments received from settlements on reinsurance agreements	31	8
Investments received from pension risk transfer premiums	1,918	92
Investment in Athora Holding Ltd. received upon deconsolidation	—	108

<sup>1</sup> Includes cash and cash equivalents, restricted cash, and cash and cash equivalents of consolidated variable interest entities.

*(Concluded)*

See accompanying notes to the unaudited condensed consolidated financial statements

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**1. Business, Basis of Presentation and Significant Accounting Policies**

Athene Holding Ltd. (AHL), a Bermuda exempted company, together with its subsidiaries (collectively, Athene, we, our, us, or the Company), is a leading retirement services company that issues, reinsures and acquires retirement savings products in all United States (U.S.) states and the District of Columbia.

We conduct business primarily through the following consolidated subsidiaries:

- Our non-U.S. reinsurance subsidiaries, to which AHL's other insurance subsidiaries and third-party ceding companies directly and indirectly reinsure a portion of their liabilities, including Athene Life Re Ltd. (ALRe), a Bermuda exempted company; and
- Athene USA Corporation, an Iowa corporation (together with its subsidiaries, Athene USA).

In addition, we consolidate certain variable interest entities (VIEs), for which we determined we are the primary beneficiary.

**Basis of Presentation**—We have prepared the accompanying condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the United States Securities and Exchange Commission's rules and regulations for Form 10-Q and Article 10 of Regulation S-X. The accompanying condensed consolidated financial statements are unaudited and reflect all adjustments, consisting only of normal recurring items, considered necessary for fair statement of the results for the interim periods presented. All significant intercompany accounts and transactions have been eliminated. Interim operating results are not necessarily indicative of the results expected for the entire year.

The condensed consolidated balance sheet as of December 31, 2018 has been derived from the audited financial statements, but does not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. The preparation of financial statements requires the use of management estimates. Actual results may differ from estimates used in preparing the condensed consolidated financial statements.

**Adopted Accounting Pronouncements**

*Leases (ASU 2019-01, ASU 2018-20, ASU 2018-11, ASU 2018-10, ASU 2018-01, ASU 2017-13 and ASU 2016-02)*

These updates increase transparency and comparability for lease transactions. ASU 2016-02 requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with an original term longer than twelve months and disclose key information about leasing arrangements. Lessor accounting is largely unchanged.

ASU 2016-02 requires the adoption on a modified retrospective basis. However, ASU 2018-11 provides the option to recognize the cumulative effect as an adjustment to the opening balance of retained earnings in the year of adoption, while continuing to present all prior periods under the previous lease guidance. These updates also provide optional practical expedients in transition.

We adopted these updates effective January 1, 2019 by recording a lease liability and right-of-use asset related to office space, copiers, reserved areas and equipment at data centers, and other agreements. We will continue to present all prior periods under the previous lease guidance. We elected the "package of practical expedients," which permits us to maintain our prior conclusions about lease identification, classification and initial direct costs. We also elected the short-term lease exception, which allows us to exclude contracts with a lease term of 12 months or less, including any reasonably certain renewal options, from consideration under the new guidance. This update did not have a material effect on our consolidated financial statements.

*Derivatives and Hedging (ASU 2018-16)*

The amendments in this update allow entities to use the Overnight Index Swap rate based on the Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the previously acceptable rates. We adopted this update prospectively for qualifying new or redesignated hedging relationships entered into on or after January 1, 2019. This update did not have an effect on our consolidated financial statements.

*Stock Compensation – Nonemployee Share-Based Payments (ASU 2018-07)*

The amendments in this update simplify the accounting for share-based payments to nonemployees by aligning with the accounting for share-based payments to employees, with certain exceptions. We adopted this update on a modified retrospective basis effective January 1, 2019. This update did not have a material effect on our consolidated financial statements.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Recently Issued Accounting Pronouncements**

*Financial Instruments – Credit Losses (ASU 2019-05, ASU 2019-04, ASU 2018-19 and ASU 2016-13)*

This update is designed to reduce complexity by limiting the number of credit impairment models used for different assets. The model will result in accelerated credit loss recognition on assets held at amortized cost, which includes our commercial and residential mortgage investments. The identification of purchased credit-deteriorated financial assets will include all assets that have experienced a more-than-insignificant deterioration in credit since origination. Additionally, changes in the expected cash flows of purchased credit-deteriorated financial assets will be recognized immediately in the income statement. Available-for-sale (AFS) securities are not in scope of the new credit loss model, but will undergo targeted improvements to the current reporting model including the establishment of a valuation allowance for credit losses versus the current direct write down approach. We will be required to adopt this update effective January 1, 2020, and we expect to make a cumulative-effect adjustment to the opening balance of retained earnings as of that date.

We are currently evaluating the impact of this guidance on our consolidated financial statements and expect the adoption to significantly impact our policies and procedures, but we are currently unable to produce a reasonable estimate of the standard's impact on our consolidated financial statements.

*Collaborative Arrangements (ASU 2018-18)*

The amendments in this update provide guidance on whether certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606, providing comparability in the presentation of revenue for certain transactions. The update is effective January 1, 2020. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

*Consolidation (ASU 2018-17)*

The amendments in this update expand certain discussions in the VIE guidance, including considerations necessary for determining when a decision-making fee is a variable interest. We will be required to adopt this update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The update is effective January 1, 2020. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

*Cloud Computing Arrangements (ASU 2018-15)*

The amendments in this update align the requirements for capitalizing implementation costs incurred in a cloud computing service arrangement with the requirements for capitalizing implementation costs incurred for internal-use software. We will be required to adopt this update on January 1, 2020, and we can elect to adopt this update either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

*Fair Value Measurement – Disclosure Requirements (ASU 2018-13)*

The amendments in this update modify the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. We will be required to adopt this update on January 1, 2020, and depending on the specific amendment will be required to adopt prospectively or retrospectively. We early adopted the removal and modification of certain disclosures as permitted. We do not expect the adoption of this update will have a material effect on our consolidated financial statements.

*Insurance – Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2018-12)*

This update amends four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts.

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate utilized in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income.
- The update simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are not subject to impairment testing.
- The update requires certain contract features meeting the definition of market risk benefits to be measured at fair value. Among the features included in this definition are the guaranteed lifetime withdrawal benefits (GLWB) and guaranteed minimum death benefit (GMDB) riders attached to the Company's annuity products. The change in fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in other comprehensive income.
- The update also introduces disclosure requirements around the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

We will be required to adopt this update effective January 1, 2021. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.



**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Intangibles – Simplifying the Test for Goodwill Impairment (ASU 2017-04)*

The amendments in this update simplify the subsequent measurement of goodwill by eliminating the comparison of the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill to determine the goodwill impairment loss. With the adoption of this guidance, a goodwill impairment will be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of the goodwill allocated to that reporting unit. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. We will be required to adopt this update prospectively effective January 1, 2020. Early adoption is permitted. We do not expect the adoption of this update will have a material effect on our consolidated financial statements.

**2. Investments**

**AFS Securities**—Our AFS investment portfolio includes bonds, collateralized loan obligations (CLO), asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and redeemable preferred stock. Our AFS investment portfolio includes related party investments that are primarily a result of investments over which Apollo Global Management, LLC (AGM and, together with its subsidiaries, Apollo) can exercise significant influence. These investments are presented as investments in related parties on the condensed consolidated balance sheets, and are separately disclosed below.

The following table represents the amortized cost, gross unrealized gains and losses, fair value and other than temporary impairments (OTTI) in accumulated other comprehensive income (AOCI) of our AFS investments by asset type:

(In millions)	June 30, 2019				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
<b>AFS securities</b>					
U.S. government and agencies	\$ 57	\$ 3	\$ —	\$ 60	\$ —
U.S. state, municipal and political subdivisions	1,202	208	(3)	1,407	—
Foreign governments	306	18	—	324	—
Corporate	40,712	2,386	(298)	42,800	—
CLO	6,760	14	(133)	6,641	—
ABS	5,117	142	(27)	5,232	2
CMBS	2,703	94	(7)	2,790	7
RMBS	7,092	544	(12)	7,624	12
<b>Total AFS securities</b>	<b>63,949</b>	<b>3,409</b>	<b>(480)</b>	<b>66,878</b>	<b>21</b>
<b>AFS securities – related party</b>					
Corporate	3	—	—	3	—
CLO	793	1	(12)	782	—
ABS	929	26	—	955	—
<b>Total AFS securities – related party</b>	<b>1,725</b>	<b>27</b>	<b>(12)</b>	<b>1,740</b>	<b>—</b>
<b>Total AFS securities including related party</b>	<b>\$ 65,674</b>	<b>\$ 3,436</b>	<b>\$ (492)</b>	<b>\$ 68,618</b>	<b>\$ 21</b>

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

<i>(In millions)</i>	December 31, 2018				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
<b>AFS securities</b>					
U.S. government and agencies	\$ 57	\$ —	\$ —	\$ 57	\$ —
U.S. state, municipal and political subdivisions	1,183	117	(7)	1,293	—
Foreign governments	162	2	(3)	161	—
Corporate	38,018	394	(1,315)	37,097	1
CLO	5,658	2	(299)	5,361	—
ABS	4,915	53	(48)	4,920	—
CMBS	2,390	27	(60)	2,357	7
RMBS	7,642	413	(36)	8,019	11
<b>Total AFS securities</b>	<b>60,025</b>	<b>1,008</b>	<b>(1,768)</b>	<b>59,265</b>	<b>19</b>
<b>AFS securities – related party</b>					
CLO	587	—	(25)	562	—
ABS	875	4	(4)	875	—
<b>Total AFS securities – related party</b>	<b>1,462</b>	<b>4</b>	<b>(29)</b>	<b>1,437</b>	<b>—</b>
<b>Total AFS securities including related party</b>	<b>\$ 61,487</b>	<b>\$ 1,012</b>	<b>\$ (1,797)</b>	<b>\$ 60,702</b>	<b>\$ 19</b>

The amortized cost and fair value of AFS securities, including related party, are shown by contractual maturity below:

<i>(In millions)</i>	June 30, 2019	
	Amortized Cost	Fair Value
<b>AFS securities</b>		
Due in one year or less	\$ 1,127	\$ 1,129
Due after one year through five years	8,977	9,235
Due after five years through ten years	10,780	11,226
Due after ten years	21,393	23,001
CLO, ABS, CMBS and RMBS	21,672	22,287
<b>Total AFS securities</b>	<b>63,949</b>	<b>66,878</b>
<b>AFS securities – related party</b>		
Due after five years through ten years	3	3
CLO and ABS	1,722	1,737
<b>Total AFS securities – related party</b>	<b>1,725</b>	<b>1,740</b>
<b>Total AFS securities including related party</b>	<b>\$ 65,674</b>	<b>\$ 68,618</b>

Actual maturities can differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Unrealized Losses on AFS Securities**—The following summarizes the fair value and gross unrealized losses for AFS securities including related party, aggregated by class of security and length of time the fair value has remained below amortized cost:

<i>(In millions)</i>	June 30, 2019					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>AFS securities</b>						
U.S. government and agencies	\$ —	\$ —	\$ 2	\$ —	\$ 2	\$ —
U.S. state, municipal and political subdivisions	42	—	43	(3)	85	(3)
Foreign governments	33	—	—	—	33	—
Corporate	2,466	(104)	3,587	(194)	6,053	(298)
CLO	3,122	(65)	1,527	(68)	4,649	(133)
ABS	408	(9)	287	(18)	695	(27)
CMBS	178	(3)	142	(4)	320	(7)
RMBS	523	(10)	141	(2)	664	(12)
<b>Total AFS securities</b>	<b>6,772</b>	<b>(191)</b>	<b>5,729</b>	<b>(289)</b>	<b>12,501</b>	<b>(480)</b>
<b>AFS securities – related party</b>						
CLO	438	(7)	99	(5)	537	(12)
<b>Total AFS securities – related party</b>	<b>438</b>	<b>(7)</b>	<b>99</b>	<b>(5)</b>	<b>537</b>	<b>(12)</b>
<b>Total AFS securities including related party</b>	<b>\$ 7,210</b>	<b>\$ (198)</b>	<b>\$ 5,828</b>	<b>\$ (294)</b>	<b>\$ 13,038</b>	<b>\$ (492)</b>

<i>(In millions)</i>	December 31, 2018					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>AFS securities</b>						
U.S. government and agencies	\$ 32	\$ —	\$ 2	\$ —	\$ 34	\$ —
U.S. state, municipal and political subdivisions	139	(2)	82	(5)	221	(7)
Foreign governments	97	(2)	15	(1)	112	(3)
Corporate	20,213	(942)	4,118	(373)	24,331	(1,315)
CLO	5,054	(297)	90	(2)	5,144	(299)
ABS	1,336	(23)	506	(25)	1,842	(48)
CMBS	932	(27)	497	(33)	1,429	(60)
RMBS	1,417	(31)	140	(5)	1,557	(36)
<b>Total AFS securities</b>	<b>29,220</b>	<b>(1,324)</b>	<b>5,450</b>	<b>(444)</b>	<b>34,670</b>	<b>(1,768)</b>
<b>AFS securities – related party</b>						
CLO	534	(25)	—	—	534	(25)
ABS	306	(2)	116	(2)	422	(4)
<b>Total AFS securities – related party</b>	<b>840</b>	<b>(27)</b>	<b>116</b>	<b>(2)</b>	<b>956</b>	<b>(29)</b>
<b>Total AFS securities including related party</b>	<b>\$ 30,060</b>	<b>\$ (1,351)</b>	<b>\$ 5,566</b>	<b>\$ (446)</b>	<b>\$ 35,626</b>	<b>\$ (1,797)</b>

As of June 30, 2019, we held 1,360 AFS securities that were in an unrealized loss position. Of this total, 702 were in an unrealized loss position 12 months or more. As of June 30, 2019, we held 30 related party AFS securities that were in an unrealized loss position. Of this total, three were in an unrealized loss position 12 months or more. The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since acquisition. We did not recognize the unrealized losses in income as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Other-Than-Temporary Impairments**—For the six months ended June 30, 2019, we incurred \$7 million of net OTTI, of which \$4 million related to intent-to-sell impairments. The net remaining OTTI of \$3 million related to credit impairments where a portion was bifurcated in AOCI. Any credit loss impairments not bifurcated in AOCI are excluded from the rollforward below.

The following table represents a rollforward of the cumulative amounts recognized on the condensed consolidated statements of income for OTTI related to pre-tax credit loss impairments on AFS securities, for which a portion of the securities' total OTTI was recognized in AOCI:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Beginning balance	\$ 11	\$ 7	\$ 10	\$ 14
Initial impairments – credit loss OTTI recognized on securities not previously impaired	2	—	2	1
Additional impairments – credit loss OTTI recognized on securities previously impaired	—	—	1	—
Reduction in impairments from securities sold, matured or repaid	—	—	—	(8)
<b>Ending balance</b>	<b>\$ 13</b>	<b>\$ 7</b>	<b>\$ 13</b>	<b>\$ 7</b>

**Net Investment Income**—Net investment income by asset class consists of the following:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
AFS securities	\$ 763	\$ 719	\$ 1,516	\$ 1,387
Trading securities	49	54	91	98
Equity securities	4	2	7	4
Mortgage loans	159	104	310	195
Investment funds	102	58	112	123
Funds withheld at interest	134	86	297	132
Other	45	23	84	46
Investment revenue	1,256	1,046	2,417	1,985
Investment expenses	(95)	(88)	(190)	(172)
<b>Net investment income</b>	<b>\$ 1,161</b>	<b>\$ 958</b>	<b>\$ 2,227</b>	<b>\$ 1,813</b>

**Investment Related Gains (Losses)**—Investment related gains (losses) by asset class consists of the following:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
AFS securities				
Gross realized gains on investment activity	\$ 56	\$ 51	\$ 73	\$ 72
Gross realized losses on investment activity	(4)	(37)	(17)	(43)
Net realized investment gains on AFS securities	52	14	56	29
Net recognized investment gains (losses) on trading securities	79	(76)	128	(165)
Net recognized investment gains on equity securities	1	3	19	4
Derivative gains (losses)	1,181	46	2,873	(138)
Other gains	3	11	12	32
<b>Investment related gains (losses)</b>	<b>\$ 1,316</b>	<b>\$ (2)</b>	<b>\$ 3,088</b>	<b>\$ (238)</b>

Proceeds from sales of AFS securities were \$1,958 million and \$1,391 million for the three months ended June 30, 2019 and 2018, respectively, and \$3,211 million and \$2,938 million for the six months ended June 30, 2019 and 2018, respectively. Proceeds from sales of AFS securities for the three and six months ended June 30, 2018 have been revised for immaterial misstatements to be comparable to current year balances.

**ATHENE HOLDING LTD.**

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The following table summarizes the change in unrealized gains (losses) on trading and equity securities, including related party and consolidated VIEs, we held as of the respective period end:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Trading securities	\$ 98	\$ (41)	\$ 169	\$ (110)
Trading securities – related party	(13)	(4)	(16)	(6)
VIE trading securities – related party	—	1	1	1
Equity securities	2	4	20	4
Equity securities – related party	(3)	—	—	—
VIE equity securities – related party	(2)	(14)	(2)	(39)

**Purchased Credit Impaired (PCI) Investments**—The following table summarizes our PCI investments:

<i>(In millions)</i>	Fixed maturity securities		Mortgage loans	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Contractually required payments receivable	\$ 7,445	\$ 8,179	\$ 3,506	\$ 2,675
Less: Cash flows expected to be collected <sup>1</sup>	(6,547)	(7,195)	(3,448)	(2,628)
<b>Non-accretable difference</b>	<b>\$ 898</b>	<b>\$ 984</b>	<b>\$ 58</b>	<b>\$ 47</b>
Cash flows expected to be collected <sup>1</sup>	\$ 6,547	\$ 7,195	\$ 3,448	\$ 2,628
Less: Amortized cost	(5,165)	(5,518)	(2,588)	(1,931)
<b>Accretable difference</b>	<b>\$ 1,382</b>	<b>\$ 1,677</b>	<b>\$ 860</b>	<b>\$ 697</b>
<b>Fair value</b>	<b>\$ 5,604</b>	<b>\$ 5,828</b>	<b>\$ 2,695</b>	<b>\$ 1,933</b>
<b>Outstanding balance</b>	<b>6,360</b>	<b>6,773</b>	<b>2,916</b>	<b>2,210</b>

<sup>1</sup> Represents the undiscounted principal and interest cash flows expected.

During the period, we acquired PCI investments with the following amounts at the time of purchase:

<i>(In millions)</i>	June 30, 2019	
	Fixed maturity securities	Mortgage loans
Contractually required payments receivable	\$ 92	\$ 1,035
Cash flows expected to be collected	74	1,010
Fair value	64	800

The following table summarizes the activity for the accretable yield on PCI investments:

<i>(In millions)</i>	Three months ended June 30, 2019		Six months ended June 30, 2019	
	Fixed maturity securities	Mortgage loans	Fixed maturity securities	Mortgage loans
Beginning balance	\$ 1,576	\$ 712	\$ 1,677	\$ 697
Purchases of PCI investments, net of sales	(2)	113	6	153
Accretion	(81)	(29)	(172)	(61)
Net reclassification from (to) non-accretable difference	(111)	64	(129)	71
Ending balance at June 30	<b>\$ 1,382</b>	<b>\$ 860</b>	<b>\$ 1,382</b>	<b>\$ 860</b>

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**Mortgage Loans, including related party**—Mortgage loans, net of allowances, consists of the following:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Commercial mortgage loans	\$ 8,022	\$ 7,217
Commercial mortgage loans under development	95	80
<b>Total commercial mortgage loans</b>	<b>8,117</b>	<b>7,297</b>
Residential mortgage loans	4,082	3,334
<b>Mortgage loans, net of allowances</b>	<b>\$ 12,199</b>	<b>\$ 10,631</b>

We primarily invest in commercial mortgage loans on income producing properties including office and retail buildings, hotels, industrial properties and apartments. We diversify the commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. We evaluate mortgage loans based on relevant current information to confirm if properties are performing at a consistent and acceptable level to secure the related debt.

The distribution of commercial mortgage loans, including those under development, net of valuation allowances, by property type and geographic region, is as follows:

<i>(In millions, except for percentages)</i>	June 30, 2019		December 31, 2018	
	Net Carrying Value	Percentage of Total	Net Carrying Value	Percentage of Total
<b>Property type</b>				
Office building	\$ 2,650	32.6%	\$ 2,221	30.5%
Retail	1,553	19.1%	1,660	22.7%
Hotels	959	11.8%	1,040	14.3%
Industrial	1,246	15.4%	1,196	16.4%
Apartment	1,352	16.7%	791	10.8%
Other commercial	357	4.4%	389	5.3%
<b>Total commercial mortgage loans</b>	<b>\$ 8,117</b>	<b>100.0%</b>	<b>\$ 7,297</b>	<b>100.0%</b>
<b>U.S. Region</b>				
East North Central	\$ 895	11.0%	\$ 855	11.7%
East South Central	169	2.1%	295	4.0%
Middle Atlantic	1,488	18.3%	1,131	15.5%
Mountain	675	8.3%	616	8.4%
New England	349	4.3%	374	5.1%
Pacific	1,813	22.4%	1,540	21.1%
South Atlantic	1,729	21.3%	1,468	20.2%
West North Central	177	2.2%	173	2.4%
West South Central	822	10.1%	845	11.6%
<b>Total U.S. Region</b>	<b>8,117</b>	<b>100.0%</b>	<b>7,297</b>	<b>100.0%</b>
<b>Total commercial mortgage loans</b>	<b>\$ 8,117</b>	<b>100.0%</b>	<b>\$ 7,297</b>	<b>100.0%</b>

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Our residential mortgage loan portfolio includes first lien residential mortgage loans collateralized by properties and is summarized in the following table:

	June 30, 2019	December 31, 2018
<b>U.S. States</b>		
California	29.6%	30.3%
Florida	13.6%	16.3%
Texas	5.5%	3.3%
New York	3.8%	7.7%
Other <sup>1</sup>	36.9%	42.4%
<b>Total U.S. residential mortgage loan percentage</b>	<b>89.4%</b>	<b>100.0%</b>
<b>International residential mortgage loan percentage</b>	<b>10.6%</b>	<b>—%</b>
<b>Total residential mortgage loan percentage</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup>Represents all other states, with each individual state comprising less than 5% of the portfolio.

**Mortgage Loan Valuation Allowance**—The assessment of mortgage loan impairments and valuation allowances is substantially the same for residential and commercial mortgage loans. The valuation allowance was \$2 million as of June 30, 2019 and December 31, 2018. We did not record any material activity in the valuation allowance during the six months ended June 30, 2019 or 2018.

*Residential mortgage loans* – The primary credit quality indicator of residential mortgage loans is loan performance. Nonperforming residential mortgage loans are 90 days or more past due and/or are in non-accrual status. As of June 30, 2019 and December 31, 2018, \$58 million and \$48 million, respectively, of our residential mortgage loans were nonperforming.

*Commercial mortgage loans* – As of June 30, 2019 and December 31, 2018, none of our commercial loans were 30 days or more past due.

Loan-to-value and debt service coverage ratios are measures we use to assess the risk and quality of commercial mortgage loans other than those under development. Loans under development are not evaluated using these ratios as the properties underlying these loans are generally not yet income-producing and the value of the underlying property significantly fluctuates based on the progress of construction. Therefore, the risk and quality of loans under development are evaluated based on the aging and geographical distribution of such loans as shown above.

The loan-to-value ratio is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A loan-to-value ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The following represents the loan-to-value ratio of the commercial mortgage loan portfolio, excluding those under development, net of valuation allowances:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Less than 50%	\$ 2,110	\$ 1,883
50% to 60%	2,138	1,988
61% to 70%	3,024	2,394
71% to 80%	747	898
81% to 100%	3	54
<b>Commercial mortgage loans</b>	<b>\$ 8,022</b>	<b>\$ 7,217</b>

The debt service coverage ratio, based upon the most recent financial statements, is expressed as a percentage of a property's net operating income to its debt service payments. A debt service ratio of less than 1.0 indicates a property's operations do not generate enough income to cover debt payments. The following represents the debt service coverage ratio of the commercial mortgage loan portfolio, excluding those under development, net of valuation allowances:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Greater than 1.20x	\$ 7,220	\$ 6,576
1.00x – 1.20x	394	474
Less than 1.00x	408	167
<b>Commercial mortgage loans</b>	<b>\$ 8,022</b>	<b>\$ 7,217</b>

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**Investment Funds**—Our investment fund portfolio consists of funds that employ various strategies and include investments in real estate and other real assets, credit, equity, natural resources and hedge funds. Investment funds can meet the definition of VIEs. Our investment funds do not specify timing of distributions on the funds' underlying assets.

The following summarizes our investment funds, including related party and those owned by consolidated VIEs:

	June 30, 2019		December 31, 2018 <sup>1</sup>	
	Carrying value	Percent of total	Carrying value	Percent of total
<i>(In millions, except for percentages and years)</i>				
<b>Investment funds</b>				
Real estate	\$ 249	34.5%	\$ 215	30.6%
Credit funds	169	23.4%	172	24.5%
Private equity	246	34.1%	253	36.0%
Real assets	57	7.9%	56	7.9%
Natural resources	1	0.1%	4	0.6%
Other	—	—%	3	0.4%
<b>Total investment funds</b>	<b>722</b>	<b>100.0%</b>	<b>703</b>	<b>100.0%</b>
<b>Investment funds – related parties</b>				
<b>Differentiated investments</b>				
AmeriHome Mortgage Company, LLC (AmeriHome) <sup>2</sup>	452	17.5%	463	20.7%
Catalina Holdings Ltd. (Catalina)	262	10.2%	233	10.4%
Athora Holding Ltd. (Athora) <sup>2</sup>	127	4.9%	105	4.7%
Venerable Holdings, Inc. (Venerable) <sup>2</sup>	98	3.8%	92	4.1%
Other	221	8.6%	196	8.8%
<b>Total differentiated investments</b>	<b>1,160</b>	<b>45.0%</b>	<b>1,089</b>	<b>48.7%</b>
Real estate	614	23.8%	497	22.3%
Credit funds	352	13.7%	316	14.2%
Private equity	67	2.6%	18	0.8%
Real assets	150	5.8%	145	6.5%
Natural resources	144	5.6%	104	4.7%
Public equities	91	3.5%	63	2.8%
<b>Total investment funds – related parties</b>	<b>2,578</b>	<b>100.0%</b>	<b>2,232</b>	<b>100.0%</b>
<b>Investment funds owned by consolidated VIEs</b>				
MidCap FinCo Designated Activity Company (MidCap) <sup>2</sup>	554	90.5%	553	88.6%
Real estate	41	6.7%	30	4.8%
Real assets	17	2.8%	41	6.6%
<b>Total investment funds owned by consolidated VIEs</b>	<b>612</b>	<b>100.0%</b>	<b>624</b>	<b>100.0%</b>
<b>Total investment funds including related parties and funds owned by consolidated VIEs</b>	<b>\$ 3,912</b>		<b>\$ 3,559</b>	

<sup>1</sup> Certain reclassifications have been made to conform with current year presentation.

<sup>2</sup> See further discussions on AmeriHome, Athora, Venerable and MidCap in Note 8 – Related Parties.

**Non-Consolidated Securities and Investment Funds**

*Fixed maturity securities* – We invest in securitization entities as a debt holder or an investor in the residual interest of the securitization vehicle. These entities are deemed VIEs due to insufficient equity within the structure and lack of control by the equity investors over the activities that significantly impact the economics of the entity. In general, we are a debt investor within these entities and, as such, hold a variable interest; however, due to the debt holders' lack of ability to control the decisions within the trust that significantly impact the entity, and the fact the debt holders are protected from losses due to the subordination of the equity tranche, the debt holders are not deemed the primary beneficiary. Securitization vehicles in which we hold the residual tranche are not consolidated because we do not unilaterally have substantive rights to remove the general partner, or when assessing related party interests, we are not under common control, as defined by GAAP, with the related party, nor are substantially all of the activities conducted on our behalf; therefore, we are not deemed the primary beneficiary. Debt investments and investments in the residual tranche of securitization entities are considered debt instruments and are held at fair value on the balance sheet and classified as AFS or trading.

*Investment funds* – Investment funds include non-fixed income, alternative investments in the form of limited partnerships or similar legal structures.



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*Equity securities* – We invest in preferred equity securities issued by entities deemed to be VIEs due to insufficient equity within the structure.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds, equity securities and trading securities are limited to the carrying value plus unfunded commitments. AFS securities are limited to amortized cost plus unfunded commitments.

The following summarizes the carrying value and maximum loss exposure of these non-consolidated investments:

<i>(In millions)</i>	June 30, 2019		December 31, 2018	
	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Investment funds	\$ 722	\$ 1,274	\$ 703	\$ 1,329
Investment in related parties – investment funds	2,578	4,527	2,232	4,331
Assets of consolidated VIEs – investment funds	612	703	624	727
Investment in fixed maturity securities	22,833	22,218	21,188	21,139
Investment in related parties – fixed maturity securities	2,048	2,110	1,686	1,788
Investment in related parties – equity securities	344	344	120	120
<b>Total non-consolidated investments</b>	<b>\$ 29,137</b>	<b>\$ 31,176</b>	<b>\$ 26,553</b>	<b>\$ 29,434</b>

**3. Derivative Instruments**

We use a variety of derivative instruments to manage risks, primarily equity, interest rate, credit, foreign currency and market volatility. See *Note 4 – Fair Value* for information about the fair value hierarchy for derivatives.

The following table presents the notional amount and fair value of derivative instruments:

<i>(In millions)</i>	June 30, 2019			December 31, 2018		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
<b>Derivatives designated as hedges</b>						
Foreign currency swaps	2,487	\$ 124	\$ 48	2,041	\$ 83	\$ 55
Foreign currency forwards	246	—	1	85	—	1
<b>Total derivatives designated as hedges</b>		124	49		83	56
<b>Derivatives not designated as hedges</b>						
Equity options	49,351	2,153	19	49,821	942	11
Futures	7	6	1	4	9	3
Total return swaps	60	—	—	62	—	3
Foreign currency swaps	38	3	1	38	3	2
Interest rate swaps	310	—	1	326	—	1
Credit default swaps	10	—	4	10	—	4
Foreign currency forwards	2,645	13	5	646	6	5
<b>Embedded derivatives</b>						
Funds withheld including related party	—	1,205	24	—	(53)	(1)
Interest sensitive contract liabilities	—	—	9,905	—	—	7,969
<b>Total derivatives not designated as hedges</b>		3,380	9,960		907	7,997
<b>Total derivatives</b>		<b>\$ 3,504</b>	<b>\$ 10,009</b>		<b>\$ 990</b>	<b>\$ 8,053</b>

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**Derivatives Designated as Hedges**

*Foreign currency swaps* – We use foreign currency swaps to convert foreign currency denominated cash flows of an investment to U.S. dollars to reduce cash flow fluctuations due to changes in currency exchange rates. Certain of these swaps are designated and accounted for as cash flow hedges, which will expire by July 2049. During the three months ended June 30, 2019 and 2018, we had foreign currency swap gains of \$55 million and \$101 million, respectively, recorded in AOCI. During the six months ended June 30, 2019 and 2018, we had foreign currency swap gains of \$47 million and \$45 million, respectively, recorded in AOCI. There were no amounts reclassified to income and no amounts deemed ineffective for the six months ended June 30, 2019 and 2018. As of June 30, 2019, no amounts are expected to be reclassified to income within the next 12 months.

*Foreign currency forwards* – We use foreign currency forward contracts to hedge certain exposures to foreign currency risk. The price is agreed upon at the time of the contract and payment is made at a specified future date. Certain of these forwards entered into during the fourth quarter of 2018 are designated and accounted for as fair value hedges. As of June 30, 2019 and December 31, 2018, the carrying amount of the hedged AFS securities – CLOs was \$246 million and \$88 million, respectively, and the cumulative amount of fair value hedging adjustments included in the hedged AFS securities – CLOs included gains of \$0 million and \$1 million, respectively. The gains and losses on derivatives and the related hedged items in fair value hedge relationships are recorded in investment related gains (losses) on the condensed consolidated statements of income. The derivatives had losses of \$3 million during the three months ended June 30, 2019 and \$0 million for the six months ended June 30, 2019, and the related hedged items had losses of \$4 million during the three months ended June 30, 2019 and \$1 million for the six months ended June 30, 2019.

**Derivatives Not Designated as Hedges**

*Equity options* – We use equity indexed options to economically hedge fixed indexed annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index, primarily the S&P 500. To hedge against adverse changes in equity indices, we enter into contracts to buy equity indexed options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

*Futures* – Futures contracts are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. We enter into exchange-traded futures with regulated futures commission clearing brokers who are members of a trading exchange. Under exchange-traded futures contracts, we agree to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily fair values of those contracts.

*Total return swaps* – We purchase total rate of return swaps to gain exposure and benefit from a reference asset or index without ownership. Total rate of return swaps are contracts in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset or index, which includes both the income it generates and any capital gains.

*Interest rate swaps* – We use interest rate swaps to reduce market risks from interest rate changes and to alter interest rate exposure arising from duration mismatches between assets and liabilities. With an interest rate swap, we agree with another party to exchange the difference between fixed-rate and floating-rate interest amounts tied to an agreed-upon notional principal amount at specified intervals. Certain of these swaps entered into during the fourth quarter of 2016 were designated as fair value hedges. These fair value hedges were redesignated during the second quarter of 2018 and there was no material impact as a result.

*Credit default swaps* – Credit default swaps provide a measure of protection against the default of an issuer or allow us to gain credit exposure to an issuer or traded index. We use credit default swaps coupled with a bond to synthetically create the characteristics of a reference bond. These transactions have a lower cost and are generally more liquid relative to the cash market. We receive a periodic premium for these transactions as compensation for accepting credit risk.

Hedging credit risk involves buying protection for existing credit risk. The exposure resulting from the agreements, which is usually the notional amount, is equal to the maximum proceeds that must be paid by a counterparty for a defaulted security. If a credit event occurs on a reference entity, then a counterparty who sold protection is required to pay the buyer the trade notional amount less any recovery value of the security.

*Embedded derivatives* – We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on a modified coinsurance (modco) or funds withheld basis and indexed annuity products.

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The following is a summary of the gains (losses) related to derivatives not designated as hedges:

(In millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Equity options	\$ 439	\$ 89	\$ 1,288	\$ (53)
Futures	(3)	1	(14)	(4)
Swaps	11	(9)	29	(7)
Foreign currency forwards	(1)	14	5	7
Embedded derivatives on funds withheld	735	(49)	1,565	(81)
<b>Amounts recognized in investment related gains (losses)</b>	<b>1,181</b>	<b>46</b>	<b>2,873</b>	<b>(138)</b>
Embedded derivatives in indexed annuity products <sup>1</sup>	(638)	44	(1,655)	291
<b>Total gains (losses) on derivatives not designated as hedges</b>	<b>\$ 543</b>	<b>\$ 90</b>	<b>\$ 1,218</b>	<b>\$ 153</b>

<sup>1</sup> Included in interest sensitive contract benefits.

**Credit Risk**—We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair value at the reporting date less any collateral received from the counterparty.

We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties. Where possible, we maintain collateral arrangements and use master netting agreements that provide for a single net payment from one counterparty to another at each due date and upon termination. We have also established counterparty exposure limits, where possible, in order to evaluate if there is sufficient collateral to support the net exposure.

Collateral arrangements typically require the posting of collateral in connection with its derivative instruments. Collateral agreements often contain posting thresholds, some of which may vary depending on the posting party's financial strength ratings. Additionally, a decrease in our financial strength rating to a specified level can result in settlement of the derivative position.

The estimated fair value of our net derivative and other financial assets and liabilities after the application of master netting agreements and collateral were as follows:

(In millions)	Gross amount recognized <sup>1</sup>	Gross amounts not offset on the condensed consolidated balance sheets		Net amount	Off-balance sheet securities collateral <sup>3</sup>	Net amount after securities collateral
		Financial instruments <sup>2</sup>	Collateral received/pledged			
<b>June 30, 2019</b>						
Derivative assets	\$ 2,299	\$ (64)	\$ (2,183)	\$ 52	\$ —	\$ 52
Derivative liabilities	(80)	64	10	(6)	—	(6)
<b>December 31, 2018</b>						
Derivative assets	\$ 1,043	\$ (52)	\$ (969)	\$ 22	\$ (4)	\$ 18
Derivative liabilities	(85)	52	24	(9)	—	(9)

<sup>1</sup> The gross amounts of recognized derivative assets and derivative liabilities are reported on the condensed consolidated balance sheets. As of June 30, 2019 and December 31, 2018, amounts not subject to master netting or similar agreements were immaterial.

<sup>2</sup> Represents amounts offsetting derivative assets and derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative assets or gross derivative liabilities for presentation on the condensed consolidated balance sheets.

<sup>3</sup> For non-cash collateral received, we do not recognize the collateral on our balance sheet unless the obligor (transferor) has defaulted under the terms of the secured contract and is no longer entitled to redeem the pledged asset. Amounts do not include any excess of collateral pledged or received.

#### 4. Fair Value

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets,
- Observable inputs other than quoted market prices, and
- Observable inputs derived principally from market data through correlation or other means.

Level 3 – Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing or other similar techniques.

NAV – Investment funds are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. The underlying investments of the investment funds may have significant unobservable inputs, which may include but are not limited to, comparable multiples and weighted average cost of capital rates applied in valuation models or a discounted cash flow model.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the instrument's fair value measurement.

We use a number of valuation sources to determine fair values. Valuation sources can include quoted market prices; third-party commercial pricing services; third-party brokers; industry-standard, vendor modeling software that uses market observable inputs; and other internal modeling techniques based on projected cash flows. We periodically review the assumptions and inputs of third-party commercial pricing services through internal valuation price variance reviews, comparisons to internal pricing models, back testing to recent trades, or monitoring trading volumes.

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following represents the hierarchy for our assets and liabilities measured at fair value on a recurring basis:

(In millions)	June 30, 2019				
	Total	NAV	Level 1	Level 2	Level 3
<b>Assets</b>					
AFS securities					
U.S. government and agencies	\$ 60	\$ —	\$ 60	\$ —	\$ —
U.S. state, municipal and political subdivisions	1,407	—	—	1,367	40
Foreign governments	324	—	—	324	—
Corporate	42,800	—	—	41,979	821
CLO	6,641	—	—	6,441	200
ABS	5,232	—	—	3,836	1,396
CMBS	2,790	—	—	2,584	206
RMBS	7,624	—	—	7,624	—
Total AFS securities	66,878	—	60	64,155	2,663
Trading securities					
U.S. government and agencies	5	—	3	2	—
U.S. state, municipal and political subdivisions	134	—	—	134	—
Foreign governments	30	—	—	30	—
Corporate	1,666	—	—	1,660	6
CLO	35	—	—	28	7
ABS	91	—	—	85	6
CMBS	51	—	—	51	—
RMBS	369	—	—	323	46
Total trading securities	2,381	—	3	2,313	65
Equity securities	336	—	47	286	3
Mortgage loans	32	—	—	—	32
Investment funds	163	138	—	—	25
Funds withheld at interest – embedded derivative	704	—	—	—	704
Derivative assets	2,299	—	6	2,293	—
Short-term investments	288	—	56	187	45
Other investments	52	—	—	52	—
Cash and cash equivalents	4,847	—	4,847	—	—
Restricted cash	391	—	391	—	—
Investments in related parties					
AFS securities					
Corporate	3	—	—	3	—
CLO	782	—	—	745	37
ABS	955	—	—	556	399
Total AFS securities – related party	1,740	—	—	1,304	436
Trading securities					
CLO	93	—	—	19	74
ABS	218	—	—	—	218
Total trading securities – related party	311	—	—	19	292
Equity securities	344	—	—	—	344
Investment funds	241	114	—	—	127
Funds withheld at interest – embedded derivative	501	—	—	—	501
Reinsurance recoverable	1,834	—	—	—	1,834
Assets of consolidated VIEs					
Trading securities	21	—	—	—	21
Equity securities	6	—	—	—	6
Investment funds	568	554	—	—	14
Cash and cash equivalents	1	—	1	—	—
<b>Total assets measured at fair value</b>	<b>\$ 83,938</b>	<b>\$ 806</b>	<b>\$ 5,411</b>	<b>\$ 70,609</b>	<b>\$ 7,112</b>

(Continued)

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

(In millions)	June 30, 2019				
	Total	NAV	Level 1	Level 2	Level 3
<b>Liabilities</b>					
<b>Interest sensitive contract liabilities</b>					
Embedded derivative	\$ 9,905	\$ —	\$ —	\$ —	\$ 9,905
Universal life benefits	1,051	—	—	—	1,051
<b>Future policy benefits</b>					
AmerUs Life Insurance Company (AmerUs) Closed Block	1,535	—	—	—	1,535
Indianapolis Life Insurance Company (ILICO) Closed Block and life benefits	769	—	—	—	769
Derivative liabilities	80	—	1	75	4
Funds withheld liability – embedded derivative	24	—	—	24	—
<b>Total liabilities measured at fair value</b>	<b>\$ 13,364</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 99</b>	<b>\$ 13,264</b>

(Concluded)

(In millions)	December 31, 2018				
	Total	NAV	Level 1	Level 2	Level 3
<b>Assets</b>					
<b>AFS securities</b>					
U.S. government and agencies	\$ 57	\$ —	\$ 54	\$ 3	\$ —
U.S. state, municipal and political subdivisions	1,293	—	—	1,293	—
Foreign governments	161	—	—	161	—
Corporate	37,097	—	—	36,199	898
CLO	5,361	—	—	5,254	107
ABS	4,920	—	—	3,305	1,615
CMBS	2,357	—	—	2,170	187
RMBS	8,019	—	—	7,963	56
Total AFS securities	59,265	—	54	56,348	2,863
<b>Trading securities</b>					
U.S. government and agencies	5	—	3	2	—
U.S. state, municipal and political subdivisions	126	—	—	126	—
Corporate	1,287	—	—	1,287	—
CLO	9	—	—	8	1
ABS	87	—	—	87	—
CMBS	49	—	—	49	—
RMBS	386	—	—	252	134
Total trading securities	1,949	—	3	1,811	135
Equity securities	216	—	40	173	3
Mortgage loans	32	—	—	—	32
Investment funds	182	153	—	—	29
Funds withheld at interest – embedded derivative	57	—	—	—	57
Derivative assets	1,043	—	9	1,034	—
Short-term investments	191	—	66	125	—
Other investments	52	—	—	52	—
Cash and cash equivalents	2,911	—	2,911	—	—
Restricted cash	492	—	492	—	—

(Continued)

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

<i>(In millions)</i>	December 31, 2018				
	Total	NAV	Level 1	Level 2	Level 3
<b>Investments in related parties</b>					
AFS securities					
CLO	562	—	—	562	—
ABS	875	—	—	547	328
Total AFS securities – related party	1,437	—	—	1,109	328
Trading securities					
CLO	100	—	—	22	78
ABS	149	—	—	—	149
Total trading securities – related party	249	—	—	22	227
Equity securities	120	—	—	—	120
Investment funds	201	96	—	—	105
Funds withheld at interest – embedded derivative	(110)	—	—	—	(110)
Reinsurance recoverable	1,676	—	—	—	1,676
<b>Assets of consolidated VIEs</b>					
Trading securities	35	—	—	—	35
Equity securities	50	—	37	—	13
Investment funds	567	552	—	—	15
Cash and cash equivalents	2	—	2	—	—
<b>Total assets measured at fair value</b>	<u>\$ 70,617</u>	<u>\$ 801</u>	<u>\$ 3,614</u>	<u>\$ 60,674</u>	<u>\$ 5,528</u>
<b>Liabilities</b>					
<b>Interest sensitive contract liabilities</b>					
Embedded derivative	\$ 7,969	\$ —	\$ —	\$ —	\$ 7,969
Universal life benefits	932	—	—	—	932
<b>Future policy benefits</b>					
AmerUs Closed Block	1,443	—	—	—	1,443
ILICO Closed Block and life benefits	730	—	—	—	730
<b>Derivative liabilities</b>	85	—	3	78	4
Funds withheld liability – embedded derivative	(1)	—	—	(1)	—
<b>Total liabilities measured at fair value</b>	<u>\$ 11,158</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 77</u>	<u>\$ 11,078</u>

*(Concluded)*

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Fair Value Valuation Methods**—We used the following valuation methods and assumptions to estimate fair value:

*AFS and trading securities* – We obtain the fair value for most marketable securities without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes U.S. and non-U.S. corporate bonds, U.S. agency and government guaranteed securities, CLO, ABS, CMBS and RMBS.

We also have fixed maturity securities priced based on indicative broker quotes or by employing market accepted valuation models. For certain fixed maturity securities, the valuation model uses significant unobservable inputs and are included in Level 3 in our fair value hierarchy. Significant unobservable inputs used include: issue specific credit adjustments, material non-public financial information, estimation of future earnings and cash flows, default rate assumptions, liquidity assumptions and indicative quotes from market makers. These inputs are usually considered unobservable, as not all market participants have access to this data.

We value privately placed fixed maturity securities based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer with similar characteristics. In some instances, we use a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer and cash flow characteristics of the security. We also consider additional factors such as net worth of the borrower, value of collateral, capital structure of the borrower, presence of guarantees and our evaluation of the borrower's ability to compete in its relevant market. Privately placed fixed maturity securities are classified as Level 2 or 3.

*Equity securities* – Fair values of publicly traded equity securities are based on quoted market prices and classified as Level 1. Other equity securities, typically private equities or equity securities not traded on an exchange, we value based on other sources, such as commercial pricing services or brokers and are classified as Level 2 or 3.

*Mortgage loans* – Mortgage loans for which we have elected the fair value option or those held for sale are carried at fair value. We estimate fair value on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

*Investment funds* – Certain investment funds for which we elected the fair value option are included in Level 3 and are priced based on market accepted valuation models. The valuation models use significant unobservable inputs, which include material non-public financial information, estimation of future distributable earnings and demographic assumptions. These inputs are usually considered unobservable, as not all market participants have access to this data.

*Funds withheld (embedded derivative)* – We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld payable under the combined coinsurance, modco and coinsurance funds withheld reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 2 or 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

*Derivatives* – Derivative contracts can be exchange traded or over-the-counter. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on trading activity. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlation of the inputs. We consider and incorporate counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. We also evaluate and include our own nonperformance risk in valuing derivatives. The majority of our derivatives trade in liquid markets; therefore, we can verify model inputs and model selection does not involve significant management judgment. These are typically classified within Level 2 of the fair value hierarchy.

*Cash and cash equivalents including restricted cash* – The carrying amount for cash equals fair value. We estimate the fair value for cash equivalents based on quoted market prices. These assets are classified as Level 1.

*Interest sensitive contract liabilities (embedded derivative)* – Embedded derivatives related to interest sensitive contract liabilities with fixed indexed annuity products are classified as Level 3. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions for policyholder behavior.

*AmerUs Closed Block* – We elected the fair value option for the future policy benefits liability in the AmerUs Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component is the present value of the projected release of required capital and future earnings before income taxes on required capital supporting the AmerUs Closed Block, discounted at a rate which represents a market participant's required rate of return, less the initial required capital. Unobservable inputs include estimates for these items. The AmerUs Closed Block policyholder liabilities and any corresponding reinsurance recoverable are classified as Level 3.



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*ILICO Closed Block* – We elected the fair value option for the ILICO Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component uses the present value of future cash flows which include commissions, administrative expenses, reinsurance premiums and benefits, and an explicit cost of capital. The discount rate includes a margin to reflect the business and nonperformance risk. Unobservable inputs include estimates for these items. The ILICO Closed Block policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

*Universal life liabilities and other life benefits* – We elected the fair value option for certain blocks of universal and other life business ceded to Global Atlantic. We use a present value of liability cash flows. Unobservable inputs include estimates of mortality, persistency, expenses, premium payments and a risk margin used in the discount rates that reflects the riskiness of the business. These universal life policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

**Fair Value Option**—The following represents the gains (losses) recorded for instruments for which we have elected the fair value option, including related parties and consolidated VIEs:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Trading securities	\$ 78	\$ (75)	\$ 128	\$ (164)
Mortgage loans	1	—	1	—
Investment funds	4	13	—	15
Future policy benefits	(52)	51	(92)	135
<b>Total gains (losses)</b>	<b>\$ 31</b>	<b>\$ (11)</b>	<b>\$ 37</b>	<b>\$ (14)</b>

Gains and losses on trading securities are recorded in investment related gains (losses) on the condensed consolidated statements of income. For fair value option mortgage loans, we record interest income in net investment income and subsequent changes in fair value in investment related gains (losses) on the condensed consolidated statements of income. Gains and losses related to investment funds, including related party investment funds, are recorded in net investment income on the condensed consolidated statements of income. We record the change in fair value of future policy benefits to future policy and other policy benefits on the condensed consolidated statements of income.

The following summarizes information for fair value option mortgage loans:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Unpaid principal balance	\$ 29	\$ 30
Mark to fair value	3	2
<b>Fair value</b>	<b>\$ 32</b>	<b>\$ 32</b>

There were no fair value option mortgage loans 90 days or more past due as of June 30, 2019 and December 31, 2018.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Level 3 Financial Instruments**—The following is a reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis:

(In millions)	Three months ended June 30, 2019									
	Beginning Balance	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Transfers		Ending Balance	Total gains (losses) included in earnings <sup>1</sup>		
		Included in income	Included in OCI		In	(Out)				
<b>Assets</b>										
AFS securities										
U.S. state, municipal and political subdivisions	\$ —	\$ —	\$ —	\$ 40	\$ —	\$ —	\$ 40	\$ —		
Corporate	1,035	3	12	32	1	(262)	821	—		
CLO	110	—	—	122	—	(32)	200	—		
ABS	1,614	2	19	120	—	(359)	1,396	—		
CMBS	174	—	1	39	—	(8)	206	—		
RMBS	57	—	3	—	—	(60)	—	—		
Trading securities										
Corporate	10	1	—	—	—	(5)	6	1		
CLO	8	(1)	—	—	—	—	7	6		
ABS	6	—	—	—	—	—	6	—		
RMBS	86	(2)	—	—	1	(39)	46	2		
Equity securities	3	—	—	—	—	—	3	1		
Mortgage loans	32	1	—	(1)	—	—	32	—		
Investment funds	25	2	—	(2)	—	—	25	2		
Funds withheld at interest – embedded derivative	446	258	—	—	—	—	704	—		
Short-term investments	—	—	—	45	—	—	45	—		
Investments in related parties										
AFS securities										
CLO	—	—	—	37	—	—	37	—		
ABS	497	—	13	(8)	—	(103)	399	—		
Trading securities										
CLO	55	(1)	—	(10)	30	—	74	(1)		
ABS	138	(7)	—	(17)	104	—	218	(14)		
Equity securities	301	7	—	36	—	—	344	(3)		
Investment funds	124	3	—	—	—	—	127	3		
Funds withheld at interest – embedded derivative	214	287	—	—	—	—	501	—		
Reinsurance recoverable	1,737	97	—	—	—	—	1,834	—		
Investments of consolidated VIEs										
Trading securities	34	(1)	—	(37)	25	—	21	—		
Equity securities	6	—	—	—	—	—	6	(2)		
Investment funds	14	—	—	—	—	—	14	(1)		
<b>Total Level 3 assets</b>	<b>\$ 6,726</b>	<b>\$ 649</b>	<b>\$ 48</b>	<b>\$ 396</b>	<b>\$ 161</b>	<b>\$ (868)</b>	<b>\$ 7,112</b>	<b>\$ (6)</b>		
<b>Liabilities</b>										
Interest sensitive contract liabilities										
Embedded derivative	\$ (9,106)	\$ (638)	\$ —	\$ (161)	\$ —	\$ —	\$ (9,905)	\$ —		
Universal life benefits	(979)	(72)	—	—	—	—	(1,051)	—		
Future policy benefits										
AmerUs Closed Block	(1,483)	(52)	—	—	—	—	(1,535)	—		
ILICO Closed Block and life benefits	(743)	(26)	—	—	—	—	(769)	—		
Derivative liabilities	(4)	—	—	—	—	—	(4)	—		
<b>Total Level 3 liabilities</b>	<b>\$ (12,315)</b>	<b>\$ (788)</b>	<b>\$ —</b>	<b>\$ (161)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (13,264)</b>	<b>\$ —</b>		

<sup>1</sup> Related to instruments held at end of period.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

(In millions)	Three months ended June 30, 2018							
	Beginning Balance	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Transfers		Ending Balance	Total gains (losses) included in earnings <sup>1</sup>
		Included in income	Included in OCI		In	(Out)		
<b>Assets</b>								
AFS securities								
Corporate	\$ 681	\$ (8)	\$ (5)	\$ 290	\$ 28	\$ (24)	\$ 962	\$ —
CLO	167	—	—	211	32	(129)	281	—
ABS	1,290	3	(9)	273	—	(110)	1,447	—
CMBS	63	—	1	152	—	(19)	197	—
RMBS	38	—	—	—	—	(31)	7	—
Trading securities								
U.S. state, municipal and political subdivisions	17	—	—	—	—	—	17	—
Corporate	—	—	—	4	—	—	4	—
CLO	1	—	—	—	26	(1)	26	—
ABS	—	—	—	—	89	—	89	—
RMBS	321	(17)	—	—	—	—	304	3
Equity securities	—	1	—	1	—	—	2	1
Mortgage loans	41	—	—	(3)	—	—	38	—
Investment funds	25	6	—	—	—	—	31	6
Funds withheld at interest – embedded derivative	207	(57)	—	—	—	—	150	—
Investments in related parties								
AFS securities								
CLO	62	—	—	38	—	(61)	39	—
ABS	4	—	—	46	—	—	50	—
Trading securities								
CLO	91	(1)	—	—	24	—	114	1
ABS	171	(7)	—	—	—	—	164	(7)
Investment funds	111	(6)	—	—	—	—	105	(6)
Funds withheld at interest – embedded derivative	—	162	—	—	—	—	162	—
Short-term investments	—	—	—	10	—	—	10	—
Reinsurance recoverable	1,713	4	—	—	—	—	1,717	—
Investments of consolidated VIEs								
Trading securities	47	1	—	—	—	—	48	1
Equity securities	28	(2)	—	—	—	—	26	(2)
Investment funds	20	(3)	—	(16)	—	—	1	(3)
<b>Total Level 3 assets</b>	<b>\$ 5,098</b>	<b>\$ 76</b>	<b>\$ (13)</b>	<b>\$ 1,006</b>	<b>\$ 199</b>	<b>\$ (375)</b>	<b>\$ 5,991</b>	<b>\$ (6)</b>
<b>Liabilities</b>								
Interest sensitive contract liabilities								
Embedded derivative	\$ (7,220)	\$ 44	\$ —	\$ (912)	\$ —	\$ —	\$ (8,088)	\$ —
Universal life benefits	(934)	(9)	—	—	—	—	(943)	—
Future policy benefits								
AmerUs Closed Block	(1,541)	51	—	—	—	—	(1,490)	—
ILICO Closed Block and life benefits	(764)	5	—	—	—	—	(759)	—
Derivative liabilities	(5)	—	—	—	—	—	(5)	—
<b>Total Level 3 liabilities</b>	<b>\$ (10,464)</b>	<b>\$ 91</b>	<b>\$ —</b>	<b>\$ (912)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (11,285)</b>	<b>\$ —</b>

<sup>1</sup> Related to instruments held at end of period.

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

(In millions)	Six months ended June 30, 2019									
	Beginning Balance	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Transfers		Ending Balance	Total gains (losses) included in earnings <sup>1</sup>		
		Included in income	Included in OCI		In	(Out)				
<b>Assets</b>										
AFS securities										
U.S. state, municipal and political subdivisions	\$ —	\$ —	\$ —	\$ 40	\$ —	\$ —	\$ 40	\$ —		
Corporate	898	1	10	47	—	(135)	821	—		
CLO	107	—	3	121	—	(31)	200	—		
ABS	1,615	4	36	129	—	(388)	1,396	—		
CMBS	187	1	4	32	—	(18)	206	—		
RMBS	56	—	3	1	—	(60)	—	—		
Trading securities										
Corporate	—	—	—	—	6	—	6	—		
CLO	1	(1)	—	—	7	—	7	6		
ABS	—	—	—	6	—	—	6	—		
RMBS	134	(5)	—	—	2	(85)	46	5		
Equity securities	3	—	—	—	—	—	3	—		
Mortgage loans	32	1	—	(1)	—	—	32	1		
Investment funds	29	(1)	—	(3)	—	—	25	(2)		
Funds withheld at interest – embedded derivative	57	647	—	—	—	—	704	—		
Short-term investments	—	—	—	45	—	—	45	—		
Investments in related parties										
AFS securities										
CLO	—	—	—	37	—	—	37	—		
ABS	328	—	13	161	—	(103)	399	—		
Trading securities										
CLO	78	(2)	—	(10)	21	(13)	74	2		
ABS	149	(18)	—	(17)	104	—	218	(17)		
Equity securities	120	11	—	213	—	—	344	—		
Investment funds	105	3	—	19	—	—	127	3		
Funds withheld at interest – embedded derivative	(110)	611	—	—	—	—	501	—		
Reinsurance recoverable	1,676	158	—	—	—	—	1,834	—		
Investments of consolidated VIEs										
Trading securities	35	(1)	—	(38)	25	—	21	—		
Equity securities	13	(2)	—	(5)	—	—	6	(2)		
Investment funds	15	(1)	—	—	—	—	14	(1)		
<b>Total Level 3 assets</b>	<b>\$ 5,528</b>	<b>\$ 1,406</b>	<b>\$ 69</b>	<b>\$ 777</b>	<b>\$ 165</b>	<b>\$ (833)</b>	<b>\$ 7,112</b>	<b>\$ (5)</b>		
<b>Liabilities</b>										
Interest sensitive contract liabilities										
Embedded derivative	\$ (7,969)	\$ (1,655)	\$ —	\$ (281)	\$ —	\$ —	\$ (9,905)	\$ —		
Universal life benefits	(932)	(119)	—	—	—	—	(1,051)	—		
Future policy benefits										
AmerUs Closed Block	(1,443)	(92)	—	—	—	—	(1,535)	—		
ILICO Closed Block and life benefits	(730)	(39)	—	—	—	—	(769)	—		
Derivative liabilities	(4)	—	—	—	—	—	(4)	—		
<b>Total Level 3 liabilities</b>	<b>\$ (11,078)</b>	<b>\$ (1,905)</b>	<b>\$ —</b>	<b>\$ (281)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (13,264)</b>	<b>\$ —</b>		

<sup>1</sup> Related to instruments held at end of period.

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ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Six months ended June 30, 2018									
	Beginning balance	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Transfers		Ending balance	Total gains (losses) included in earnings <sup>1</sup>		
		Included in income	Included in OCI		In	Out				
<b>Assets</b>										
AFS Securities										
Corporate	\$ 578	\$ (3)	\$ (9)	\$ 340	\$ 64	\$ (8)	\$ 962	\$ —		
CLO	64	—	2	226	17	(28)	281	—		
ABS	1,457	5	(17)	157	—	(155)	1,447	—		
CMBS	137	1	(3)	152	—	(90)	197	—		
RMBS	301	3	(8)	(19)	7	(277)	7	—		
Trading securities										
U.S. state, municipal and political subdivisions	17	—	—	—	—	—	17	—		
Corporate	—	—	—	4	—	—	4	—		
CLO	17	(1)	—	—	10	—	26	—		
ABS	77	(4)	—	—	16	—	89	(3)		
RMBS	342	(38)	—	—	—	—	304	2		
Equity Securities	8	1	—	(7)	—	—	2	—		
Mortgage loans	41	—	—	(3)	—	—	38	—		
Investment funds	41	(3)	—	(7)	—	—	31	(3)		
Funds withheld at interest – embedded derivative	312	(162)	—	—	—	—	150	—		
Investments in related parties										
AFS Securities										
CLO	—	—	—	39	—	—	39	—		
ABS	4	—	—	46	—	—	50	—		
Trading securities										
CLO	105	(2)	—	(18)	29	—	114	1		
ABS	—	—	—	—	164	—	164	—		
Investment funds	—	(3)	—	108	—	—	105	(3)		
Funds withheld at interest – embedded derivative	—	162	—	—	—	—	162	—		
Short-term investments	—	—	—	10	—	—	10	—		
Reinsurance recoverable	1,824	(107)	—	—	—	—	1,717	—		
Investments of consolidated VIEs										
Trading securities	48	1	—	(1)	—	—	48	1		
Equity securities	28	(2)	—	—	—	—	26	(2)		
Investment funds	21	(3)	—	(17)	—	—	1	(3)		
<b>Total Level 3 assets</b>	<b>\$ 5,422</b>	<b>\$ (155)</b>	<b>\$ (35)</b>	<b>\$ 1,010</b>	<b>\$ 307</b>	<b>\$ (558)</b>	<b>\$ 5,991</b>	<b>\$ (10)</b>		
<b>Liabilities</b>										
Interest sensitive contract liabilities										
Embedded derivative	\$ (7,411)	\$ 291	\$ —	\$ (968)	\$ —	\$ —	\$ (8,088)	\$ —		
Universal life benefits	(1,005)	62	—	—	—	—	(943)	—		
Future policy benefits										
AmerUs Closed Block	(1,625)	135	—	—	—	—	(1,490)	—		
ILICO Closed Block and life benefits	(803)	44	—	—	—	—	(759)	—		
Derivative liabilities	(5)	—	—	—	—	—	(5)	—		
<b>Total Level 3 liabilities</b>	<b>\$ (10,849)</b>	<b>\$ 532</b>	<b>\$ —</b>	<b>\$ (968)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (11,285)</b>	<b>\$ —</b>		

<sup>1</sup> Related to instruments held at end of period.

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following represents the gross components of purchases, issuances, sales and settlements, net, shown above:

<i>(In millions)</i>	Three months ended June 30, 2019				
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements
<b>Assets</b>					
AFS securities					
U.S. state, municipal and political subdivisions	\$ 40	\$ —	\$ —	\$ —	\$ 40
Corporate	59	—	—	(27)	32
CLO	122	—	—	—	122
ABS	155	—	—	(35)	120
CMBS	73	—	(2)	(32)	39
Mortgage loans	—	—	—	(1)	(1)
Investment funds	—	1	—	(3)	(2)
Short-term investments	48	—	—	(3)	45
Investments in related parties					
AFS securities					
CLO	37	—	—	—	37
ABS	—	—	—	(8)	(8)
Trading securities					
CLO	—	—	(10)	—	(10)
ABS	—	—	—	(17)	(17)
Equity securities	36	—	—	—	36
Investments of consolidated VIEs					
Trading securities	—	—	(37)	—	(37)
<b>Total Level 3 assets</b>	<b>\$ 570</b>	<b>\$ 1</b>	<b>\$ (49)</b>	<b>\$ (126)</b>	<b>\$ 396</b>
<b>Liabilities</b>					
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (301)	\$ —	\$ 140	\$ (161)
<b>Total Level 3 liabilities</b>	<b>\$ —</b>	<b>\$ (301)</b>	<b>\$ —</b>	<b>\$ 140</b>	<b>\$ (161)</b>

<i>(In millions)</i>	Three months ended June 30, 2018				
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements
<b>Assets</b>					
AFS securities					
Corporate	\$ 300	\$ —	\$ (2)	\$ (8)	\$ 290
CLO	211	—	—	—	211
ABS	347	—	—	(74)	273
CMBS	152	—	—	—	152
Trading securities, Corporate	4	—	—	—	4
Equity securities	1	—	—	—	1
Mortgage loans	—	—	—	(3)	(3)
Investments in related parties					
AFS securities					
CLO	38	—	—	—	38
ABS	46	—	—	—	46
Trading securities, CLO	30	—	(30)	—	—
Short-term investments	10	—	—	—	10
Investments of consolidated VIEs					
Investment funds	—	—	(16)	—	(16)
<b>Total Level 3 assets</b>	<b>\$ 1,139</b>	<b>\$ —</b>	<b>\$ (48)</b>	<b>\$ (85)</b>	<b>\$ 1,006</b>
<b>Liabilities</b>					
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (1,004)	\$ —	\$ 92	\$ (912)
<b>Total Level 3 liabilities</b>	<b>\$ —</b>	<b>\$ (1,004)</b>	<b>\$ —</b>	<b>\$ 92</b>	<b>\$ (912)</b>

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

	Six months ended June 30, 2019				
<i>(In millions)</i>	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements
<b>Assets</b>					
AFS securities					
U.S. state, municipal and political subdivisions	\$ 40	\$ —	\$ —	\$ —	\$ 40
Corporate	147	—	(2)	(98)	47
CLO	121	—	—	—	121
ABS	296	—	(33)	(134)	129
CMBS	73	—	(3)	(38)	32
RMBS	1	—	—	—	1
Trading securities, ABS	6	—	—	—	6
Mortgage loans	—	—	—	(1)	(1)
Investment funds	—	—	—	(3)	(3)
Short-term investments	48	—	—	(3)	45
Investments in related parties					
AFS securities					
CLO	37	—	—	—	37
ABS	170	—	—	(9)	161
Trading securities					
CLO	—	—	(10)	—	(10)
ABS	—	—	—	(17)	(17)
Equity securities	213	—	—	—	213
Investment funds	—	20	—	(1)	19
Investments of consolidated VIEs					
Trading securities	—	—	(38)	—	(38)
Equity securities	—	—	(5)	—	(5)
<b>Total Level 3 assets</b>	<u>\$ 1,152</u>	<u>\$ 20</u>	<u>\$ (91)</u>	<u>\$ (304)</u>	<u>\$ 777</u>
<b>Liabilities</b>					
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (534)	\$ —	\$ 253	\$ (281)
<b>Total Level 3 liabilities</b>	<u>\$ —</u>	<u>\$ (534)</u>	<u>\$ —</u>	<u>\$ 253</u>	<u>\$ (281)</u>

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**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

	Six months ended June 30, 2018				
(In millions)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements
<b>Assets</b>					
AFS securities					
Corporate	\$ 358	\$ —	\$ (5)	\$ (13)	\$ 340
CLO	231	—	(5)	—	226
ABS	356	—	(21)	(178)	157
CMBS	153	—	—	(1)	152
RMBS	—	—	—	(19)	(19)
Trading securities					
Corporate	4	—	—	—	4
CLO	7	—	(7)	—	—
Equity securities	1	—	(8)	—	(7)
Mortgage loans	—	—	—	(3)	(3)
Investment funds	—	—	—	(7)	(7)
Investments in related parties					
AFS securities					
CLO	39	—	—	—	39
ABS	46	—	—	—	46
Trading securities, CLO	30	—	(48)	—	(18)
Investment funds	108	—	—	—	108
Short-term investments	10	—	—	—	10
Investments of consolidated VIEs					
Trading securities	—	—	(1)	—	(1)
Investment funds	—	—	(17)	—	(17)
<b>Total Level 3 assets</b>	<b>\$ 1,343</b>	<b>\$ —</b>	<b>\$ (112)</b>	<b>\$ (221)</b>	<b>\$ 1,010</b>
<b>Liabilities</b>					
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (1,130)	\$ —	\$ 162	\$ (968)
<b>Total Level 3 liabilities</b>	<b>\$ —</b>	<b>\$ (1,130)</b>	<b>\$ —</b>	<b>\$ 162</b>	<b>\$ (968)</b>

**Significant Unobservable Inputs**—Significant unobservable inputs occur when we could not obtain or corroborate the quantitative detail of the inputs. This applies to fixed maturity securities, equity securities, mortgage loans and certain derivatives, as well as embedded derivatives in liabilities. Additional significant unobservable inputs are described below.

*AFS and trading securities* – For certain fixed maturity securities, internal models are used to calculate the fair value. We use a discounted cash flow approach. The discount rate is the significant unobservable input due to the determined credit spread being internally developed, illiquid, or as a result of other adjustments made to the base rate. The base rate represents a market comparable rate for securities with similar characteristics. An increase in the discount rate can lower the fair value; a decrease in the discount rate can increase the fair value. As of June 30, 2019, discounts ranged from 3% to 7%, and as of December 31, 2018, discounts ranged from 5% to 9%. This excludes assets for which significant unobservable inputs are not developed internally, primarily consisting of broker quotes.

*Interest sensitive contract liabilities – embedded derivative* – Significant unobservable inputs we use in the fixed indexed annuities embedded derivative of the interest sensitive contract liabilities valuation include:

1. Nonperformance risk – For contracts we issue, we use the credit spread, relative to the U.S. Department of the Treasury (Treasury) curve, based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.
2. Option budget – We assume future hedge costs in the derivative's fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.
3. Policyholder behavior – We regularly review the lapse and withdrawal assumptions (surrender rate). These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.



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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following summarizes the unobservable inputs for the embedded derivatives of fixed indexed annuities:

	June 30, 2019				
<i>(In millions, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Input/range of inputs	Impact of an increase in the input on fair value
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	\$ 9,905	Option budget method	Nonperformance risk	0.0% – 1.2%	Decrease
			Option budget	0.7% – 3.7%	Increase
			Surrender rate	3.5% – 7.7%	Decrease

  

	December 31, 2018				
<i>(In millions, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Input/range of inputs	Impact of an increase in the input on fair value
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	\$ 7,969	Option budget method	Nonperformance risk	0.3% – 1.5%	Decrease
			Option budget	0.7% – 3.7%	Increase
			Surrender rate	3.6% – 7.3%	Decrease

**Fair Value of Financial Instruments Not Carried at Fair Value**—The following represents our financial instruments not carried at fair value on the condensed consolidated balance sheets:

	June 30, 2019					
<i>(In millions)</i>	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Mortgage loans	\$ 11,880	\$ 12,233	\$ —	\$ —	\$ —	\$ 12,233
Investment funds	559	559	559	—	—	—
Policy loans	480	480	—	—	480	—
Funds withheld at interest	14,603	14,603	—	—	—	14,603
Other investments	67	68	—	—	—	68
Investments in related parties						
Mortgage loans	287	288	—	—	—	288
Investment funds	2,337	2,337	2,337	—	—	—
Funds withheld at interest	13,236	13,236	—	—	—	13,236
Other investments	387	393	—	—	—	393
Assets of consolidated VIEs						
Investment funds	44	44	44	—	—	—
<b>Total financial assets not carried at fair value</b>	<b>\$ 43,880</b>	<b>\$ 44,241</b>	<b>\$ 2,940</b>	<b>\$ —</b>	<b>\$ 480</b>	<b>\$ 40,821</b>
<b>Financial liabilities</b>						
Interest sensitive contract liabilities	\$ 55,732	\$ 56,124	\$ —	\$ —	\$ —	\$ 56,124
Long-term debt	991	1,009	—	—	1,009	—
Funds withheld liability	735	735	—	—	735	—
<b>Total financial liabilities not carried at fair value</b>	<b>\$ 57,458</b>	<b>\$ 57,868</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,744</b>	<b>\$ 56,124</b>

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ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	December 31, 2018					
	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Mortgage loans	\$ 10,308	\$ 10,424	\$ —	\$ —	\$ —	\$ 10,424
Investment funds	521	521	521	—	—	—
Policy loans	488	488	—	—	488	—
Funds withheld at interest	14,966	14,966	—	—	—	14,966
Other investments	70	70	—	—	—	70
<b>Investments in related parties</b>						
Mortgage loans	291	290	—	—	—	290
Investment funds	2,031	2,031	2,031	—	—	—
Funds withheld at interest	13,687	13,687	—	—	—	13,687
Other investments	386	361	—	—	—	361
<b>Assets of consolidated VIEs</b>						
Investment funds	57	57	57	—	—	—
<b>Total financial assets not carried at fair value</b>	<b>\$ 42,805</b>	<b>\$ 42,895</b>	<b>\$ 2,609</b>	<b>\$ —</b>	<b>\$ 488</b>	<b>\$ 39,798</b>
<b>Financial liabilities</b>						
Interest sensitive contract liabilities	\$ 54,655	\$ 51,655	\$ —	\$ —	\$ —	\$ 51,655
Long-term debt	991	910	—	—	910	—
Funds withheld liability	722	722	—	—	722	—
<b>Total financial liabilities not carried at fair value</b>	<b>\$ 56,368</b>	<b>\$ 53,287</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,632</b>	<b>\$ 51,655</b>

We estimate the fair value for financial instruments not carried at fair value using the same methods and assumptions as those we carry at fair value. The financial instruments presented above are reported at carrying value on the condensed consolidated balance sheets; however, in the case of policy loans and funds withheld at interest and liability, the carrying amount approximates fair value.

*Investment in related parties – Other investments* – The fair value of related party other investments is determined using a discounted cash flow model using discount rates for similar investments.

*Interest sensitive contract liabilities* – The carrying and fair value of interest sensitive contract liabilities above includes fixed indexed and traditional fixed annuities without mortality or morbidity risks, funding agreements and payout annuities without life contingencies. The embedded derivatives within fixed indexed annuities without mortality or morbidity risks are excluded, as they are carried at fair value. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect our nonperformance risk and subtracting a risk margin to reflect uncertainty inherent in the projected cash flows.

*Long-term debt* – We obtain the fair value of long-term debt from commercial pricing services. These are classified as Level 2. The pricing services incorporate a variety of market observable information in their valuation techniques including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data.

**ATHENE HOLDING LTD.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**5. Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired**

The following represents a rollforward of deferred acquisition costs (DAC), deferred sales inducements (DSI) and value of business acquired (VOBA):

<i>(In millions)</i>	DAC	DSI	VOBA	Total
Balance at December 31, 2018	\$ 3,921	\$ 799	\$ 1,187	\$ 5,907
Additions	354	130	—	484
Amortization	(472)	(18)	(20)	(510)
Impact of unrealized investment (gains) losses	(300)	(98)	(159)	(557)
Balance at June 30, 2019	\$ 3,503	\$ 813	\$ 1,008	\$ 5,324

<i>(In millions)</i>	DAC	DSI	VOBA	Total
Balance at December 31, 2017	\$ 1,375	\$ 520	\$ 1,077	\$ 2,972
Additions	1,600	120	—	1,720
Amortization	(76)	(43)	(95)	(214)
Impact of unrealized investment (gains) losses	94	42	140	276
Balance at June 30, 2018	\$ 2,993	\$ 639	\$ 1,122	\$ 4,754

**6. Earnings Per Share**

The following represents our basic and diluted earnings per share (EPS) calculations, which are calculated using unrounded amounts:

<i>(In millions, except per share data)</i>	Three months ended June 30, 2019					
	Class A	Class B	Class M-1	Class M-2	Class M-3	Class M-4
Net income – basic and diluted	\$ 596	\$ 96	\$ 13	\$ 3	\$ 4	\$ 8
Basic weighted average shares outstanding	158.5	25.4	3.3	0.8	1.0	2.2
Dilutive effect of stock compensation plans	0.3	—	—	—	—	0.3
Diluted weighted average shares outstanding	158.8	25.4	3.3	0.8	1.0	2.5
<b>Earnings per share</b>						
Basic	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.76
Diluted	\$ 3.75	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.76	\$ 3.28

<i>(In millions, except share and per share data)</i>	Three months ended June 30, 2018					
	Class A	Class B	Class M-1	Class M-2	Class M-3	Class M-4
Net income – basic and diluted	\$ 214	\$ 33	\$ 5	\$ 1	\$ 1	\$ 3
Basic weighted average shares outstanding	164.5	25.5	3.4	0.8	1.0	2.1
Dilutive effect of stock compensation plans	0.3	—	—	—	—	0.6
Diluted weighted average shares outstanding	164.8	25.5	3.4	0.8	1.0	2.7
<b>Earnings per share</b>						
Basic	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30
Diluted	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.29	\$ 1.30	\$ 1.02

<i>(In millions, except share and per share data)</i>	Six months ended June 30, 2019					
	Class A	Class B	Class M-1	Class M-2	Class M-3	Class M-4
Net income – basic and diluted	\$ 1,184	\$ 189	\$ 25	\$ 6	\$ 8	\$ 16
Basic weighted average shares outstanding	159.4	25.4	3.3	0.8	1.0	2.2
Dilutive effect of stock compensation plans	0.3	—	—	—	—	0.3
Diluted weighted average shares outstanding	159.7	25.4	3.3	0.8	1.0	2.5
<b>Earnings per share</b>						
Basic	\$ 7.43	\$ 7.43	\$ 7.43	\$ 7.43	\$ 7.43	\$ 7.43
Diluted	\$ 7.41	\$ 7.43	\$ 7.43	\$ 7.43	\$ 7.43	\$ 6.45

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

<i>(In millions, except per share data)</i>	Six months ended June 30, 2018					
	Class A	Class B	Class M-1	Class M-2	Class M-3	Class M-4
Net income – basic and diluted	\$ 424	\$ 90	\$ 9	\$ 2	\$ 3	\$ 6
Basic weighted average shares outstanding	156.6	33.3	3.4	0.8	1.0	2.1
Dilutive effect of stock compensation plans	0.4	—	—	—	—	0.8
Diluted weighted average shares outstanding	157.0	33.3	3.4	0.8	1.0	2.9
<b>Earnings per share</b>						
Basic	\$ 2.71	\$ 2.71	\$ 2.71	\$ 2.71	\$ 2.71	\$ 2.71
Diluted	\$ 2.70	\$ 2.71	\$ 2.71	\$ 2.68	\$ 2.68	\$ 1.98

We use the two-class method for allocating net income to each class of our common stock. Dilutive shares are calculated using the treasury stock method. For Class A shares, this method takes into account shares that can be settled into Class A shares, net of a conversion price. The diluted EPS calculations for Class A shares excluded 31.6 million and 35.4 million shares, restricted stock units and options as of June 30, 2019 and 2018, respectively.

**7. Equity**

**Preferred Stock**—On June 10, 2019, we issued 34,500 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Shares, Series A, par value of \$1.00 per share with a liquidation preference of \$25,000 per share (Preferred Stock). Dividends on the Preferred Stock will be payable on a non-cumulative basis only when, as and if declared, quarterly in arrears on the 30<sup>th</sup> day of March, June, September and December of each year, commencing on September 30, 2019, at a rate equal to 6.35% of the liquidation preference per year. The Preferred Stock ranks senior to our common shares with respect to dividends, to the extent declared, and in liquidation, to the extent of the liquidation preference.

**Share Repurchase Authorization**—In December 2018, our board of directors approved an authorization for the repurchase of our Class A shares under our repurchase program. In the first quarter of 2019, our board of directors approved an additional authorization, which was conditioned upon the further approval by a committee of our board of directors. Such further approval was granted during the second quarter of 2019. In connection with the offering of the Preferred Stock described above, during the second quarter of 2019, our board of directors authorized a \$120 million increase in our authority to repurchase our Class A common shares to offset any near-term earnings dilution from the issuance of the Preferred Stock. We may repurchase shares in open market transactions, in privately negotiated transactions or otherwise. The size and timing of repurchases will depend on legal requirements, market and economic conditions and other factors, and are solely at our discretion. The program has no expiration date, but may be modified, suspended or terminated by the board at any time.

The following summarizes the activity on our share repurchase authorization:

<i>(In millions)</i>	
Initial authorization	\$ 250
Repurchases	(100)
Remaining authorization at December 31, 2018	150
First additional authorization	247
Second additional authorization	120
Repurchases	(423)
Remaining authorization at June 30, 2019	94
Third additional authorization	350
Repurchases	(19)
Remaining authorization at August 5, 2019	\$ 425

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Accumulated Other Comprehensive Income (Loss)**—The following provides the details of AOCI and changes in AOCI:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
AFS securities	\$ 2,965	\$ (766)
DAC, DSI, VOBA and future policy benefits adjustments on AFS securities	(837)	154
Noncredit component of OTTI losses on AFS securities	(21)	(19)
Hedging instruments	98	51
Pension adjustments	(3)	(2)
Foreign currency translation adjustments	(3)	(3)
Accumulated other comprehensive income (loss), before taxes	2,199	(585)
Deferred income taxes	(439)	113
<b>Accumulated other comprehensive income (loss)</b>	<b>\$ 1,760</b>	<b>\$ (472)</b>

Changes in AOCI are presented below:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Unrealized investment gains (losses) on AFS securities</b>				
Unrealized investment gains (losses) on AFS securities	\$ 1,776	\$ (889)	\$ 3,758	\$ (2,171)
Change in DAC, DSI, VOBA and future policy benefits adjustment	(480)	198	(991)	608
Less: Reclassification adjustment for gains (losses) realized in net income <sup>1</sup>	34	11	27	30
Less: Income tax expense (benefit)	249	(145)	542	(304)
Net unrealized investment gains (losses) on AFS securities	1,013	(557)	2,198	(1,289)
<b>Noncredit component of OTTI losses on AFS securities</b>				
Noncredit component of OTTI losses on AFS securities	—	1	(1)	—
Less: Reclassification adjustment for losses realized in net income <sup>1</sup>	1	1	1	—
Net noncredit component of OTTI losses on AFS securities	(1)	—	(2)	—
<b>Unrealized gains (losses) on hedging instruments</b>				
Unrealized gains (losses) on hedging instruments	55	101	47	45
Less: Income tax expense	12	29	10	9
Net unrealized gains (losses) on hedging instruments	43	72	37	36
<b>Pension adjustments</b>				
Foreign currency translation adjustments	(1)	(2)	—	(10)
<b>Change in AOCI from other comprehensive income (loss)</b>	<b>1,054</b>	<b>(487)</b>	<b>2,232</b>	<b>(1,260)</b>
<b>Adoption of accounting standards</b>				
<b>Change in AOCI</b>	<b>\$ 1,054</b>	<b>\$ (487)</b>	<b>\$ 2,232</b>	<b>\$ (1,302)</b>

<sup>1</sup> Recognized in investment related gains (losses) on the condensed consolidated statements of income.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**8. Related Parties**

**Athene Asset Management**

*Current fee structure* – Substantially all of our investments are managed by Athene Asset Management LLC (AAM), a subsidiary of AGM. AAM provides direct investment management, asset allocation, mergers and acquisition asset diligence and certain operational support services for our investment portfolio, including investment compliance, tax, legal and risk management support.

During the second quarter of 2019, we entered into the Seventh Amended and Restated Fee Agreement, dated as of June 10, 2019, between us and AAM (Fee Agreement). Under the Fee Agreement, effective retroactive to January 1, 2019, we pay AAM:

- (1) a base management fee equal to the sum of (i) 0.225% per year of the lesser of (A) the aggregate market value of substantially all of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts) on December 31, 2018 (Backbook Value) and (B) the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month, plus (ii) 0.15% per year of the amount, if any (Incremental Value), by which the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value; plus
- (2) with respect to each asset in an Account, subject to certain exceptions, that is managed by Apollo and that belongs to a specified asset class tier (Core, Core Plus, Yield, and High Alpha), a sub-allocation fee as follows, which will, in the case of assets acquired after January 1, 2019, be subject to a cap of 10% of the applicable asset’s gross book yield:
  - (i) 0.065% of the market value of Core assets, which include public investment grade corporate bonds, municipal securities, agency RMBS or CMBS, and obligations of governmental agencies or government sponsored entities that are not expressly backed by the U.S. government;
  - (ii) 0.13% of the market value of Core Plus assets, which include private investment grade corporate bonds, fixed rate first lien commercial mortgage loans (CML), and certain obligations issued or assumed by financial institutions and determined by Apollo to be “Tier 2 Capital” under Basel III, a set of recommendations for international banking regulations developed by the Bank for International Settlements;
  - (iii) 0.375% of the market value of Yield assets, which include non-agency RMBS, investment grade CLO, CMBS and other ABS (other than RMBS and CLO), emerging market investments, below investment grade corporate bonds, subordinated debt obligations, hybrid securities or surplus notes issued or assumed by a financial institution, rated preferred equity, residential mortgage loans (RML), bank loans, investment grade infrastructure debt, and floating rate CMLs on slightly transitional or stabilized traditional real estate;
  - (iv) 0.70% of the market value of High Alpha assets, which include subordinated CML, below investment grade CLO, unrated preferred equity, debt obligations originated by MidCap, CMLs for redevelopment or construction loans or secured by non-traditional real estate, below investment grade infrastructure debt, certain loans originated directly by Apollo (other than MidCap loans), and agency mortgage derivatives; and
  - (v) 0.00% of the market value of cash and cash equivalents, U.S. treasuries, non-preferred equities and alternatives.

The following represents assets based on the above sub-allocation structure:

<i>(In millions)</i>	June 30, 2019	Percent of Total
Core	\$ 30,612	26.5%
Core Plus	30,008	25.9%
Yield	42,161	36.4%
High Alpha	4,588	4.0%
Other	8,327	7.2%
<b>Total sub-allocation assets</b>	<b>\$ 115,696</b>	<b>100.0%</b>

Additionally, the Fee Agreement provides for a possible payment by AAM to us, or a possible payment by us to AAM, equal to 0.025% of the Incremental Value as of the end of each year, beginning on December 31, 2019, depending upon the percentage of our investments that consist of Core and Core Plus assets. If more than 60% of our invested assets that are subject to the sub-allocation fees are invested in Core and Core Plus assets, we will receive a 0.025% fee reduction on the Incremental Value. If less than 50% of our invested assets that are subject to the sub-allocation fee are invested in Core and Core Plus assets, we will pay an additional fee of 0.025% on Incremental Value. Under the Fee Agreement, sub-advisory fees (as defined below) are no longer recharged to us under the Master Sub-Advisory Agreements (MSAAs). See *–Historical fee structure* below for further discussion of the MSAAs.

During the three months ended June 30, 2019 and 2018, we incurred management fees of \$94 million and \$86 million, respectively. During the six months ended June 30, 2019 and 2018, we incurred management fees of \$186 million and \$169 million, respectively. Management fees are included within net investment income on the condensed consolidated statements of income. As of June 30, 2019 and December 31, 2018, management fees payable were \$72 million and \$54 million, respectively, and are included in other liabilities on the condensed consolidated balance sheets.

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*Historical fee structure* – Prior to January 1, 2019, we paid AAM an annual fee of 0.40%, subject to certain discounts and exceptions, on all assets that AAM managed in accounts owned by us in the U.S. and Bermuda or in accounts supporting reinsurance ceded to our U.S. and Bermuda subsidiaries by third-party insurers (North American Accounts) up to \$65,846 million and 0.30% per year on assets managed in excess of such amount. Additionally, for certain assets which required specialized sourcing and underwriting capabilities, AAM had chosen to mandate sub-advisors rather than build out in-house capabilities. AAM entered into MSAs with certain Apollo affiliates to sub-advise AAM with respect to a portion of our assets, with the fees recharged to us, in addition to the gross fee paid to AAM as described above.

The MSAs covered services rendered by Apollo-affiliated sub-advisors relating to the following investments:

<i>(In millions, except for percentages)</i>	December 31, 2018
<b>AFS securities</b>	
Foreign governments	\$ 153
Corporate	3,398
CLO	5,703
ABS	663
CMBS	880
<b>Trading securities</b>	87
Equity securities	2
Mortgage loans	3,507
Investment funds	157
Funds withheld at interest	4,126
Other investments	70
<b>Total assets sub-advised by Apollo affiliates</b>	<u>\$ 18,746</u>
<b>Percent of assets sub-advised by Apollo affiliates to total AAM-managed assets</b>	<u>18%</u>

AAM paid Apollo 0.40% per year on all assets in the North American Accounts explicitly sub-advised by Apollo up to \$10,000 million, 0.35% per year on all assets in such accounts explicitly sub-advised by Apollo in excess of \$10,000 million up to \$12,441 million, 0.40% per year on all assets in such accounts explicitly sub-advised by Apollo in excess of \$12,441 million up to \$16,000 million, and 0.35% per year on all assets in such accounts explicitly sub-advised by Apollo in excess of \$16,000 million, subject to certain exceptions (sub-advisory fees).

*Investment management agreement (IMA) termination* – Our bye-laws currently provide that we may not, and will cause our subsidiaries not to, terminate any IMA among us or any of our subsidiaries, on the one hand, and AAM, on the other hand, other than on June 4, 2023 or any two year anniversary of such date (each such date, an IMA Termination Election Date) and any termination on an IMA Termination Election Date requires (i) the approval of two-thirds of our Independent Directors (as defined in the bye-laws) and (ii) prior written notice to AAM of such termination at least 30 days, but not more than 90 days, prior to an IMA Termination Election Date. If our Independent Directors make such election to terminate and notice of such termination is delivered, the termination will be effective no earlier than the second anniversary of the applicable IMA Termination Election Date (IMA Termination Effective Date). Notwithstanding the foregoing, (A) except as set forth in clause (B) below, our board of directors may only elect to terminate an IMA on an IMA Termination Election Date if two-thirds of our Independent Directors determine, in their sole discretion and acting in good faith, that either (i) there has been unsatisfactory long-term performance materially detrimental to us by AAM or (ii) the fees being charged by AAM are unfair and excessive compared to a comparable asset manager (provided, that in either case such Independent Directors must deliver notice of any such determination to AAM and AAM will have until the applicable IMA Termination Effective Date to address such concerns, and provided, further, that in the case of such a determination that the fees being charged by AAM are unfair and excessive, AAM has the right to lower its fees to match the fees of such comparable asset manager) and (B) upon the determination by two-thirds of our Independent Directors, we or our subsidiaries may also terminate an IMA with AAM, on a date other than an IMA Termination Effective Date, as a result of either (i) a material violation of law relating to AAM's advisory business, or (ii) AAM's gross negligence, willful misconduct or reckless disregard of its obligations under the relevant agreement, in each case of this clause (B), that is materially detrimental to us, and in either case of this clause (B), subject to the delivery of written notice at least 30 days prior to such termination; provided, that in connection with an event described in clause (B)(i) or (B)(ii), AAM shall have the right to dispute such determination of the Independent Directors within 30 days after receiving notice from us of such determination, in which case the matter will be submitted to binding arbitration and such IMA shall continue to remain in effect during the period of the arbitration (the events described in the foregoing clauses (A) and (B) are referred to in more detail in our bye-laws as "AHL Cause").

*Governance* – We have a management investment committee, which includes members of our senior management and reports to the risk committee of our board of directors. The committee focuses on strategic decisions involving our investment portfolio, such as approving investment limits, new asset classes and our allocation strategy, reviewing large asset transactions, as well as monitoring our credit risk, and the management of our assets and liabilities.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

A significant voting interest in the Company is held by shareholders who are members of the Apollo Group, as defined in our bye-laws. Also, James Belardi, our Chief Executive Officer, is also an employee of AAM, receives remuneration from acting as Chief Executive Officer of AAM, and owns a profits interest in AAM. Additionally, six of the fifteen members of our board of directors are employees of or consultants to Apollo (including Mr. Belardi). In order to protect against potential conflicts of interest resulting from transactions into which we have entered and will continue to enter into with the Apollo Group, our bye-laws require us to maintain a conflicts committee comprised solely of directors who are not officers or employees of any member of the Apollo Group. The conflicts committee reviews and approves material transactions between us and the Apollo Group, subject to certain exceptions.

**Other related party transactions**

*A-A Mortgage Opportunities, L.P. (A-A Mortgage)* – We have an equity method investment of \$452 million and \$463 million as of June 30, 2019 and December 31, 2018, respectively, in A-A Mortgage, which has an investment in AmeriHome. We have a loan purchase agreement with AmeriHome. The agreement allows us to purchase residential mortgage loans which AmeriHome has purchased from correspondent sellers and pooled for sale in the secondary market. AmeriHome retains the servicing rights to the sold loans. We purchased \$0 million and \$167 million of residential mortgage loans under this agreement during the three months ended June 30, 2019 and 2018, respectively. We purchased \$0 million and \$211 million of residential mortgage loans under this agreement during the six months ended June 30, 2019 and 2018, respectively. Additionally, we purchased ABS securities issued by AmeriHome affiliates in the amount of \$0 million and \$65 million during the six months ended June 30, 2019 and 2018, respectively, which are included in related party AFS securities on the consolidated balances sheets. We also have commitments to make additional equity investments in A-A Mortgage of \$169 million as of June 30, 2019.

*MidCap* – AAA Investment (Co Invest VII), L.P. (CoInvest VII) holds a significant investment in MidCap, which is included in investment funds of consolidated VIEs on the condensed consolidated balance sheets. We have also advanced amounts under a subordinated debt facility to Midcap and, as of June 30, 2019 and December 31, 2018, the principal balance was \$245 million, which is included in other related party investments on the condensed consolidated balance sheets. Our total investment in MidCap, including amounts advanced under credit facilities, was \$793 million and \$792 million as of June 30, 2019 and December 31, 2018, respectively. Additionally, we purchased ABS and CLO securities issued by MidCap affiliates of \$74 million and \$143 million for the three months ended June 30, 2019 and 2018, respectively, and \$76 million and \$205 million for the six months ended June 30, 2019 and 2018, respectively, which are included in related party AFS securities on the condensed consolidated balance sheets.

*Athora* – We have a cooperation agreement with Athora, pursuant to which, among other things, (1) for a period of 30 days from the receipt of notice of a cession, we have the right of first refusal to reinsure (i) up to 50% of the liabilities ceded from Athora's reinsurance subsidiaries to Athora Life Re Ltd. and (ii) up to 20% of the liabilities ceded from a third part to any of Athora's insurance subsidiaries, subject to a limitation in the aggregate of 20% of Athora's liabilities, (2) Athora agreed to cause its insurance subsidiaries to consider the purchase of certain funding agreements and/or other spread instruments issued by our insurance subsidiaries, subject to a limitation that the fair market value of such funding agreements purchased by any of Athora's insurance subsidiaries may generally not exceed 3% of the fair market value of such subsidiary's total assets, (3) we provide Athora with a right of first refusal to pursue acquisition and reinsurance transactions in Europe (other than the United Kingdom) and (4) Athora provides us and our subsidiaries with a right of first refusal to pursue acquisition and reinsurance transactions in North America and the United Kingdom. Notwithstanding the foregoing, pursuant to the cooperation agreement, Athora is only required to use its reasonable best efforts to cause its subsidiaries to adhere to the provisions set forth in the cooperation agreement and therefore Athora's ability to cause its subsidiaries to act pursuant to the cooperation agreement may be limited by, among other things, legal prohibitions or the inability to obtain the approval of the board of directors or other applicable governing body of the applicable subsidiary, which approval is solely at the discretion of such governing body. As of June 30, 2019, we have not exercised our right of first refusal to reinsure liabilities ceded to Athora's insurance or reinsurance subsidiaries.

Our investment in Athora, which is included in related party investment funds on the condensed consolidated balance sheets, was \$127 million and \$105 million as of June 30, 2019 and December 31, 2018, respectively. Additionally, as of June 30, 2019 and December 31, 2018, we had \$165 million and \$166 million, respectively, of funding agreements outstanding to Athora. We also have commitments to make additional equity investments in Athora of \$447 million as of June 30, 2019.

*Venerable* – In connection with our coinsurance and modco agreements with Voya Insurance and Annuity Company (VIAC), we have a minority equity investment in VA Capital Company LLC (VA Capital), which was \$98 million and \$92 million as of June 30, 2019 and December 31, 2018, respectively. The minority equity investment in VA Capital is included in related party investment funds on the condensed consolidated balance sheets and accounted for as an equity method investment. VA Capital is owned by a consortium of investors, led by affiliates of AGM, Crestview Partners and Reverence Capital Partners, and is the holding company of Venerable. Additionally, as of June 30, 2019, we have a \$148 million, 15-year term loan receivable from Venerable, which is held at amortized cost and included in related party other investments on the condensed consolidated balance sheets. While management views the overall transactions with VIAC and Venerable as favorable to us, the stated interest rate of 6.257% on the term loan to Venerable represents a below-market interest rate, and management considered such rate as part of its evaluation and pricing of the Voya reinsurance transactions. Venerable is the holding company of VIAC.



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*Strategic Partnership* – On October 24, 2018, we entered into an agreement pursuant to which we may invest up to \$2.5 billion over three years in funds managed by Apollo entities (Strategic Partnership). This arrangement is intended to permit us to invest across the Apollo alternatives platform into credit-oriented, strategic and other alternative investments in a manner and size that is consistent with our existing investment strategy. Fees for such investments payable by us to Apollo would be more favorable to us than market rates, and consistent with our existing alternative investments, investments made under the Strategic Partnership require approval of AAM and remain subject to our existing governance processes, including approval by our conflicts committee where applicable. As of June 30, 2019 and December 31, 2018, we had \$28 million and \$16 million, respectively, of investments under the Strategic Partnership and these investments are classified as investment funds of consolidated VIEs.

**9. Commitments and Contingencies**

**Contingent Commitments**—We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously, of \$3,192 million and \$3,036 million as of June 30, 2019 and December 31, 2018, respectively. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

**Funding Agreements**—We are a member of the Federal Home Loan Bank (FHLB) and, through membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of June 30, 2019 and December 31, 2018, we had \$926 million of FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding, considering any discounts to the securities posted and prepayment penalties.

We have a funding agreement backed notes (FABN) program, which allows Athene Global Funding, a special-purpose, unaffiliated statutory trust to offer up to \$10 billion of its senior secured medium-term notes. Athene Global Funding uses the net proceeds from each sale to purchase one or more funding agreements from us. As of June 30, 2019 and December 31, 2018, we had \$3,000 million and \$2,700 million, respectively, of FABN funding agreements outstanding.

**Pledged Assets and Funds in Trust (Restricted Assets)**—The total restricted assets included on the condensed consolidated balance sheets are as follows:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
AFS securities	\$ 7,293	\$ 5,439
Trading securities	342	68
Equity securities	2	2
Mortgage loans	2,196	1,830
Investment funds	61	53
Derivative assets	83	24
Short-term investments	61	77
Other investments	47	47
Restricted cash	391	492
<b>Total restricted assets</b>	<b>\$ 10,476</b>	<b>\$ 8,032</b>

The restricted assets are primarily related to reinsurance trusts established in accordance with coinsurance agreements, and the FHLB funding agreements described above.

**Letter of Credit**—We have an unused letter of credit for \$203 million as of June 30, 2019. This letter of credit was issued for our reinsurance program and expires by December 31, 2020.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Litigation, Claims and Assessments**

*Corporate-owned Life Insurance (COLI) Matter* – In 2000 and 2001, two insurance companies, which were subsequently merged into Athene Annuity and Life Company (AAIA), purchased broad based variable COLI policies from American General Life Insurance Company (American General) that, as of June 30, 2019, had an asset value of \$378 million, and is included in other assets on the condensed consolidated balance sheets. In January 2012, the COLI policy administrator delivered to AAIA a supplement to the existing COLI policies and advised that American General and ZC Resource Investment Trust (ZC Trust) had unilaterally implemented changes set forth in the supplement that, if effective, would: (1) potentially negatively impact the crediting rate for the policies and (2) change the exit and surrender protocols set forth in the policies. In March 2013, AAIA filed suit against American General, ZC Trust, and ZC Resource LLC in Chancery Court in Delaware, seeking, among other relief, a declaration that the changes set forth in the supplement were ineffectual and in breach of the parties' agreement. The parties filed cross motions for judgment as a matter of law, and the court granted defendants' motion and dismissed without prejudice on ripeness grounds. The issue that negatively impacts the crediting rate for one of the COLI policies has subsequently been triggered and, on April 3, 2018, we filed suit against the same defendants in Chancery Court in Delaware seeking substantially similar relief, which the defendants have moved to dismiss. The court heard oral arguments on February 13, 2019 and has taken the matter under advisement. The court issued an opinion on July 31, 2019 that did not address the merits, but found that Chancery Court did not have jurisdiction over our claims and directed us to either amend our complaint or transfer the matter to Delaware Superior Court. We are evaluating next steps. If the supplement is ultimately deemed to be effective, the purported changes to the policies could impair AAIA's ability to access the value of guarantees associated with the policies. The value of the guarantees included within the asset value reflected above is \$186 million as of June 30, 2019.

*Regulatory Matters* – Our U.S. insurance subsidiaries have experienced increased service and administration complaints related to the conversion and administration of the block of life insurance business acquired in connection with our acquisition of Aviva USA and reinsured to affiliates of Global Atlantic. The life insurance policies included in this block have been and are currently being administered by AllianceOne Inc. (AllianceOne), a subsidiary of DXC Technology Company, which was retained by such Global Atlantic affiliates to provide services on such policies. AllianceOne also administers certain annuity policies that were on Aviva USA's legacy policy administration systems that were also converted in connection with the acquisition of Aviva USA and have experienced similar service and administration issues.

As a result of the difficulties experienced with respect to the administration of such policies, we have received notifications from several state regulators, including but not limited to the New York State Department of Financial Services (NYSDFS), the California Department of Insurance (CDI) and the Texas Department of Insurance, indicating, in each case, that the respective regulator planned to undertake a market conduct examination or enforcement proceeding of the applicable U.S. insurance subsidiary relating to the treatment of policyholders subject to our reinsurance agreements with affiliates of Global Atlantic and the conversion of such annuity policies, including the administration of such blocks by AllianceOne. On June 28, 2018 we entered into a consent order with the NYSDFS resolving that matter in a manner that, when considering the indemnification received from affiliates of Global Atlantic, did not have a material impact on our financial condition, results of operations or cash flows. Global Atlantic is currently in negotiation with the CDI to resolve the pending action related to the converted life insurance policies. We do not expect any settlement to be material to our financial condition, results of operations or cash flows.

In addition to the foregoing, we have received inquiries, and expect to continue to receive inquiries, from other regulatory authorities regarding the conversion matter. In addition to the examinations and proceedings initiated to date, it is possible that other regulators may pursue similar formal examinations, inquiries or enforcement proceedings and that any examinations, inquiries and/or enforcement proceedings may result in fines, administrative penalties and payments to policyholders. While we do not expect the amount of any such fines, penalties or payments arising from these matters to be material to our financial condition, results of operations or cash flows, it is possible that such amounts could be material.

Pursuant to the terms of the reinsurance agreements between us and the relevant affiliates of Global Atlantic, the applicable affiliates of Global Atlantic have financial responsibility for the ceded life block and are subject to significant administrative service requirements, including compliance with applicable law. The agreements also provide for indemnification to us, including for administration issues.

On January 23, 2019, we received a letter from the NYSDFS, with respect to a recent pension risk transfer (PRT) transaction, which expressed concerns with our interpretation and reliance upon certain exemptions from licensing in New York in connection with certain activities performed by employees in our PRT channel, including specific activities performed within New York. We are currently in discussions with the NYSDFS to resolve its concerns. It is reasonably possible that losses experienced as a result of settling this matter may exceed the amount accrued with respect to this matter as of June 30, 2019. Currently, we are unable to reasonably estimate the amount of such excess, if any.

*Caldera Matters* – On May 3, 2018, AHL filed a writ commencing litigation in the Supreme Court of Bermuda against a former officer of AHL, a former director of AHL (who is also considered a former officer pursuant to Bermuda law), and Caldera Holdings, Ltd. (Caldera). AHL alleges in the writ, among other things, that the defendants breached various duties owed to AHL under Bermuda law by using AHL's confidential information in their attempted acquisition of a company referred to in the litigation as Company A. AHL is seeking injunctive relief and damages. Athene amended its writ on October 16, 2018. The trial court denied motions to dismiss made by defendant Caldera on June 28, 2018 and by the former officer and former director defendants on January 14, 2019. A fully briefed and argued appeal of those rulings is pending before the Appeals Court.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

On May 3, 2018, following AHL's filing of the writ in Bermuda described above, Caldera, Caldera Life Reinsurance Company, and Caldera Shareholder, L.P., commenced an action in the Supreme Court of the State of New York, County of New York, by filing a Summons with Notice against AHL, Apollo, certain affiliates of Apollo and Leon Black, a founder of Apollo. On July 12, 2018, plaintiffs filed a complaint alleging claims for tortious interference with prospective business relations, defamation, and unfair competition related to plaintiffs' attempt to purchase Company A and seeking alleged damages of "no less than \$1.5 billion." AHL has moved to dismiss the complaint. On January 21, 2019, plaintiffs filed an amended complaint, which revised certain allegations about jurisdiction, venue and the merits of the plaintiffs' claims. We have renewed our motion to dismiss and the matter is fully briefed and argued. We believe we have meritorious defenses to the claims and intend to vigorously defend the litigation. In light of the inherent uncertainties involved in this matter, reasonably possible losses, if any, cannot be estimated at this time.

*Central Laborers' Pension Fund (CLPF) and Cambria County Employees' Retirement System (Cambria)* – On June 18, 2019 and July 25, 2019, CLPF and Cambria, respectively, filed derivative actions against AAM and AGM, as defendants, and us, as a nominal defendant, in New York State Court (the New York Actions). CLPF and Cambria, both purporting to be our shareholders, each allege that AAM and AGM injured us by causing us to pay excessive management fees to AAM and AGM. The complaints do not name any of our directors as defendants, but allege certain breaches of fiduciary duty. Both complaints seek forms of injunctive relief and disgorgement, but neither complaint seeks monetary relief from us.

On July 5, 2019 and July 29, 2019, the Supreme Court of Bermuda enjoined CLPF and Cambria, respectively, from taking any further steps to advance or otherwise positively participate in its respective New York Action in light of the exclusive jurisdiction provision in our bye-laws. On July 31, 2019, CLPF and Cambria each filed a notice that it was dismissing its claims in its respective New York Action.

## 10. Segment Information

We operate our core business strategies out of one reportable segment, Retirement Services. In addition to Retirement Services, we report certain other operations in Corporate and Other.

**Retirement Services**—Retirement Services is comprised of our U.S. and Bermuda operations, which issue and reinsure retirement savings products and institutional products. Retirement Services has retail operations, which provide annuity retirement solutions to our policyholders. Retirement Services also has reinsurance operations, which reinsure multi-year guaranteed annuities, fixed indexed annuities, traditional one-year guarantee fixed deferred annuities, immediate annuities and institutional products from our reinsurance partners. In addition, our institutional operations, including funding agreements and group annuities, are included in our Retirement Services segment.

**Corporate and Other**—Corporate and Other includes certain other operations related to our corporate activities. Included in Corporate and Other are corporate allocated expenses, merger and acquisition costs, debt costs, certain integration and restructuring costs, certain stock-based compensation and intersegment eliminations. In addition, we also hold capital in excess of the level of capital we hold in Retirement Services to support our operating strategy.

**Financial Measures**—Segment adjusted operating income is an internal measure used by the chief operating decision maker to evaluate and assess the results of our segments.

Adjusted operating revenue is a component of adjusted operating income and excludes market volatility and adjustments for other non-operating activity. Our adjusted operating revenue equals our total revenue, adjusted to eliminate the impact of the following non-operating adjustments:

- Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets;
- Investment gains (losses), net of offsets;
- VIE expenses and noncontrolling interest; and
- Other adjustments to revenues.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The table below reconciles segment adjusted operating revenues to total revenues presented on the condensed consolidated statements of income:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Retirement Services	\$ 2,248	\$ 1,873	\$ 5,554	\$ 3,130
Corporate and Other	24	26	56	53
<b>Non-operating adjustments</b>				
Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets	466	97	1,406	(61)
Investment gains (losses), net of offsets	682	(149)	1,395	(255)
VIE expenses and noncontrolling interest	—	2	—	2
Other adjustments to revenues	(51)	(47)	(81)	(56)
<b>Total revenues</b>	<u>\$ 3,369</u>	<u>\$ 1,802</u>	<u>\$ 8,330</u>	<u>\$ 2,813</u>

Adjusted operating income is an internal measure used to evaluate our financial performance excluding market volatility and expenses related to integration, restructuring, stock compensation and certain other expenses. Our adjusted operating income equals net income adjusted to eliminate the impact of the following non-operating adjustments:

- Investment gains (losses), net of offsets;
- Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets;
- Integration, restructuring and other non-operating expenses;
- Stock-based compensation, excluding the long-term incentive plan (LTIP); and
- Income tax (expense) benefit – non-operating.

The table below reconciles segment adjusted operating income to net income presented on the condensed consolidated statements of income:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Retirement Services	\$ 376	\$ 287	\$ 662	\$ 526
Corporate and Other	(6)	1	(5)	3
<b>Non-operating adjustments</b>				
Investment gains (losses), net of offsets	417	(74)	875	(107)
Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets	(57)	68	(84)	154
Integration, restructuring and other non-operating expenses	(11)	(8)	(12)	(16)
Stock-based compensation, excluding LTIP	(3)	(2)	(6)	(5)
Income tax (expense) benefit – non-operating	4	(15)	(2)	(21)
<b>Net income</b>	<u>\$ 720</u>	<u>\$ 257</u>	<u>\$ 1,428</u>	<u>\$ 534</u>

The following represents total assets by segment:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Retirement Services	\$ 136,565	\$ 123,498
Corporate and Other	2,415	2,007
<b>Total assets</b>	<u>\$ 138,980</u>	<u>\$ 125,505</u>

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

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**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**Overview**

We are 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. We generate attractive financial results for our policyholders and shareholders by combining our two core competencies of (1) sourcing long-term, generally illiquid liabilities and (2) investing in a high-quality investment portfolio, which takes advantage of the illiquid nature of our liabilities. Our steady and significant base of earnings generates capital that we opportunistically invest across our business to source attractively-priced liabilities and capitalize on opportunities.

We have established a significant base of earnings and, as of June 30, 2019, have an expected Retirement Services annual net investment spread, which measures our investment performance less the total cost of our liabilities, of 1–2% over the 9.6 year weighted-average life of our reserve liabilities. The weighted-average life includes deferred annuities, PRT group annuities, funding agreements, payout annuities and other products.

We operate our core business strategies out of one reportable segment, Retirement Services. In addition to Retirement Services, we report certain other operations in Corporate and Other. Retirement Services is comprised of our U.S. and Bermuda operations which issue and reinsure retirement savings products and institutional products. Corporate and Other includes certain other operations related to our corporate activities.

Our consolidated annualized ROE for the six months ended June 30, 2019 and the year ended December 31, 2018 was 27.7% and 12.1%, respectively, and our consolidated annualized adjusted operating ROE was 14.6% and 13.9%, respectively. For the six months ended June 30, 2019 and the year ended December 31, 2018, in our Retirement Services segment, we generated an annualized net investment spread of 1.52% and 1.70%, respectively, and an annualized adjusted operating ROE of 17.1% and 18.4%, respectively. Our Retirement Services segment generated an annualized investment margin on deferred annuities of 2.44% and 2.65% for the six months ended June 30, 2019 and the year ended December 31, 2018, respectively. As of June 30, 2019, our deferred annuities had a weighted-average life of 9.0 years and made up a significant portion of our reserve liabilities. We currently maintain what we believe to be high capital ratios for our rating and, as of June 30, 2019, hold approximately \$1.5 billion of excess capital, which we view as strategic capital available to reinvest into organic and inorganic growth opportunities.

The following table presents the deposits generated from our organic and inorganic channels:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Retail sales	\$ 1,909	\$ 2,038	\$ 3,725	\$ 3,324
Flow reinsurance	1,125	473	2,145	677
Funding agreements	299	125	299	425
Pension risk transfer	706	54	2,629	320
Total organic deposits	4,039	2,690	8,798	4,746
Inorganic deposits	—	19,104	—	19,104
Total deposits	\$ 4,039	\$ 21,794	\$ 8,798	\$ 23,850

Our organic channels, including retail, flow reinsurance and institutional products, provided deposits of \$8.8 billion and \$4.7 billion in the six months ended June 30, 2019 and 2018, respectively. Withdrawals on our deferred annuities, maturities of our funding agreements, payments on payout annuities and pension risk benefit payments (collectively, liability outflows), in the aggregate, were \$5.7 billion and \$3.6 billion for the six months ended June 30, 2019 and 2018, respectively. We believe that our improving credit profile, our current product offerings and product design capabilities as well as our growing reputation as both a seasoned funding agreement issuer and a reliable PRT counterparty will continue to enable us to grow our existing organic channels and allow us to source additional volumes of profitably underwritten liabilities in various market environments. We plan to continue to grow organically by expanding each of our retail, flow reinsurance and institutional distribution channels. We believe that we have the right people, infrastructure and scale to position us for continued growth.

Within our retail channel, we had fixed annuity sales of \$3.7 billion and \$3.3 billion for the six months ended June 30, 2019 and 2018, respectively. The increase in our retail channel was driven by significant growth in our bank and broker-dealer channel including the addition of new partners and new product introductions. We aim to grow our retail channel by deepening our relationships with our approximately 55 independent marketing organizations (IMO); approximately 44,000 independent agents; and our growing network of 12 small and mid-sized banks and 83 regional broker-dealers. Our strong financial position and capital efficient products allow us to be dependable partners with IMOs, banks and broker-dealers as well as consistently write new business. We expect our retail channel to continue to benefit from our improving credit profile and recent product launches. We believe this should support growth in sales at our desired cost of funds through increased volumes via current IMOs, while also allowing us to continue to expand our bank and broker-dealer channels. We have recently implemented a new technology platform for our retail business to expand operational capabilities. Additionally, we focus on hiring and training a specialized sales force and continuously create products to capture new potential distribution opportunities.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In our flow reinsurance channel, we target reinsurance business consistent with our preferred liability characteristics and, as such, flow reinsurance provides another opportunistic channel for us to source long-term liabilities with attractive crediting rates. We generated deposits through our flow reinsurance channel of \$2.1 billion and \$677 million for the six months ended June 30, 2019 and 2018, respectively. The increase in our flow reinsurance channel was driven by the addition of new partners and new product launches by our partners. We expect that our improving credit profile and our reliable reputation will help us continue to source additional reinsurance partners, which will further diversify our flow reinsurance channel.

Within our institutional channel, we generated deposits of \$2.9 billion and \$745 million for the six months ended June 30, 2019 and 2018, respectively. The increase in our institutional channel is driven by higher PRT deposits. During the six months ended June 30, 2019, we closed three PRT transactions and issued group annuity contracts in the aggregate principal amount of \$2.6 billion, compared to \$320 million during the six months ended June 30, 2018. Since entering the PRT channel in 2017 through June 30, 2019, we had closed 14 deals involving more than 143,000 plan participants resulting in the issuance of group annuities of \$7.5 billion. We issued funding agreements of \$299 million and \$425 million for the six months ended June 30, 2019 and 2018, respectively. While unfavorable market conditions have limited our issuances of funding agreements early in 2019, we did issue one funding agreement under our FABN program in June. We expect to grow our institutional channel by continuing to engage in PRT transactions and opportunistic issuances of funding agreements.

Our inorganic channel has contributed significantly to our growth and in 2018, we generated \$27.0 billion of deposits driven by two block reinsurance transactions. On June 1, 2018, we closed on the Voya reinsurance transaction pursuant to which we entered into coinsurance and modco agreements with VIAC and ReliaStar Life Insurance Company (RLI) to reinsure a block of fixed and fixed indexed annuities providing \$19.1 billion of deposits. On December 7, 2018, we entered into a modified coinsurance agreement with Lincoln, with an effective date of October 1, 2018, to reinsure an 80% quota share of fixed deferred and fixed indexed annuities providing \$7.9 billion of deposits. We expect that our inorganic channels will continue to be important sources of profitable growth in the future. We believe our internal transactions team, with support from Apollo, has an industry-leading ability to source, underwrite and expeditiously close transactions. With our relationship with Apollo, we are a solutions provider with a proven track record to close transactions, which we believe makes us the ideal partner to insurance companies seeking to restructure their business.

In order to support our growth aspirations and capital deployment opportunities, we established a long-duration, on-demand capital vehicle Athene Co-Invest Reinsurance Affiliate (ACRA). Currently ACRA is a wholly owned subsidiary that is expected to participate in qualifying transactions and other certain transactions by drawing two-thirds of the required capital for such transactions from third-party investors. See *Recent Developments* for further information on qualifying transactions. To date, Apollo/Athene Dedicated Investment Program (ADIP), the investment fund managed by Apollo that will fund ACRA, has raised nearly \$1.5 billion, and significant additional commitments are expected to close over the coming months. This shareholder-friendly, strategic capital solution is expected to allow us the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong balance sheet position.

### Industry Trends and Competition

#### *Market Conditions*

The U.S. Federal Reserve, at its July 31st meeting, announced a 25 basis point rate cut, which conforms with its increasingly accommodative policy stance. However, the characterization of it as a "mid-cycle adjustment" may suggest that an extended easing cycle is not in the foreseeable future. Additionally, the inversion of the rate curve has persisted for most of the second quarter of 2019. Whether the curve inversion signals low long-term inflation expectations, an impending recession, or is simply due to supply dynamics in the global search for asset yield, the level of longer dated Treasury yields affects the yield that we earn on invested assets. While current economic fundamentals appear strong, uncertainty about future fiscal policy, the scope of potential deregulation, the imposition of tariffs or other barriers to international trade and levels of global trade, the future path of the Federal Reserve's quantitative tightening or easing, along with uncertainty about the Federal Reserve's ability to manage its normalization process and the impact on inflation and wage growth, may trigger continued volatility across financial markets, and specifically equity market volatility, which may adversely affect the hedging costs of our liability policy hedging program. Credit market volatility, which may widen credit spreads, benefits our investment purchases but may negatively affect the valuations of our in-force investment portfolio.

A volatile market environment may affect our ability to produce liability products that are profitable, have our desired risk profile, and are desirable to consumers. As a company with strong retirement, investment management and insurance capabilities, we expect that over the long term, market conditions resulting in higher Treasury yields and credit spreads will enhance the attractiveness of our portfolio of annuity products. We continue to monitor the behavior of our customers and other factors that react to market conditions, including annuitization rates and lapse rates, in order to best serve our customers and generate strong profitability to our shareholders.

#### *Interest Rate Environment*

As a retirement services company focused on issuing and reinsuring fixed annuities, we are affected by the monetary policy of the Federal Reserve in the United States as well as other central banks around the world. In July, the Federal Reserve decreased treasury rates for the first time in a decade. Interest rates in the United States remain lower than historical levels.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our investment portfolio consists predominantly of fixed maturity investments. See *–Consolidated Investment Portfolio*. If prevailing interest rates were to rise, we believe the yield on our new investment purchases may also rise and our investment income from floating rate investments would increase, while the value of our existing investments may decline. If prevailing interest rates were to decline, it is likely that the yield on our new investment purchases may decline and our investment income from floating rate investments would decrease, while the value of our existing investments may increase. We address interest rate risk through managing the duration of the liabilities we source with assets we acquire through asset liability management (ALM) modeling. As part of our investment strategy, we purchase floating rate investments, which we expect will perform well in a rising interest rate environment. Our investment portfolio includes \$19.9 billion of floating rate investments, or 17% of our total invested assets as of June 30, 2019.

If prevailing interest rates were to rise, we believe our products would be more attractive to consumers and our sales would likely increase. In periods of prolonged low interest rates, the net investment spread may be negatively impacted by reduced investment income to the extent that we are unable to adequately reduce policyholder crediting rates due to policyholder guarantees in the form of minimum crediting rates or otherwise due to market conditions. As of June 30, 2019, most of our products were fixed annuities with 23% of our FIAs at the minimum guarantees and 43% of our fixed rate annuities at the minimum crediting rates. As of June 30, 2019, minimum guarantees on all of our deferred annuities, including those with crediting rates already at their minimum guarantees, were, on average, 100 to 110 basis points below the crediting rates on such deferred annuities, allowing us room to reduce rates before reaching the minimum guarantees. Our remaining liabilities are associated with immediate annuities, pension risk transfer obligations, funding agreements or life contracts for which we have little to no discretionary ability to change the rates of interest payable to the respective policyholder. A significant majority of our products have crediting rates that we may reset annually upon renewal, following the expiration of the current guaranteed period. While we have the contractual ability to lower these crediting rates to the guaranteed minimum levels, our willingness to do so may be limited by competitive pressures.

See *Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risks* to this report and *Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risks* in our 2018 Annual Report, which includes a discussion regarding interest rate and other significant risks and our strategies for managing these risks.

### Demographics

Over the next four decades, the retirement-age population is expected to experience unprecedented growth. Technological advances and improvements in healthcare are projected to continue to contribute to increasing average life expectancy, and aging individuals must be prepared to fund retirement periods that will last longer than ever before. Further, many working households in the United States do not have adequate retirement savings. As a tool for addressing the unmet need for retirement planning, we believe that many Americans have begun to look to tax-efficient savings products with low-risk or guaranteed return features and potential equity market upside. Our tax-efficient savings products are well positioned to meet this increasing customer demand.

### Competition

We operate in highly competitive markets. We face a variety of large and small industry participants, including diversified financial institutions and insurance and reinsurance companies. These companies compete in one form or another for the growing pool of retirement assets driven by a number of external factors such as the continued aging of the population and the reduction in safety nets provided by governments and private employers. In the markets in which we operate, scale and the ability to provide value-added services and build long-term relationships are important factors to compete effectively. We believe that our leading presence in the retirement market, diverse range of capabilities and broad distribution network uniquely position us to effectively serve consumers' increasing demand for retirement solutions, particularly in the FIA market.

According to LIMRA, total fixed annuity market sales in the United States were \$38.0 billion for the three months ended March 31, 2019, a 38.2% increase over 2018. In the total fixed annuity market, for the three months ended March 31, 2019 (the most recent period for which specific market share data is available), we were the 6th largest company based on sales of \$1.8 billion, translating to a 4.8% market share. For the three months ended March 31, 2018, our market share was 4.7% with sales of \$1.3 billion.

FIAs have been one of the fastest growing annuity products, having grown from \$27.3 billion in sales for the year ended December 31, 2005 to \$69.6 billion in sales for the year ended December 31, 2018. According to LIMRA data, for the three months ended March 31, 2019 (the most recent period for which specific market share data is available), we were the 2nd largest provider of FIAs based on sales of \$1.6 billion, and our market share for the same period was 8.9%. For the three months ended March 31, 2018, we were the 2nd largest provider of FIAs based on sales of \$1.2 billion, translating to an 8.3% market share.

### Recent Developments

In order to enhance our capital position and further support our stated business objectives, including continued profitable organic growth, acting as a solutions provider in the restructuring of the fixed annuity industry, maintaining capital for opportunistic investment, pursuing ratings upgrades and facilitating the repurchase of our common shares at attractive returns, we expect that ALRe will enter into a framework agreement (the Framework Agreement) with ACRA. Under the Framework Agreement and related transaction documents, ACRA would receive capital commitments from ALRe and ADIP. Entry into the Framework Agreement and related agreements are subject to ADIP's continuing private fundraising efforts and final approvals from a special committee of our board of directors, acting under authority granted by our board of directors.



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For a period expiring approximately three years following the one-year anniversary of the first ADIP fund closing (subject to two one-year extension periods by ADIP, the Commitment Period), ACRA would have the right to participate (through itself or other legal entities formed pursuant to the Framework Agreement for purposes of entering into such transactions) in substantially all legal entity acquisition transactions, third-party block reinsurance transactions and pension risk transfer transactions, as well as certain flow reinsurance transactions with third-party counterparties (each, a Qualifying Transaction). ALRe may also offer ACRA the right to participate in flow reinsurance transactions with existing third-party counterparties and reinsurance transactions involving new funding agreements from time to time, subject to certain conditions. ACRA's election to participate in Qualifying Transactions would be determined by the Transaction Committee of ACRA, which would be a committee of the board of directors of ACRA comprised of our representatives and those of AGM. If ACRA elects not to participate in a Qualifying Transaction, we would have the right to pursue the Qualifying Transaction without ACRA. ACRA's right to participate in Qualifying Transactions would be subject to capital requirements and other terms and conditions.

ACRA would be jointly owned (directly or indirectly) by ALRe and ADIP. It is expected that ALRe would hold shares representing 100% of the voting power and 33% of the economic interests in ACRA and that ADIP would hold non-voting shares representing the remaining 67% of the economic interests in ACRA. These economic ownership percentages have been sized based on our current and expected capital position during the Commitment Period, after considering the full array of our growth and capital objectives. ACRA is expected to be our consolidated subsidiary and managed consistent with our operating model and environment for all of our subsidiaries.

In connection with each transaction in which ACRA elects to participate (each, a Participating Transaction), subject to the applicable terms and conditions of the Framework Agreement and related transaction documents, ACRA would pay ALRe a fee (Wrap Fee) expected to be approximately 15 basis points per annum multiplied by the total reserves with respect to the assumed or acquired business, under a schedule where the Wrap Fee increases from 10 basis points as business assumed or acquired by ACRA increases.

In general, (a) on or about the 10th anniversary of the effective date of any Participating Transaction (other than a flow reinsurance transaction) or (b) on or about the 10th anniversary of the date on which reinsurance is terminated as to new business under any Participating Transaction that is a flow reinsurance transaction (which would occur no later than the end of the Commitment Period), ALRe or its applicable affiliate would have the right (Commutation Right) to terminate ACRA's participation in such Participating Transaction based on a book value pricing mechanism and subject to ADIP achieving a minimum return with respect to such Participating Transaction. If ALRe does not exercise the Commutation Right with respect to a Participating Transaction, then ACRA's obligation to pay the Wrap Fee in connection with such Participating Transaction would terminate, and, subject to certain exceptions (and the applicable terms and conditions of the Framework Agreement and related transaction documents), ALRe would be required to pay ACRA a fee calculated in the same manner as the Wrap Fee. In addition, if ACRA fails to satisfy minimum aggregate capital requirements, ALRe would have the right to recapture or assign to another of our subsidiaries a portion of the business retroceded to ACRA (and/or any of its insurance or reinsurance subsidiaries) to the extent necessary to cure such failure.

ALRe currently retrocedes, and following any sale by ALRe of an economic interest in ACRA to ADIP would continue to retrocede, to ACRA 100% of approximately \$7 billion of certain fixed deferred and fixed indexed annuities. In addition, it is expected that AAre will cede to ACRA 100% of approximately \$2.5 billion of group annuities associated with certain PRT transactions that have been consummated, but for which reinsurance agreements have not yet been executed. In connection with future Participating Transactions, ACRA would draw from ADIP and from ALRe their respective share of the amount of capital necessary to consummate such Participating Transactions.

ACRA is expected to have a board of directors comprised of eleven directors (the ACRA Board). ALRe would be permitted to nominate seven directors to serve on the ACRA Board: (i) one would be the Chairman, (ii) one would be a representative of AGM, (iii) one would be our representative, (iv) two would be representatives of AGM or us and (v) two would be independent directors. ADIP would be permitted to nominate the other four directors to serve on the ACRA Board.

In addition, ACRA is expected to agree to pay a monthly fee to AAM for asset management services in an amount equal to the marginal base investment management fees and sub-allocation fees we pay to AAM pursuant to the Fee Agreement. See *Note 8 – Related Parties* to the condensed consolidated financial statements for further discussion regarding the Fee Agreement.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### 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*

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 market value adjustments (MVA) 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.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*****Adjusted ROE, Adjusted Operating ROE and Adjusted Net Income***

Adjusted ROE, adjusted operating ROE and adjusted net income are non-GAAP measures 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 ROE is calculated as adjusted net income, divided by average adjusted common shareholders' equity. 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. Adjusted net income is calculated as net income excluding the change in fair value of funds withheld and modco reinsurance assets, net of DAC, DSI, rider reserve and tax offsets. 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 ROE, adjusted operating ROE and adjusted net income should not be used as a substitute for ROE and net income. 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.

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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.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**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).

**Consolidated Results of Operations**

The following summarizes the consolidated results of operations:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<i>(In millions, except percentages)</i>				
Revenues	\$ 3,369	\$ 1,802	\$ 8,330	\$ 2,813
Benefits and expenses	2,619	1,481	6,840	2,170
<b>Income before income taxes</b>	<b>750</b>	<b>321</b>	<b>1,490</b>	<b>643</b>
Income tax expense	30	64	62	109
<b>Net income</b>	<b>\$ 720</b>	<b>\$ 257</b>	<b>\$ 1,428</b>	<b>\$ 534</b>
ROE	25.6%	12.0%	27.7%	12.1%
Adjusted ROE	17.1%	17.3%	15.9%	17.2%

**Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018**

In this section, references to 2019 refer to the three months ended June 30, 2019 and references to 2018 refer to the three months ended June 30, 2018.

**Net Income**

Net income increased by \$463 million, or 180%, to \$720 million in 2019 from \$257 million in 2018. ROE increased to 25.6% from 12.0% in 2018, and adjusted ROE decreased to 17.1% from 17.3% in 2018. The increase in net income was driven by a \$1.6 billion increase in revenues, partially offset by an increase of \$1.1 billion in benefits and expenses.

**Revenues**

Revenues increased by \$1.6 billion to \$3.4 billion in 2019 from \$1.8 billion in 2018. The increase was driven by an increase in investment related gains and losses, higher net investment income and higher product charges.

Investment related gains and losses increased by \$1.3 billion to \$1.3 billion in 2019 from \$(2) million in the prior year, primarily due to the change in fair value of reinsurance assets, the change in fair value of FIA hedging derivatives, the change in fair value of trading securities and the change in realized gains on AFS securities. The change in fair value of reinsurance assets increased by \$784 million primarily driven by the change in the value of the underlying assets related to the decrease in U.S. Treasury rates and credit spreads tightening. The change in fair value of FIA hedging derivatives increased \$350 million driven by the strong performance of the indices upon which our call options are based. The majority of our call options are based on the S&P 500 index which increased 3.8% in 2019, compared to an increase of 2.9% in 2018. The favorable change in fair value of trading securities of \$155 million was comprised primarily of an increase in AmerUs Closed Block assets of \$95 million related to higher gains resulting from a decrease in U.S. Treasury rates and credit spreads tightening compared to prior year. The favorable change in realized gains on AFS securities of \$38 million was driven by a higher level of sales favorably impacted by the lower interest rate environment.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Net investment income increased by \$203 million to \$1.2 billion in 2019 from \$958 million in 2018, primarily driven by earnings from growth in our investment portfolio attributed to the Voya and Lincoln reinsurance transactions and a strong increase in deposits over the prior twelve months. Additionally, net investment income increased due to favorable alternative performance compared to prior year.

Product charges increased by \$26 million to \$132 million in 2019 from \$106 million in 2018, primarily driven by growth in the block of business and charges related to the addition of the Voya and Lincoln reinsurance liabilities.

### *Benefits and Expenses*

Benefits and expenses increased by \$1.1 billion to \$2.6 billion in 2019 from \$1.5 billion in 2018. The increase was driven by an increase in interest sensitive contract benefits, an increase in future policy benefits, an increase in amortization of DAC and VOBA, and an increase in policy and other operating expenses.

Interest sensitive contract benefits increased by \$752 million to \$1.1 billion in 2019 from \$342 million in 2018, driven by an increase in FIA fair value embedded derivatives of \$690 million and growth in the block of business. The change in the FIA fair value embedded derivatives was due to the unfavorable change in discount rates used in our embedded derivative calculations as the current quarter experienced a decrease in discount rates compared to 2018, which experienced an increase in discount rates, as well as the performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index, which experienced an increase of 3.8% in 2019, compared to an increase of 2.9% in 2018.

Future policy and other policy benefits increased by \$193 million to \$1.1 billion in 2019 from \$864 million in 2018, primarily attributable to higher PRT obligations, an increase in the change in AmerUs Closed Block fair value liability, and higher benefits for payout annuities with life contingencies due to the Voya reinsurance transaction, partially offset by the 2018 Voya reinsurance policyholder obligations at inception. The unfavorable change in the AmerUs Closed Block fair value liability of \$103 million was primarily driven by the increase in unrealized gains on the underlying investments related to the change in U.S. Treasury rates compared to prior year and credit spreads tightening.

DAC and VOBA amortization increased by \$172 million to \$261 million in 2019 from \$89 million in 2018, primarily due to the change in investment related gains and losses as a result of a favorable change in reinsurance embedded derivatives and growth in the block, partially offset by the unfavorable net change in FIA derivatives.

Policy and other operating expenses increased by \$31 million to \$185 million in 2019 from \$154 million in 2018, primarily driven by growth in our business including the Voya and Lincoln reinsurance transactions.

### *Taxes*

Income tax expense decreased by \$34 million to \$30 million in 2019 from \$64 million in 2018. The income tax expense for 2019 reflects the implementation of additional reinsurance arrangements in the third quarter of 2018, which are common in the insurance industry.

Our effective tax rate in the second quarter of 2019 was 4% and 20% in 2018. Our effective tax rates may vary period to period depending upon the relationship of income and loss subject to tax compared to consolidated income and loss before income taxes.

### ***Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018***

In this section, references to 2019 refer to the six months ended June 30, 2019 and references to 2018 refer to the six months ended June 30, 2018.

### *Net Income*

Net income increased by \$894 million, or 167%, to \$1.4 billion in 2019 from \$534 million in 2018. ROE increased to 27.7% from 12.1% in 2018, and adjusted ROE decreased to 15.9% from 17.2% in 2018. The increase in net income was driven by a \$5.5 billion increase in revenues, partially offset by an increase of \$4.7 billion in benefits and expenses.

### *Revenues*

Revenues increased by \$5.5 billion to \$8.3 billion in 2019 from \$2.8 billion in 2018. The increase was driven by an increase in investment related gains and losses, increase in premiums, higher net investment income and higher product charges.

Investment related gains and losses increased by \$3.3 billion to \$3.1 billion in 2019 from \$(238) million in the prior year, primarily due to the change in fair value of reinsurance assets, the change in fair value of FIA hedging derivatives, and a favorable change in fair value of trading securities. The change in fair value of reinsurance assets increased by \$1.6 billion primarily driven by the favorable change in the value of the underlying assets related to the decrease in U.S. Treasury rates and credit spreads tightening. The change in fair value of FIA hedging derivatives increased \$1.3 billion driven by the strong performance of the indices upon which our call options are based. The majority of our call options are based on the S&P 500 index which increased 17.3% in 2019, compared to an increase of 1.7% in 2018. The favorable change in fair value of trading securities of \$293 million was comprised primarily by an increase in AmerUs Closed Block assets of \$202 million related to higher gains resulting from a decrease in U.S. Treasury rates and credit spreads tightening compared to prior year.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Premiums increased by \$1.7 billion to \$2.7 billion in 2019 from \$1.0 billion in the prior period, driven by higher PRT premiums and an increase in premiums from flow reinsurance, partially offset by the 2018 Voya reinsurance premiums at inception.

Net investment income increased by \$414 million to \$2.2 billion in 2019 from \$1.8 billion in 2018, primarily driven by earnings from growth in our investment portfolio attributed to the Voya and Lincoln reinsurance transactions, as well as a strong increase in deposits over the prior twelve months. Additionally, net investment income increased due to higher floating rate investment income related to higher short-term interest rates.

Product charges increased by \$55 million to \$257 million in 2019 from \$202 million in 2018, primarily driven by growth in the block of business and charges related to the addition of the Voya and Lincoln reinsurance liabilities.

*Benefits and Expenses*

Benefits and expenses increased by \$4.7 billion to \$6.8 billion in 2019 from \$2.2 billion in 2018. The increase was driven by an increase in interest sensitive contract benefits, an increase in future policy benefits, an increase in amortization of DAC and VOBA, and an increase in policy and other operating expenses.

Interest sensitive contract benefits increased by \$2.2 billion to \$2.6 billion in 2019 from \$373 million in 2018, driven by an increase in FIA fair value embedded derivatives of \$2.1 billion and growth in the block of business. The change in the FIA fair value embedded derivatives was due to the performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index, which experienced a 17.3% increase in 2019, compared to an increase of 1.7% in 2018, as well as an unfavorable change in discount rates used in our embedded derivative calculations as the current year experienced a decrease in discount rates compared to 2018, which experienced an increase in discount rates.

Future policy and other policy benefits increased by \$2.1 billion to \$3.4 billion in 2019 from \$1.3 billion in 2018, primarily attributable to higher PRT obligations, an increase in the change in AmerUs Closed Block fair value liability, higher benefits for payout annuities with life contingencies due to the Voya reinsurance transaction and the change in rider reserves, partially offset by the 2018 Voya reinsurance policyholder obligations at inception. The change in the AmerUs Closed Block fair value liability of \$227 million was primarily driven by the increase in unrealized gains on the underlying investments related to the change in U.S. Treasury rates compared to prior year and credit spreads tightening. The change in rider reserves of \$75 million was primarily due to a favorable change in reinsurance embedded derivatives and growth in the block, partially offset by the unfavorable net change in FIA derivatives.

DAC and VOBA amortization increased by \$321 million to \$492 million in 2019 from \$171 million in 2018, primarily due to the favorable change in investment related gains and losses as a result of a favorable change in reinsurance embedded derivatives and growth in the block, partially offset by the unfavorable net change in FIA derivatives.

Policy and other operating expenses increased by \$54 million to \$350 million in 2019 from \$296 million in 2018, primarily driven by growth in our business including the Voya and Lincoln reinsurance transactions.

*Taxes*

Income tax expense decreased by \$47 million to \$62 million in 2019 from \$109 million in 2018. Income tax expense for 2019 reflects the implementation of additional reinsurance arrangements in the third quarter of 2018, which are common in the insurance industry.

Our effective tax rate in 2019 was 4% and 17% in 2018. Our effective tax rates may vary period to period depending upon the relationship of income and loss subject to tax compared to consolidated income and loss before income taxes.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
**Results of Operations by Segment**

The following summarizes our adjusted operating income by segment:

<i>(In millions, except percentages)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Net income</b>	\$ 720	\$ 257	\$ 1,428	\$ 534
<b>Non-operating adjustments</b>				
Realized gains (losses) on sale of AFS securities	41	11	53	28
Unrealized, impairments and other investment gains (losses)	10	10	39	16
Change in fair value of reinsurance assets	570	(129)	1,186	(207)
Offsets to investment gains (losses)	(204)	34	(403)	56
Investment gains (losses), net of offsets	417	(74)	875	(107)
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	(57)	68	(84)	154
Integration, restructuring and other non-operating expenses	(11)	(8)	(12)	(16)
Stock compensation expense	(3)	(2)	(6)	(5)
Income tax (expense) benefit – non-operating	4	(15)	(2)	(21)
<b>Less: Total non-operating adjustments</b>	350	(31)	771	5
<b>Adjusted operating income</b>	\$ 370	\$ 288	\$ 657	\$ 529
<b>Adjusted operating income (loss) by segment</b>				
Retirement Services	\$ 376	\$ 287	\$ 662	\$ 526
Corporate and Other	(6)	1	(5)	3
<b>Adjusted operating income</b>	\$ 370	\$ 288	\$ 657	\$ 529
Adjusted operating ROE	16.2%	14.2%	14.6%	13.3%
Retirement Services adjusted operating ROE	18.9%	19.8%	17.1%	18.6%

**Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018**

Adjusted operating income increased by \$82 million, or 28%, to \$370 million in 2019 from \$288 million in 2018. Adjusted operating ROE was 16.2%, up from 14.2% in 2018. The increase in adjusted operating income was primarily driven by an increase in our Retirement Services segment of \$89 million, while Corporate and Other decreased \$7 million.

Our consolidated net investment earned rate was 4.67% in 2019, a decrease from 4.71% in 2018, primarily due to the lower fixed income and other investment performance, partially offset by higher alternative investment performance. Fixed and other net investment earned rate was 4.26% in 2019, a decrease from 4.49% in 2018, driven by lower returns on investments from the Voya and Lincoln reinsurance transactions as well as the unfavorable impact of the lower interest rate environment on new investment purchases in 2019. Alternative net investment earned rate was 14.13% in 2019, an increase from 9.37% in 2018, driven by an increase in credit fund income, strong returns on alternatives recently funded and an increase in the market value of a public equity position in OneMain Holdings, Inc. (OneMain).

**Non-operating Adjustments**

Non-operating adjustments increased by \$381 million to \$350 million in 2019 from \$(31) million in 2018. The increase in non-operating adjustments was primarily driven by the favorable change in fair value of reinsurance assets, partially offset by unfavorable net FIA derivatives. Change in fair value of reinsurance assets impacts were favorable by \$699 million due to a decrease in U.S. Treasury rates, credit spreads tightening, and growth in the reinsurance block from the Voya and Lincoln transactions. Net FIA derivatives were unfavorable by \$125 million due to an unfavorable change in discount rates used in our embedded derivative calculations as the current quarter experienced a decrease in discount rates compared to 2018, partially offset by the performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index.



**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*****Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018***

Adjusted operating income increased by \$128 million, or 24%, to \$657 million in 2019 from \$529 million in 2018. Adjusted operating ROE was 14.6%, up from 13.3% in 2018. The increase in adjusted operating income was primarily driven by an increase in our Retirement Services segment of \$136 million, while Corporate and Other decreased \$8 million.

Our consolidated net investment earned rate was 4.48% in 2019, a decrease from 4.66% in 2018, primarily due to the lower fixed income and other investment performance and slightly lower alternative investment performance. Fixed and other net investment earned rate was 4.27% in 2019, a decrease from 4.41% in 2018, driven by lower returns on investments from the Voya and Lincoln reinsurance transactions as well as the unfavorable impact of the lower interest rate environment on new investment purchases in 2019, partially offset by higher floating rate investment income. Alternative net investment earned rate was 9.28% in 2019, a slight decrease from 9.78% in 2018, driven by lower credit fund income, offset by an increase in market value of the equity position in OneMain and the unfavorable 2018 change in market value of an equity position in Caesars Entertainment Corporation (Caesars).

***Non-operating Adjustments***

Non-operating adjustments increased by \$766 million to \$771 million in 2019 from \$5 million in 2018. The increase in non-operating adjustments was primarily driven by the favorable change in fair value of reinsurance assets, partially offset by unfavorable net FIA derivatives. Change in fair value of reinsurance assets impacts were favorable by \$1.4 billion due to a decrease in U.S. Treasury rates, credit spreads tightening, and growth in the reinsurance block from the Voya and Lincoln transactions. Net FIA derivatives were unfavorable by \$238 million due to an unfavorable change in discount rates used in our embedded derivative calculations as the current quarter experienced a decrease in discount rates compared to 2018, partially offset by the performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index.

**Retirement Services**

Retirement Services is comprised of our United States and Bermuda operations which issue and reinsure retirement savings products and institutional products. Retirement Services has retail operations, which provide annuity retirement solutions to our policyholders. Retirement Services also has reinsurance operations, which reinsure FIAs, MYGAs, traditional one year guarantee fixed deferred annuities, immediate annuities and institutional products from our reinsurance partners. In addition, our institutional operations, including funding agreements and PRT obligations, are included in our Retirement Services segment.

***Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018******Adjusted Operating Income***

Adjusted operating income increased by \$89 million, or 31%, to \$376 million in 2019, from \$287 million in 2018. Adjusted operating ROE was 18.9%, down from 19.8% in the prior period. The increase in adjusted operating income was driven by \$18.9 billion of growth in our invested assets delivering net investment spread accretion over prior year, primarily attributed to inorganic deposits from the Voya and Lincoln reinsurance transactions as well as strong organic deposits over the prior twelve months. Net investment earnings also benefited from an increase in alternative investment income primarily driven by an increase in credit fund income and strong returns on alternatives recently funded. Cost of funds increased from the prior year primarily driven by growth in our institutional channel as well as our other organic channels.

***Net Investment Spread***

	Three months ended June 30,	
	2019	2018
Net investment earned rate	4.63%	4.74%
Cost of funds	2.95%	2.84%
Net investment spread	1.68%	1.90%

Net investment spread, which measures the spread on our investment performance less the total cost of our liabilities, decreased 22 basis points to 1.68% in 2019 from 1.90% in 2018. Net investment earned rate decreased due to a decline in our fixed and other net investment earned rate, partially offset by an increase in the alternative net investment earned rate. The fixed and other net investment earned rate decreased in 2019 to 4.26% from 4.49% in 2018, primarily attributed to lower returns on the assets from the Voya and Lincoln reinsurance transactions as well as the unfavorable impact of the lower interest rate environment on new investment purchases in 2019. The alternative net investments earned rate increased in 2019 to 14.46% from 11.28% in 2018, driven by an increase in credit fund income and strong returns on alternatives recently funded.

Cost of funds increased by 11 basis point to 2.95% in 2019, from 2.84% in 2018, primarily driven by growth in our institutional channel at a higher rate, higher option costs on FIAs and an increase in DAC amortization and rider reserves following the 2018 unlocking of assumptions.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Investment Margin on Deferred Annuities*

	Three months ended June 30,	
	2019	2018
Net investment earned rate	4.63%	4.74%
Cost of crediting on deferred annuities	1.98%	1.92%
Investment margin on deferred annuities	2.65%	2.82%

Investment margin on deferred annuities, which measures our investment performance less the cost of crediting for our deferred annuities, decreased by 17 basis points to 2.65% in 2019, from 2.82% in 2018, primarily driven by a decrease in net investment earned rate, as well as an increase in cost of crediting on deferred annuities. Cost of crediting on deferred annuities increased 6 basis points primarily due to higher option costs as a result of higher volatility and short-term interest rates. We continue to focus on pricing discipline, managing interest rates credited to policyholders and managing the cost of options to fund the annual index credits on our FIA products.

**Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018**

*Adjusted Operating Income*

Adjusted operating income increased by \$136 million, or 26%, to \$662 million in 2019, from \$526 million in 2018. Adjusted operating ROE was 17.1%, down from 18.6% in the prior period. The increase in adjusted operating income was driven by \$18.9 billion of growth in our invested assets delivering net investment spread accretion over prior year primarily attributed to inorganic deposits from the Voya and Lincoln reinsurance transactions as well as strong organic deposits over the prior twelve months. Net investment earnings also benefited from higher floating rate income related to higher short-term interest rates. Cost of funds increased from prior year driven by growth in our institutional channel as well as our other organic channels.

*Net Investment Spread*

	Six months ended June 30,	
	2019	2018
Net investment earned rate	4.42%	4.68%
Cost of funds	2.90%	2.83%
Net investment spread	1.52%	1.85%

Net investment spread, which measures the spread on our investment performance less the total cost of our liabilities, decreased 33 basis points to 1.52% in 2019 from 1.85% in 2018. Net investment earned rate decreased due to a decline in the alternative net investment earned rate as well as a decline in our fixed and other net investment earned rate. The alternative net investments earned rate decreased in 2019 to 8.42% from 11.64% in 2018, primarily driven by lower credit fund income as 2018 benefited from gains in one of our funds. The fixed and other net investment earned rate decreased in 2019, to 4.27% from 4.40% in 2018 primarily attributed to lower returns on the assets from the Voya and Lincoln reinsurance transactions as well as the unfavorable impact of the lower interest rate environment on new investment purchases in 2019.

Cost of funds increased by 7 basis points to 2.90% in 2019, from 2.83% in 2018, primarily driven by growth in our institutional channel at a higher rate and higher option costs on FIAs.

*Investment Margin on Deferred Annuities*

	Six months ended June 30,	
	2019	2018
Net investment earned rate	4.42%	4.68%
Cost of crediting on deferred annuities	1.98%	1.89%
Investment margin on deferred annuities	2.44%	2.79%

Investment margin on deferred annuities, which measures our investment performance less the cost of crediting for our deferred annuities, decreased by 35 basis points to 2.44% in 2019 from 2.79% in 2018, primarily driven by a decrease in net investment earned rate, as well as an increase in cost of crediting on deferred annuities. Cost of crediting on deferred annuities increased 9 basis points primarily due to higher option costs as a result of higher volatility and short-term interest rates.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Corporate and Other

Corporate and Other includes certain other operations related to our corporate activities. Included in Corporate and Other are corporate allocated expenses, merger and acquisition costs, debt costs, certain integration and restructuring costs, certain stock-based compensation and intersegment eliminations. In addition, we also hold capital in excess of the level of capital we hold in Retirement Services to support our operating strategy

#### *Adjusted Operating Income (Loss)*

Adjusted operating income (loss) decreased by \$7 million to \$(6) million in the three months ended June 30, 2019, from \$1 million in the three months ended June 30, 2018. The change was mainly driven by lower earnings from a decrease in excess capital and higher operating expenses, partially offset by favorable alternative investment income related to an increase in the market value of our equity position in OneMain.

Adjusted operating income (loss) decreased by \$8 million to \$(5) million in the six months ended June 30, 2019, from \$3 million in the six months ended June 30, 2018. The change was mainly driven by lower earnings from a decrease in excess capital and higher operating expenses, partially offset by favorable alternative investment income related to an increase in the market value of our equity position in OneMain.

### Consolidated Investment Portfolio

We had consolidated investments, including related parties, of \$120.1 billion and \$107.6 billion as of June 30, 2019 and December 31, 2018, respectively. Our investment strategy seeks to achieve sustainable risk-adjusted returns through the disciplined management of our investment portfolio against our long-duration liabilities, coupled with the diversification of risk. The investment strategies utilized by our investment managers focus primarily on a buy and hold asset allocation strategy that may be adjusted periodically in response to changing market conditions and the nature of our liability profile. Substantially all of our investment portfolio is managed by AAM, an indirect subsidiary of Apollo. AAM provides a full suite of services for our investment portfolio, including direct investment management, asset allocation, mergers and acquisition asset diligence, and certain operational support services, including investment compliance, tax, legal and risk management support. Our relationship with AAM and Apollo allows us to take advantage of our generally illiquid liability profile by identifying investment opportunities with an emphasis on earning incremental yield by taking liquidity and complexity risk rather than assuming solely credit risk. AAM's investment team and Apollo's credit portfolio managers utilize their deep experience to assist us in sourcing and underwriting complex asset classes. AAM has selected a diverse array of corporate bonds and more structured, but highly rated asset classes. We also maintain holdings in floating rate and less rate-sensitive instruments, including CLOs, non-agency RMBS and various types of structured products. In addition to our fixed income portfolio, we opportunistically allocate 5–10% of our portfolio to alternative investments where we primarily focus on fixed income-like, cash flow-based investments.

Our invested assets, which are those that directly back our reserve liabilities as well as surplus assets (as previously discussed in *Key Operating and Non-GAAP Measures*), were \$116.7 billion and \$111.0 billion as of June 30, 2019 and December 31, 2018, respectively. AAM managed, directly and indirectly, substantially all of our invested assets as of June 30, 2019, comprising a diversified portfolio of fixed maturity and other securities. AAM's knowledge of our funding structure and regulatory requirements allows it to design customized strategies and investments for our portfolio.

Our asset portfolio is managed within the limits and constraints set forth in our Investment and Credit Risk Policy. Under this policy, we set limits on investments in our portfolio by asset class, such as corporate bonds, emerging markets securities, municipal bonds, non-agency RMBS, CMBS, CLOs, commercial mortgage whole loans and mezzanine loans and investment funds. We also set credit risk limits for exposure to a single issuer that vary based on the issuer's ratings. In addition, our investment portfolio is constrained by its scenario-based capital ratio limit and its stressed liquidity limit.

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The following table presents the carrying values of our total investments and investments in related parties:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
AFS securities, at fair value	\$ 66,878	55.7%	\$ 59,265	55.1%
Trading securities, at fair value	2,381	2.0%	1,949	1.8%
Equity securities, at fair value	336	0.3%	216	0.2%
Mortgage loans, net of allowances	11,912	9.9%	10,340	9.6%
Investment funds	722	0.6%	703	0.6%
Policy loans	480	0.4%	488	0.4%
Funds withheld at interest	15,307	12.7%	15,023	14.0%
Derivative assets	2,299	1.9%	1,043	1.0%
Short-term investments, at fair value	288	0.2%	191	0.2%
Other investments	119	0.1%	122	0.1%
<b>Total investments</b>	<b>100,722</b>	<b>83.8%</b>	<b>89,340</b>	<b>83.0%</b>
Investment in related parties				
AFS securities, at fair value	1,740	1.5%	1,437	1.3%
Trading securities, at fair value	311	0.3%	249	0.2%
Equity securities, at fair value	344	0.3%	120	0.1%
Mortgage loans	287	0.3%	291	0.3%
Investment funds	2,578	2.1%	2,232	2.1%
Funds withheld at interest	13,737	11.4%	13,577	12.6%
Other investments	387	0.3%	386	0.4%
Total related party investments	19,384	16.2%	18,292	17.0%
<b>Total investments including related party</b>	<b>\$ 120,106</b>	<b>100.0%</b>	<b>\$ 107,632</b>	<b>100.0%</b>

The increase in our total investments, including related party, as of June 30, 2019 of \$12.5 billion compared to December 31, 2018 was mainly driven by growth from organic deposits of \$8.8 billion less liability outflows of \$5.7 billion, an increase in unrealized gains and losses on AFS securities of \$3.8 billion attributed to the decrease in U.S. Treasury rates and credit spreads tightening, an increase in derivatives assets due to favorable equity market performance, proceeds from our Preferred Stock issuance and reinvestment of earnings.

Our investment portfolio consists largely of high quality fixed maturity securities, loans and short-term investments, as well as additional opportunistic holdings in investment funds and other instruments, including a small amount of equity holdings. Fixed maturity securities and loans include publicly issued corporate bonds, government and other sovereign bonds, privately placed corporate bonds and loans, mortgage loans, CMBS, RMBS, CLOs, and ABS.

While the substantial majority of our investment portfolio has been allocated to corporate bonds and structured credit products, a key component of our investment strategy is the opportunistic acquisition of investment funds with attractive risk and return profiles. Our investment fund portfolio consists of funds that employ various strategies including real estate and other real asset funds, credit funds and private equity funds. We have a strong preference for assets that have some or all of the following characteristics, among others: (1) investments that constitute a direct investment or an investment in a fund with a high degree of co-investment; (2) investments with credit- or debt-like characteristics (for example, a stipulated maturity and par value), or alternatively, investments with reduced volatility when compared to pure equity; or (3) investments that have less downside risk. We acquired certain investment funds from AAA Guarantor – Athene, L.P. (AAA Investor) (which are classified as private equity investments and consolidated VIEs) as a one-time capital contribution by our largest shareholder in advance of the Aviva USA acquisition. With respect to investment fund portfolios that we received in these transactions, we actively reinvest these investments in our preferred credit-oriented strategies over time as we liquidate these holdings.

We hold derivatives for economic hedging purposes to reduce our exposure to the cash flow variability of assets and liabilities, equity market risk, interest rate risk, credit risk, and to a lesser extent, foreign exchange risk. Our primary use of derivative instruments relates to providing the income needed to fund the annual indexed credits on our FIA products. We primarily use fixed indexed options to economically hedge FIA products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specific market index.

With respect to derivative positions, we transact with highly rated counterparties, and do not expect the counterparties to fail to meet their obligations under the contracts. We generally use industry standard agreements and annexes with bilateral collateral provisions to further reduce counterparty credit exposure.

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**AFS Securities**

We invest with the intent to hold investments to maturity. In selecting investments we attempt to source investments that match our future cash flow needs. However, we may sell any of our investments in advance of maturity in order to timely satisfy our liabilities as they become due or in order to respond to a change in the credit profile or other characteristics of the particular investment.

AFS securities are carried at fair value on our condensed consolidated balance sheets. Changes in fair value of our AFS securities, net of related DAC, DSI and VOBA amortization and the change in rider reserves, are charged or credited to other comprehensive income, net of tax. Declines in fair value that are other than temporary are recorded as realized losses in the condensed consolidated statements of income, net of any applicable non-credit component of the loss, which is recorded as an adjustment to other comprehensive income.

The distribution of our AFS securities, including related parties, by type is as follows:

<i>(In millions, except percentages)</i>	June 30, 2019				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percent of Total
<b>AFS securities</b>					
U.S. government and agencies	\$ 57	\$ 3	\$ —	\$ 60	0.1%
U.S. state, municipal and political subdivisions	1,202	208	(3)	1,407	2.0%
Foreign governments	306	18	—	324	0.5%
Corporate	40,712	2,386	(298)	42,800	62.4%
CLO	6,760	14	(133)	6,641	9.7%
ABS	5,117	142	(27)	5,232	7.6%
CMBS	2,703	94	(7)	2,790	4.1%
RMBS	7,092	544	(12)	7,624	11.1%
<b>Total AFS securities</b>	<b>63,949</b>	<b>3,409</b>	<b>(480)</b>	<b>66,878</b>	<b>97.5%</b>
<b>AFS securities – related party</b>					
Corporate	3	—	—	3	0.0%
CLO	793	1	(12)	782	1.1%
ABS	929	26	—	955	1.4%
<b>Total AFS securities – related party</b>	<b>1,725</b>	<b>27</b>	<b>(12)</b>	<b>1,740</b>	<b>2.5%</b>
<b>Total AFS securities including related party</b>	<b>\$ 65,674</b>	<b>\$ 3,436</b>	<b>\$ (492)</b>	<b>\$ 68,618</b>	<b>100.0%</b>

<i>(In millions, except percentages)</i>	December 31, 2018				
	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percent of Total
<b>AFS securities</b>					
U.S. government and agencies	\$ 57	\$ —	\$ —	\$ 57	0.1%
U.S. state, municipal and political subdivisions	1,183	117	(7)	1,293	2.1%
Foreign governments	162	2	(3)	161	0.3%
Corporate	38,018	394	(1,315)	37,097	61.1%
CLO	5,658	2	(299)	5,361	8.8%
ABS	4,915	53	(48)	4,920	8.1%
CMBS	2,390	27	(60)	2,357	3.9%
RMBS	7,642	413	(36)	8,019	13.2%
<b>Total AFS securities</b>	<b>60,025</b>	<b>1,008</b>	<b>(1,768)</b>	<b>59,265</b>	<b>97.6%</b>
<b>AFS securities – related party</b>					
CLO	587	—	(25)	562	0.9%
ABS	875	4	(4)	875	1.5%
<b>Total AFS securities – related party</b>	<b>1,462</b>	<b>4</b>	<b>(29)</b>	<b>1,437</b>	<b>2.4%</b>
<b>Total AFS securities including related party</b>	<b>\$ 61,487</b>	<b>\$ 1,012</b>	<b>\$ (1,797)</b>	<b>\$ 60,702</b>	<b>100.0%</b>

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We maintain a diversified AFS portfolio of corporate fixed maturity securities across industries and issuers, and a diversified portfolio of structured securities. The composition of our AFS securities, including related parties, is as follows:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<b>Corporate</b>				
Industrial other <sup>1</sup>	\$ 13,470	19.6%	\$ 11,706	19.3%
Financial	13,633	19.9%	11,809	19.5%
Utilities	10,614	15.5%	9,055	14.9%
Communication	2,482	3.6%	2,313	3.8%
Transportation	2,604	3.8%	2,214	3.6%
<b>Total corporate</b>	<b>42,803</b>	<b>62.4%</b>	<b>37,097</b>	<b>61.1%</b>
<b>Other government-related securities</b>				
U.S. state, municipal and political subdivisions	1,407	2.0%	1,293	2.1%
Foreign governments	324	0.5%	161	0.3%
U.S. government and agencies	60	0.1%	57	0.1%
<b>Total non-structured securities</b>	<b>44,594</b>	<b>65.0%</b>	<b>38,608</b>	<b>63.6%</b>
<b>Structured securities</b>				
CLO	7,423	10.8%	5,923	9.8%
ABS	6,187	9.0%	5,795	9.5%
CMBS	2,790	4.1%	2,357	3.9%
RMBS				
Agency	19	0.0%	59	0.1%
Non-agency	7,605	11.1%	7,960	13.1%
<b>Total structured securities</b>	<b>24,024</b>	<b>35.0%</b>	<b>22,094</b>	<b>36.4%</b>
<b>Total AFS securities including related party</b>	<b>\$ 68,618</b>	<b>100.0%</b>	<b>\$ 60,702</b>	<b>100.0%</b>

<sup>1</sup> Includes securities within various industry segments including capital goods, basic industry, consumer cyclical, consumer non-cyclical, industrial and technology.

The fair value of our AFS securities, including related parties, was \$68.6 billion and \$60.7 billion as of June 30, 2019 and December 31, 2018, respectively. The increase was mainly driven by the change in unrealized gains and losses on AFS securities, strong growth in deposits over liability outflows, proceeds from our Preferred Stock issuance and reinvestment of earnings. Unrealized gains and losses on AFS securities increased attributed to the decrease in U.S. Treasury rates and credit spreads tightening.

The Securities Valuation Office (SVO) of the NAIC is responsible for the credit quality assessment and valuation of securities owned by state regulated insurance companies. Insurance companies report ownership of securities to the SVO when such securities are eligible for filing on the relevant schedule of the NAIC Financial Statement Blank. The SVO conducts credit analysis on these securities for the purpose of assigning an NAIC designation and/or unit price. Subject to the important exceptions discussed below, if a security has been rated by a Nationally Recognized Statistical Rating Organization (NRSRO), the SVO utilizes that rating and assigns an NAIC designation based upon the following system (General Ratings Process):

NAIC designation	NRSRO equivalent rating
1	AAA/AA/A
2	BBB
3	BB
4	B
5	CCC
6	CC and lower

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The NRSRO ratings methodology is focused on the likelihood of recovery of all contractual payments, including principal at par, regardless of an investor’s carrying value. In effect, the NRSRO rating assumes that the holder is the original purchaser at par. In contrast, the SVO’s loan-backed and structured securities (LBaSS) methodology is focused on determining the risk associated with the recovery of the amortized cost of each security. Because the NAIC’s methodology explicitly considers amortized cost and the likelihood of recovery of such amount, we view the NAIC’s methodology as the most appropriate way to view our fixed maturity portfolio for purposes of evaluating credit quality since a large portion of our holdings were purchased and are carried at significant discounts to par.

The SVO has developed a ratings process and provides instruction on both modeled and non-modeled LBaSS. For modeled LBaSS, the process is specific to the non-agency RMBS and CMBS asset classes. In order to establish ratings at the individual security level, the SVO obtains loan-level analysis of each RMBS and CMBS using a selected vendor’s proprietary financial model. The SVO ensures that the vendor has extensive internal quality-control processes in place and the SVO conducts its own quality-control checks of the selected vendor’s valuation process. The SVO has retained the services of Blackrock, Inc. (Blackrock) to model non-agency RMBS and CMBS owned by U.S. insurers for all years presented herein. Blackrock provides five prices (breakpoints), based on each U.S. insurer’s statutory book value price, to utilize in determining the NAIC designation for each modeled LBaSS.

Prior to January 1, 2019, certain non-modeled LBaSS (including CLOs and ABS, other than RMBS and CMBS) underwent ratings evaluation by an NAIC credit rating provider (CRP). Such securities were subject to an exemption from the General Ratings Process (MFE Exemption) and received NAIC designations through a prescribed process (MFE Process). Pursuant to the MFE Process, CRP ratings were translated to an NAIC designation equivalent. If the translation process resulted in an NAIC designation equivalent of NAIC 1 or NAIC 6, then such designation was considered the final NAIC designation. If the translation process resulted in an NAIC designation equivalent of NAIC 2 through NAIC 5, then the NAIC designation equivalent was used to select the appropriate breakpoint from a pricing matrix and such breakpoint was applied to the amortized cost or fair value (in each instance, as a percentage of par), as applicable, to determine the final NAIC designation. Effective January 1, 2019, the MFE Exemption was eliminated, and as a result, NAIC designations for all non-modeled LBaSS are thereafter determined through the General Ratings Process.

The NAIC designation determines the associated level of risk-based capital (RBC) that an insurer is required to hold for modeled LBaSS owned by the insurer. In general, under the modeled LBaSS process and, prior to January 1, 2019, the non-modeled LBaSS processes, the larger the discount to par value at the time of determination, the higher the NAIC designation the LBaSS will have.

A summary of our AFS securities, including related parties, by NAIC designation is as follows:

<i>(In millions, except percentages)</i>	June 30, 2019			December 31, 2018		
	Amortized Cost	Fair Value	Percent of Total	Amortized Cost	Fair Value	Percent of Total
<b>NAIC designation</b>						
1	\$ 33,417	\$ 35,333	51.5%	\$ 31,106	\$ 31,311	51.6%
2	28,717	29,768	43.4%	26,682	25,871	42.6%
Total investment grade	62,134	65,101	94.9%	57,788	57,182	94.2%
3	2,654	2,655	3.9%	2,866	2,746	4.5%
4	741	712	1.0%	591	533	0.9%
5	128	130	0.2%	235	232	0.4%
6	17	20	0.0%	7	9	0.0%
Total below investment grade	3,540	3,517	5.1%	3,699	3,520	5.8%
<b>Total AFS securities including related party</b>	<b>\$ 65,674</b>	<b>\$ 68,618</b>	<b>100.0%</b>	<b>\$ 61,487</b>	<b>\$ 60,702</b>	<b>100.0%</b>

Substantially all of our AFS portfolio, 94.9% and 94.2% as of June 30, 2019 and December 31, 2018, respectively, was invested in assets considered investment grade with a NAIC designation of 1 or 2.

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A summary of our AFS securities, including related parties, by NRSRO ratings is set forth below:

	June 30, 2019		December 31, 2018	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<i>(In millions, except percentages)</i>				
<b>NRSRO rating agency designation</b>				
AAA/AA/A	\$ 24,216	35.3%	\$ 19,690	32.4%
BBB	26,780	39.0%	23,326	38.4%
Non-rated <sup>1</sup>	9,692	14.1%	9,624	15.9%
<b>Total investment grade</b>	<b>60,688</b>	<b>88.4%</b>	<b>52,640</b>	<b>86.7%</b>
BB	2,910	4.2%	2,670	4.4%
B	889	1.3%	875	1.4%
CCC	2,229	3.3%	2,340	3.9%
CC and lower	1,235	1.8%	1,296	2.1%
Non-rated <sup>1</sup>	667	1.0%	881	1.5%
<b>Total below investment grade</b>	<b>7,930</b>	<b>11.6%</b>	<b>8,062</b>	<b>13.3%</b>
<b>Total AFS securities including related party</b>	<b>\$ 68,618</b>	<b>100.0%</b>	<b>\$ 60,702</b>	<b>100.0%</b>

<sup>1</sup> 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.

Consistent with the NAIC Process and Procedures Manual, an NRSRO rating was assigned based on the following criteria: (a) the equivalent S&P rating when the security is rated by one NRSRO; (b) the equivalent S&P rating of the lowest NRSRO when the security is rated by two NRSROs; and (c) the equivalent S&P rating of the second lowest NRSRO when the security is rated by three or more NRSROs. If the lowest two NRSRO ratings are equal, then such rating will be the assigned rating. NRSRO ratings available for the periods presented were S&P, Fitch, Moody’s Investor Service, DBRS, and Kroll Bond Rating Agency, Inc.

The portion of our AFS portfolio that was considered below investment grade based on NRSRO ratings was 11.6% and 13.3% as of June 30, 2019 and December 31, 2018, respectively. The primary driver of the difference in the percentage of securities considered below investment grade by NRSROs as compared to the securities considered below investment grade by the NAIC is the difference in methodologies between the NRSRO and NAIC for RMBS due to investments acquired and/or carried at a discount to par value, as discussed above.

As of each of June 30, 2019 and December 31, 2018, the non-rated securities shown above were comprised 56% of corporate private placement securities for which we have not sought individual ratings from the NRSRO, and 29% and 30%, respectively, of RMBS, many of which were acquired at a significant discount to par. We rely on internal analysis of credit risk and designations assigned by the NAIC. As of June 30, 2019 and December 31, 2018, 94% and 92%, respectively, of the non-rated securities were designated NAIC 1 or 2.

**Asset-backed Securities** – We invest in ABS which are securitized by pools of assets such as consumer loans, automobile loans, student loans, insurance-linked securities, operating cash flows of corporations and cash flows from various types of business equipment. Our ABS holdings were \$6.2 billion and \$5.8 billion as of June 30, 2019 and December 31, 2018, respectively. The increase in our ABS portfolio is mainly due to attractive investments made during the period as new deposits and the Voya and Lincoln investment portfolios were redeployed. As of June 30, 2019 and December 31, 2018, our ABS portfolio included \$5.7 billion (92% of the total) and \$5.4 billion (92% of the total), respectively, of securities that are considered investment grade based on NAIC designations, while \$5.7 billion (92% of the total) and \$5.2 billion (89% of the total), respectively, of securities were considered investment grade based on NRSRO ratings.



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**Collateralized Loan Obligations** – We also invest in CLOs which pay principal and interest from cash flows received from underlying corporate loans. These holdings were \$7.4 billion and \$5.9 billion as of June 30, 2019 and December 31, 2018, respectively.

A summary of our AFS CLO portfolio, including related parties, by NAIC designations and NRSRO quality ratings is as follows:

	June 30, 2019		December 31, 2018	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<i>(In millions, except percentages)</i>				
<b>NAIC designation</b>				
1	\$ 4,109	55.4%	\$ 3,005	50.7%
2	3,150	42.4%	2,498	42.2%
Total investment grade	7,259	97.8%	5,503	92.9%
3	136	1.8%	393	6.7%
4	21	0.3%	20	0.3%
5	7	0.1%	7	0.1%
6	—	—%	—	—%
Total below investment grade	164	2.2%	420	7.1%
<b>Total AFS CLO including related party</b>	<b>\$ 7,423</b>	<b>100.0%</b>	<b>\$ 5,923</b>	<b>100.0%</b>
<b>NRSRO rating agency designation</b>				
AAA/AA/A	\$ 4,071	54.8%	\$ 2,921	49.3%
BBB	3,160	42.6%	2,829	47.8%
Non-rated <sup>1</sup>	28	0.4%	—	—%
Total investment grade	7,259	97.8%	5,750	97.1%
BB	136	1.8%	146	2.4%
B	21	0.3%	27	0.5%
CCC	7	0.1%	—	—%
CC and lower	—	—%	—	—%
Non-rated <sup>1</sup>	—	—%	—	—%
Total below investment grade	164	2.2%	173	2.9%
<b>Total AFS CLO including related party</b>	<b>\$ 7,423</b>	<b>100.0%</b>	<b>\$ 5,923</b>	<b>100.0%</b>

<sup>1</sup> Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security’s respective NAIC designations. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology.

As of June 30, 2019 and December 31, 2018, a majority of our AFS CLO portfolio, 97.8% and 92.9%, respectively, was invested in assets considered to be investment grade based upon an application of the NAIC’s methodology. As of June 30, 2019 and December 31, 2018, 97.8% and 97.1%, respectively, of our CLO portfolio was considered investment grade based on NRSRO ratings. The increase in our CLO portfolio is mainly due to attractive investments made during the period as new deposits and the Voya and Lincoln investment portfolios were redeployed.

**Commercial Mortgage-backed Securities** – A portion of our AFS portfolio is invested in CMBS. CMBS are constructed from pools of commercial mortgages. These holdings were \$2.8 billion and \$2.4 billion as of June 30, 2019 and December 31, 2018. As of June 30, 2019 and December 31, 2018, our CMBS portfolio included \$2.6 billion (93% of the total) and \$2.1 billion (91% of the total), respectively, of securities that are considered investment grade based on NAIC designations, while \$1.9 billion (69% of the total) and \$1.6 billion (66% of the total), respectively, of securities were considered investment grade based on NRSRO ratings.

**Residential Mortgage-backed Securities** – As part of our core investment strategy, a portion of our AFS portfolio is invested in RMBS. RMBS are securities constructed from pools of residential mortgages and backed by payments from those pools. These holdings were \$7.6 billion and \$8.0 billion as of June 30, 2019 and December 31, 2018, respectively.

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A summary of our AFS RMBS portfolio by NAIC designations and NRSRO quality ratings is as follows:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<b>NAIC designation</b>				
1	\$ 6,959	91.3%	\$ 7,415	92.5%
2	316	4.1%	269	3.3%
Total investment grade	7,275	95.4%	7,684	95.8%
3	209	2.7%	207	2.6%
4	118	1.6%	106	1.3%
5	21	0.3%	22	0.3%
6	1	0.0%	—	—%
Total below investment grade	349	4.6%	335	4.2%
<b>Total AFS RMBS</b>	<b>\$ 7,624</b>	<b>100.0%</b>	<b>\$ 8,019</b>	<b>100.0%</b>
<b>NRSRO rating agency designation</b>				
AAA/AA/A	\$ 444	5.8%	\$ 487	6.1%
BBB	261	3.4%	220	2.7%
Non-rated <sup>1</sup>	2,810	36.9%	2,932	36.6%
Total investment grade	3,515	46.1%	3,639	45.4%
BB	315	4.1%	332	4.1%
B	267	3.5%	301	3.8%
CCC	2,119	27.8%	2,259	28.2%
CC and lower	1,221	16.0%	1,292	16.1%
Non-rated <sup>1</sup>	187	2.5%	196	2.4%
Total below investment grade	4,109	53.9%	4,380	54.6%
<b>Total AFS RMBS</b>	<b>\$ 7,624</b>	<b>100.0%</b>	<b>\$ 8,019</b>	<b>100.0%</b>

<sup>1</sup> Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security’s respective NAIC designations. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology.

A significant majority of our AFS RMBS portfolio, 95.4% and 95.8% as of June 30, 2019 and December 31, 2018, respectively, was invested in assets considered to be investment grade based upon an application of the NAIC’s methodology to our holdings of RMBS. The NAIC’s methodology with respect to RMBS gives explicit effect to the amortized cost at which an insurance company carries each such investment. Because we invested in RMBS after the stresses related to U.S. housing had caused significant downward pressure on prices of RMBS, we carry most of our investments in RMBS at significant discounts to par value, which results in an investment grade NAIC designation. In contrast, our understanding is that in setting ratings, NRSROs focus on the likelihood of recovering all contractual payments including principal at par value. As a result of a fundamental difference in approach, as of June 30, 2019 and December 31, 2018, NRSRO characterized 46.1% and 45.4%, respectively, of our AFS RMBS portfolio as investment grade.

**Unrealized Losses**

Our investments in AFS securities, including related parties, are reported at fair value with changes in fair value recorded in other comprehensive income. Certain of our AFS securities, including related parties, have experienced declines in fair value that we consider temporary in nature. As of June 30, 2019, our AFS securities, including related party, had a fair value of \$68.6 billion, which was 4.5% above amortized cost of \$65.7 billion. As of December 31, 2018, our AFS securities, including related party, had a fair value of \$60.7 billion, which was 1.3% below amortized cost of \$61.5 billion. These investments are held to support our product liabilities and we currently have the intent and ability to hold these securities until sale or maturity, and believe the securities will recover the amortized cost basis prior to sale or maturity.

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The following tables reflect the unrealized losses on the AFS portfolio, including related parties, by NAIC designations:

(In millions, except percentages)	June 30, 2019					
	Amortized Cost of AFS Securities with Unrealized Loss	Gross Unrealized Losses	Fair Value of AFS Securities with Unrealized Loss	Fair Value to Amortized Cost Ratio	Fair Value of Total AFS Securities	Gross Unrealized Losses to Total AFS Fair Value
<b>NAIC designation</b>						
1	\$ 4,880	\$ (122)	\$ 4,758	97.5%	\$ 35,333	(0.3)%
2	7,005	(244)	6,761	96.5%	29,768	(0.8)%
Total investment grade	11,885	(366)	11,519	96.9%	65,101	(0.6)%
3	1,129	(69)	1,060	93.9%	2,655	(2.6)%
4	425	(53)	372	87.5%	712	(7.4)%
5	79	(3)	76	96.2%	130	(2.3)%
6	12	(1)	11	91.7%	20	(5.0)%
Total below investment grade	1,645	(126)	1,519	92.3%	3,517	(3.6)%
<b>Total</b>	<b>\$ 13,530</b>	<b>\$ (492)</b>	<b>\$ 13,038</b>	<b>96.4%</b>	<b>\$ 68,618</b>	<b>(0.7)%</b>

(In millions, except percentages)	December 31, 2018					
	Amortized Cost of AFS Securities with Unrealized Loss	Gross Unrealized Losses	Fair Value of AFS Securities with Unrealized Loss	Fair Value to Amortized Cost Ratio	Fair Value of Total AFS Securities	Gross Unrealized Losses to Total AFS Fair Value
<b>NAIC designation</b>						
1	\$ 15,373	\$ (545)	\$ 14,828	96.5%	\$ 31,311	(1.7)%
2	19,152	(1,035)	18,117	94.6%	25,871	(4.0)%
Total investment grade	34,525	(1,580)	32,945	95.4%	57,182	(2.8)%
3	2,308	(147)	2,161	93.6%	2,746	(5.4)%
4	500	(65)	435	87.0%	533	(12.2)%
5	88	(5)	83	94.3%	232	(2.2)%
6	2	—	2	100.0%	9	—%
Total below investment grade	2,898	(217)	2,681	92.5%	3,520	(6.2)%
<b>Total</b>	<b>\$ 37,423</b>	<b>\$ (1,797)</b>	<b>\$ 35,626</b>	<b>95.2%</b>	<b>\$ 60,702</b>	<b>(3.0)%</b>

The gross unrealized losses on AFS securities, including related parties, were \$492 million and \$1.8 billion as of June 30, 2019 and December 31, 2018, respectively. The decrease in unrealized losses was driven by the decrease in U.S. Treasury rates and credit spreads tightening during the six months ended June 30, 2019.

**Other-Than-Temporary Impairments**

For our OTTI policy and the identification of securities that could potentially have impairments, see *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* and *Note 2 – Investments* to the condensed consolidated financial statements, as well as *Critical Accounting Estimates and Judgments*.

During the six months ended June 30, 2019 and 2018, we recorded \$7 million and \$3 million, respectively, of OTTI losses, primarily related to corporate fixed maturities. The annualized OTTI losses we have experienced for each of the six months ended June 30, 2019 and 2018 translate into 1 basis point of average invested assets.

**International Exposure**

A portion of our AFS securities are invested in securities with international exposure. As of June 30, 2019 and December 31, 2018, 31% and 30% of the carrying value of our AFS securities, including related parties, was comprised of securities of issuers based outside of the United States and debt securities of foreign governments. These securities are either denominated in U.S. dollars or do not expose us to significant foreign currency risk as a result of foreign currency swap arrangements.

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The following table presents our international exposure in our AFS portfolio, including related parties, by country or region:

<i>(In millions, except percentages)</i>	June 30, 2019			December 31, 2018		
	Amortized Cost	Fair Value	Percent of Total	Amortized Cost	Fair Value	Percent of Total
<b>Country of risk</b>						
Ireland	\$ 692	\$ 706	3.3%	\$ 578	\$ 552	3.0%
Italy	6	7	0.0%	36	35	0.2%
Spain	66	70	0.3%	62	62	0.4%
Total Ireland, Italy, Greece, Spain and Portugal <sup>1</sup>	764	783	3.6%	676	649	3.6%
Other Europe	6,665	6,845	31.9%	6,335	6,133	33.3%
Total Europe	7,429	7,628	35.5%	7,011	6,782	36.9%
Non-U.S. North America	10,576	10,608	49.4%	9,261	8,906	48.4%
Australia & New Zealand	1,863	1,947	9.1%	1,731	1,696	9.2%
Central & South America	430	456	2.1%	448	445	2.4%
Africa & Middle East	272	290	1.4%	228	226	1.2%
Asia/Pacific	520	543	2.5%	351	345	1.9%
<b>Total</b>	<b>\$ 21,090</b>	<b>\$ 21,472</b>	<b>100.0%</b>	<b>\$ 19,030</b>	<b>\$ 18,400</b>	<b>100.0%</b>

<sup>1</sup> As of each of the respective periods, we had no holdings in Greece or Portugal.

Approximately 96.0% and 93.9% of these securities are investment grade by NAIC designation as of June 30, 2019 and December 31, 2018, respectively. As of June 30, 2019, 10% of our fixed maturity securities, including related parties, were invested in CLOs of Cayman Islands issuers (for which underlying investments are largely loans to U.S. issuers) and 21% were invested in securities of other non-U.S. issuers.

Portugal, Ireland, Italy, Greece and Spain continue to represent credit risk as economic conditions in these countries continue to be volatile, especially within the financial and banking sectors. We had \$783 million and \$649 million as of June 30, 2019 and December 31, 2018, respectively, of exposure in these countries.

As of June 30, 2019, we held United Kingdom and Channel Islands AFS securities of \$2.5 billion, or 3.7% of our AFS securities, including related parties. As of June 30, 2019, these securities were in a net unrealized gain position of \$34 million. Our investment managers analyze each holding for credit risk by economic and other factors of each country and industry.

**Trading Securities**

Trading securities, including related parties, were \$2.7 billion and \$2.2 billion as of June 30, 2019 and December 31, 2018, respectively. Trading securities are primarily comprised of AmerUs Closed Block securities for which we have elected the fair value option valuation, CLO equity tranche securities, structured securities with embedded derivatives, and investments which support various reinsurance arrangements.

**Mortgage Loans**

The following is a summary of our mortgage loan portfolio by collateral type:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Net Carrying Value	Percent of Total	Net Carrying Value	Percent of Total
<b>Property type</b>				
Office building	\$ 2,650	21.7%	\$ 2,221	20.9%
Retail	1,553	12.7%	1,660	15.6%
Hotels	959	7.9%	1,040	9.8%
Industrial	1,246	10.2%	1,196	11.2%
Apartment	1,352	11.1%	791	7.4%
Other commercial <sup>1</sup>	357	2.9%	389	3.7%
Total net commercial mortgage loans	8,117	66.5%	7,297	68.6%
Residential loans	4,082	33.5%	3,334	31.4%
<b>Total mortgage loans, net of allowances</b>	<b>\$ 12,199</b>	<b>100.0%</b>	<b>\$ 10,631</b>	<b>100.0%</b>

<sup>1</sup> Other commercial loans include investments in nursing homes, other healthcare institutions, parking garages, storage facilities and other commercial properties.

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We invest a portion of our investment portfolio in mortgage loans, which are generally comprised of high quality commercial first lien and mezzanine real estate loans. Our mortgage loan holdings were \$12.2 billion and \$10.6 billion as of June 30, 2019 and December 31, 2018, respectively. This included \$1.9 billion and \$2.1 billion of mezzanine mortgage loans as of June 30, 2019 and December 31, 2018, respectively. The increase in mortgage loans is mainly driven by attractive risk and return investments in both CML and RML during the period. We have acquired mortgage loans through acquisitions and reinsurance arrangements, as well as through an active program to invest in new mortgage loans. We invest in CMLs on income producing properties including hotels, apartments, retail and office buildings, and other commercial and industrial properties. Our RML portfolio primarily consists of first lien RMLs collateralized by properties located in the U.S. Loan-to-value ratios at the time of loan approval are generally 75% or less.

Our mortgage loans are primarily stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan’s contractual interest rate. Amortization of premiums and discounts is recorded using the effective interest method. Interest income, amortization of premiums and discounts, and prepayment fees are reported in net investment income.

It is our policy to cease to accrue interest on loans that are over 90 days delinquent. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. If a loan becomes over 90 days delinquent, it is our general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current is in place. As of June 30, 2019 and December 31, 2018, we had \$58 million and \$48 million, respectively, of mortgage loans that were 90 days past due, of which \$28 million and \$15 million, respectively, were in the process of foreclosure.

See *Note 2 – Investments* to the condensed consolidated financial statements for information regarding valuation allowance for collection loss, impairments, loan-to-value, and debt service coverage.

As of June 30, 2019 and December 31, 2018, we had not recorded any new specific loan valuation allowances. For each of the six months ended June 30, 2019 and 2018, we recorded \$0 million of impairments through net income. We have established a general and specific loan valuation allowance in the aggregate amount of \$2 million as of each of June 30, 2019 and December 31, 2018.

**Investment Funds and Variable Interest Entities**

Our investment funds investment strategy primarily focuses on funds with core holdings of credit assets, real assets, real estate, preferred equity and income producing assets. Our investment strategy focuses on sourcing assets with some or all of the following characteristics, among others: (1) investments that constitute a direct investment or an investment in a fund with a high degree of co-investment; (2) investments with credit- or debt-like characteristics (for example, a stipulated maturity and par value), or alternatively, investments with reduced volatility when compared to pure equity; or (3) investments that have less downside risk.

Our investment funds generally meet the definition of a VIE, and in certain cases these investment funds are consolidated in our financial statements because we meet the criteria of the primary beneficiary.

The following table illustrates our consolidated VIE positions:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
<b>Assets of consolidated VIEs</b>				
Investments				
Trading securities	\$ 21	3.2%	\$ 35	4.9%
Equity securities	6	0.9%	50	7.0%
Investment funds	612	93.9%	624	87.7%
Cash and cash equivalents	1	0.2%	2	0.3%
Other assets	12	1.8%	1	0.1%
Total assets of consolidated VIEs	<u>\$ 652</u>	<u>100.0%</u>	<u>\$ 712</u>	<u>100.0%</u>
<b>Liabilities of consolidated VIEs</b>				
Other liabilities	\$ 1	100.0%	\$ 1	100.0%
Total liabilities of consolidated VIEs	<u>\$ 1</u>	<u>100.0%</u>	<u>\$ 1</u>	<u>100.0%</u>

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The following table illustrates our investment funds, including related party positions of our non-consolidated VIEs and investment funds owned by consolidated VIEs:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018 <sup>1</sup>	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
<b>Investment funds</b>				
Real estate	\$ 249	6.4%	\$ 215	6.0%
Credit funds	169	4.3%	172	4.8%
Private equity	246	6.3%	253	7.1%
Real assets	57	1.5%	56	1.6%
Natural resources	1	0.0%	4	0.1%
Other	—	—%	3	0.1%
<b>Total investment funds</b>	<b>722</b>	<b>18.5%</b>	<b>703</b>	<b>19.7%</b>
<b>Investment funds – related parties</b>				
Differentiated investments				
AmeriHome	452	11.6%	463	13.0%
Catalina	262	6.7%	233	6.5%
Athora	127	3.3%	105	3.0%
Venerable	98	2.5%	92	2.6%
Other	221	5.6%	196	5.5%
<b>Total differentiated investments</b>	<b>1,160</b>	<b>29.7%</b>	<b>1,089</b>	<b>30.6%</b>
Real estate	614	15.7%	497	14.0%
Credit funds	352	9.0%	316	8.9%
Private equity	67	1.7%	18	0.5%
Real assets	150	3.8%	145	4.1%
Natural resources	144	3.7%	104	2.9%
Public equities	91	2.3%	63	1.8%
<b>Total investment funds – related parties</b>	<b>2,578</b>	<b>65.9%</b>	<b>2,232</b>	<b>62.8%</b>
<b>Investment funds owned by consolidated VIEs</b>				
MidCap	554	14.2%	553	15.5%
Real estate	41	1.0%	30	0.8%
Real assets	17	0.4%	41	1.2%
<b>Total investment funds owned by consolidated VIEs</b>	<b>612</b>	<b>15.6%</b>	<b>624</b>	<b>17.5%</b>
<b>Total investment funds, including related parties and funds owned by consolidated VIEs</b>	<b>\$ 3,912</b>	<b>100.0%</b>	<b>\$ 3,559</b>	<b>100.0%</b>

<sup>1</sup> Certain reclassifications have been made to conform with current year presentation.

Overall, the total investment funds, including related party and consolidated VIEs, were \$3.9 billion and \$3.6 billion, respectively, as of June 30, 2019 and December 31, 2018. See Note 2 – Investments to the condensed consolidated financial statements for further discussion regarding how we account for our investment funds. Our investment fund portfolio is subject to a number of market related risks including interest rate risk and equity market risk. Interest rate risk represents the potential for changes in the investment fund’s net asset values resulting from changes in the general level of interest rates. Equity market risk represents potential for changes in the investment fund’s net asset values resulting from changes in equity markets or from other external factors which influence equity markets. These risks expose us to potential volatility in our earnings period-over-period. We actively monitor our exposure to these risks.

**Funds Withheld at Interest**

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. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company. We hold funds withheld at interest receivables, including those held with VIAC and Lincoln. As of June 30, 2019, the significant majority of the ceding companies holding the assets pursuant to such reinsurance agreements had a financial strength rating of A- or better.

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The funds withheld at interest is comprised of the host contract and an embedded derivative. We are subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. Interest accrues at a risk-free rate on the host receivable and is recorded as net investment income in the condensed consolidated statements of income. The embedded derivative in our reinsurance agreements is similar to a total return swap on the income generated by the underlying assets held by the ceding companies. The change in the embedded derivative is recorded in investment related gains (losses). Although we do not directly control the underlying investments in the funds withheld at interest, in each instance the ceding company has hired AAM to manage the withheld assets in accordance with our investment guidelines.

The following summarizes the underlying investment composition of the funds withheld at interest, including related parties:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Fixed maturity securities				
U.S. government and agencies	\$ 17	0.1 %	\$ 77	0.3 %
U.S. state, municipal and political subdivisions	549	1.9 %	563	2.0 %
Foreign governments	176	0.6 %	145	0.5 %
Corporate	15,418	53.1 %	16,267	56.9 %
CLO	2,523	8.7 %	1,990	7.0 %
ABS	2,120	7.3 %	1,601	5.6 %
CMBS	736	2.5 %	575	2.0 %
RMBS	1,672	5.8 %	1,876	6.6 %
Equity securities	221	0.7 %	66	0.2 %
Mortgage loans	4,428	15.2 %	3,815	13.3 %
Investment funds	687	2.4 %	660	2.3 %
Derivative assets	186	0.6 %	77	0.3 %
Short-term investments	223	0.8 %	641	2.2 %
Cash and cash equivalents	440	1.5 %	455	1.6 %
Other assets and liabilities	(352)	(1.2)%	(208)	(0.8)%
Total funds withheld at interest including related party	\$ 29,044	100.0 %	\$ 28,600	100.0 %

As of June 30, 2019 and December 31, 2018, we held \$29.0 billion and \$28.6 billion, respectively, of funds withheld at interest receivables, including related party. Approximately 95.1% and 96.6% of the fixed maturity securities within the funds withheld at interest are investment grade by NAIC designation as of June 30, 2019 and December 31, 2018, respectively.

**Derivative Instruments**

We hold derivative instruments for economic hedging purposes to reduce our exposure to cash flow variability of assets and liabilities, equity market risk, interest rate risk, credit risk and foreign exchange risk. The types of derivatives we may use include interest rate swaps, foreign currency swaps and forward contracts, total return swaps, credit default swaps, variance swaps, futures and fixed indexed options.

A discussion regarding our derivative instruments and how such instruments are used to manage risk is included in *Note 3 – Derivative Instruments* to the condensed consolidated financial statements.

As part of our risk management strategies, management continually evaluates our derivative instrument holdings and the effectiveness of such holdings in addressing risks identified in our operations.

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***Invested Assets***

The following summarizes our invested assets:

<i>(In millions, except percentages)</i>	June 30, 2019		December 31, 2018	
	Invested Asset Value <sup>1</sup>	Percent of Total	Invested Asset Value <sup>1</sup>	Percent of Total
Corporate	\$ 56,651	48.6%	\$ 55,772	50.2%
CLO	9,627	8.2%	8,275	7.5%
Credit	66,278	56.8%	64,047	57.7%
RMBS	8,990	7.7%	9,814	8.9%
Mortgage loans	16,533	14.2%	14,423	13.0%
CMBS	3,358	2.9%	3,018	2.7%
Real estate	28,881	24.8%	27,255	24.6%
ABS	8,413	7.2%	7,706	6.9%
Alternative investments	5,194	4.5%	4,492	4.1%
State, municipal, political subdivisions and foreign government	2,253	1.9%	2,122	1.9%
Equity securities	485	0.4%	467	0.4%
Short-term investments	455	0.4%	765	0.7%
U.S. government and agencies	74	0.1%	134	0.1%
Other investments	16,874	14.5%	15,686	14.1%
Cash and equivalents	3,434	2.9%	2,881	2.6%
Policy loans and other	1,204	1.0%	1,165	1.0%
<b>Total invested assets</b>	<b>\$ 116,671</b>	<b>100.0%</b>	<b>\$ 111,034</b>	<b>100.0%</b>

<sup>1</sup> See *Key Operating and Non-GAAP Measures* for the definition of invested assets.

Our total invested assets were \$116.7 billion and \$111.0 billion as of June 30, 2019 and December 31, 2018, respectively. As of June 30, 2019, our total invested assets were mainly comprised of 48.6% of corporate securities, 26.0% of structured securities, 14.2% of mortgage loans and 4.5% of alternative investments. Corporate securities included \$15.5 billion of private placements, which represented 13.3% of our total invested assets. The increase in total invested assets as of June 30, 2019 from December 31, 2018 was primarily driven by strong growth in deposits which exceeded liability outflows, proceeds from our Preferred Stock issuance and reinvestment of earnings.

In managing our business we utilize invested assets as presented in the above table. Invested assets do not correspond to total investments, including related parties, on our condensed consolidated balance sheets, as discussed previously in *–Key Operating and Non-GAAP Measures*. Invested assets represent the investments that directly back our reserve liabilities and surplus assets. We believe this view of our portfolio provides a view of the assets for which we have economic exposure. 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. We also deconsolidate any VIEs in order to show the net investment in the funds, which are included in the alternative investments line above.

Invested assets is utilized by management to evaluate our investment portfolio. Invested asset figures are used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Invested assets is also used in our risk management processes for asset purchases, product design and underwriting, stress scenarios, liquidity, and ALM.



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**Alternative Investments**

The following summarizes our alternative investments:

	June 30, 2019		December 31, 2018	
	Invested Asset Value	Percent of Total	Invested Asset Value	Percent of Total
<i>(In millions, except percentages)</i>				
<b>Retirement Services</b>				
Differentiated investments				
AmeriHome	\$ 554	10.7%	\$ 568	12.6%
MidCap	554	10.7%	553	12.3%
Catalina	262	5.0%	232	5.2%
Venerable	98	1.9%	92	2.1%
Other	211	4.1%	229	5.1%
Total differentiated investments	1,679	32.4%	1,674	37.3%
Real estate	1,116	21.5%	1,015	22.6%
Credit	1,022	19.7%	537	11.9%
Private equity	323	6.2%	279	6.2%
Real assets	330	6.3%	276	6.2%
Natural resources	57	1.1%	55	1.2%
Other	46	0.9%	4	0.1%
Total Retirement Services alternative investments	4,573	88.1%	3,840	85.5%
<b>Corporate and Other</b>				
Athora	133	2.6%	130	2.9%
Credit	146	2.8%	203	4.5%
Natural resources	251	4.8%	213	4.8%
Public equities <sup>1</sup>	91	1.7%	100	2.2%
Other	—	—%	6	0.1%
Total Corporate and Other alternative investments	621	11.9%	652	14.5%
<b>Total alternative investments</b>	<b>\$ 5,194</b>	<b>100.0%</b>	<b>\$ 4,492</b>	<b>100.0%</b>

<sup>1</sup> As of June 30, 2019, public equities primarily includes an investment in OneMain Holdings, Inc. (ticker: OMF).

Alternative investments were \$5.2 billion and \$4.5 billion as of June 30, 2019 and December 31, 2018, respectively, representing 4.5% and 4.1% of our total invested assets portfolio as of June 30, 2019 and December 31, 2018, respectively.

Alternative investments do not correspond to the total investment funds, including related parties and VIEs, on our condensed consolidated balance sheets. As discussed above in the invested assets section, we adjust the GAAP presentation for funds withheld and modco and de-consolidate VIEs. We also include CLO equity tranche securities in alternative investments due to their underlying characteristics and equity-like features.

Through our relationship with Apollo and AAM, we have indirectly invested in companies that meet the key characteristics we look for in alternative investments. Two of our largest alternative investments are in asset originators, MidCap and AmeriHome, both of which, from time to time, provide us with access to assets for our investment portfolio.

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*MidCap*

Our equity investment in MidCap is held indirectly through CoInvest VII, of which MidCap constitutes substantially all of the fund's investments. MidCap is a commercial finance company that provides various financial products to middle-market businesses in multiple industries, primarily located in the U.S. MidCap primarily originates and invests in commercial and industrial loans, including senior secured corporate loans, working capital loans collateralized mainly by accounts receivable and inventory, senior secured loans collateralized by portfolios of commercial and consumer loans and related products and secured loans to highly capitalized pharmaceutical and medical device companies, and commercial real estate loans, including multifamily independent-living properties, assisted living, skilled nursing and medical office properties, warehouse, office building, hotel and other commercial use properties and multifamily properties. MidCap originates and acquires loans using borrowings under financing arrangements that it has in place with numerous financial institutions. MidCap's earnings are primarily driven by the difference between the interest earned on its loan portfolio and the interest accrued under its outstanding borrowings. As a result, MidCap is primarily exposed to the credit risk of its loan counterparties and prepayment risk. Additionally, financial results are influenced by related levels of middle-market business investment and interest rates.

Our alternative investment in CoInvest VII is substantially comprised of its investment in MidCap, which had a carrying value of \$554 million and \$553 million as of June 30, 2019 and December 31, 2018, respectively. Our investment in CoInvest VII largely reflects any contributions to and distributions from CoInvest VII and the fair value of MidCap. CoInvest VII returned a net investment earned rate of 15.55% and 14.51% for the three months ended June 30, 2019 and 2018, respectively, and 12.53% and 13.15% for the six months ended June 30, 2019 and 2018, respectively. Alternative investment income from CoInvest VII was \$21 million for each of the three months ended June 30, 2019 and 2018, and \$35 million and \$37 million for the six months ended June 30, 2019 and 2018, respectively.

*AmeriHome*

Our equity investment in AmeriHome is held indirectly through A-A Mortgage, of which AmeriHome is currently the fund's only investment. AmeriHome is a mortgage origination platform and an aggregator of mortgage servicing rights. AmeriHome acquires mortgage loans from retail originators and re-sells the loans to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association and other investors. AmeriHome retains the mortgage servicing rights on the loans that it sells and employs a subservicer to perform servicing operations, including payment collection. AmeriHome's earnings are primarily driven by two sources: gains or losses on the sale of mortgage loans and the difference between the fee that it charges for mortgage servicing and the fee charged by the subservicer. As a result, AmeriHome's financial results are influenced by interest rates and related housing demand. AmeriHome is primarily exposed to credit risk related to the accuracy of the representations and warranties in the loans that AmeriHome acquires and prepayment risk, which prematurely terminates fees related to mortgage servicing.

Our alternative investment in A-A Mortgage had a carrying value of \$554 million and \$568 million as of June 30, 2019 and December 31, 2018, respectively. Our investment in A-A Mortgage represents our proportionate share of its net asset value, which largely reflects any contributions to and distributions from A-A Mortgage and the fair value of AmeriHome. A-A Mortgage returned a net investment earned rate of 13.71% and 12.14% for the three months ended June 30, 2019 and 2018, respectively, and 13.90% and 12.93% for the six months ended June 30, 2019 and 2018, respectively. Alternative investment income from A-A Mortgage was \$19 million and \$16 million for the three months ended June 30, 2019 and 2018, respectively, and \$39 million and \$34 million for the six months ended June 30, 2019 and 2018, respectively.

*Public Equities*

We indirectly hold public equity positions through our equity investments in a few alternative investments. Although the carrying value of these securities is minor, such securities have resulted in volatility in our statements of income in recent periods. As of June 30, 2019 and December 31, 2018, we indirectly held public equity positions of \$91 million and \$100 million, respectively. As of June 30, 2019 and December 31, 2018, we held approximately 2.8 million shares of OneMain with a market value of \$91 million and \$63 million, respectively. As of December 31, 2018, we held approximately 5.5 million shares of Caesars, with a market value of \$37 million. Caesars was held indirectly through our investment in AAA Investment (Co Invest VI), L.P. (CoInvest VI). In the first quarter of 2019, CoInvest VI sold its remaining shares of Caesars.

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**Non-GAAP Measure Reconciliations**

The reconciliations to the nearest GAAP measure for adjusted operating income is included in the *Consolidated Results of Operations* section.

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

<i>(In millions)</i>	June 30, 2019		December 31, 2018	
Total shareholders’ equity	\$	12,365	\$	8,276
Less: Preferred stock		839		—
Total common shareholders’ equity		11,526		8,276
Less: AOCI		1,760		(472)
Less: Accumulated change in fair value of reinsurance assets		639		(75)
Total adjusted common shareholders’ equity	\$	9,127	\$	8,823
<b>Segment adjusted common shareholders’ equity</b>				
Retirement Services	\$	7,704	\$	7,807
Corporate and Other		1,423		1,016
Total adjusted common shareholders’ equity	\$	9,127	\$	8,823

The reconciliation of average shareholders’ equity to average adjusted common shareholders’ equity, which is included in adjusted ROE and adjusted operating ROE is as follows:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Average shareholders’ equity	\$ 11,241	\$ 8,575	\$ 10,321	\$ 8,819
Less: Average preferred stock	420	—	420	—
Less: Average AOCI	1,233	391	644	798
Less: Average accumulated change in fair value of reinsurance assets	474	60	282	86
Average adjusted common shareholders’ equity	\$ 9,114	\$ 8,124	\$ 8,975	\$ 7,935
<b>Segment average adjusted common shareholders’ equity</b>				
Retirement Services	\$ 7,952	\$ 5,772	\$ 7,755	\$ 5,644
Corporate and Other	1,162	2,352	1,220	2,291
Average adjusted common shareholders’ equity	\$ 9,114	\$ 8,124	\$ 8,975	\$ 7,935

The reconciliation of net income to adjusted net income, which is included in adjusted ROE is as follows:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income	\$ 720	\$ 257	\$ 1,428	\$ 534
Change in fair value of reinsurance assets	(330)	95	(714)	149
Adjusted net income	\$ 390	\$ 352	\$ 714	\$ 683

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

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
<i>(In millions, except percentages)</i>								
GAAP net investment income	\$ 1,161	4.03 %	\$ 958	4.47 %	\$ 2,227	3.91 %	\$ 1,813	4.44 %
Change in fair value of reinsurance assets	161	0.56 %	72	0.34 %	293	0.52 %	117	0.29 %
Net VIE earnings	24	0.09 %	1	0.00 %	45	0.08 %	16	0.04 %
Alternative income gain (loss)	12	0.04 %	(1)	0.00 %	7	0.01 %	—	— %
Held for trading amortization	(13)	(0.05)%	(21)	(0.10)%	(24)	(0.04)%	(44)	(0.11)%
Total adjustments to arrive at net investment earnings/earned rate	184	0.64 %	51	0.24 %	321	0.57 %	89	0.22 %
Total net investment earnings/earned rate	\$ 1,345	4.67 %	\$ 1,009	4.71 %	\$ 2,548	4.48 %	\$ 1,902	4.66 %
Retirement Services	\$ 1,321	4.63 %	\$ 983	4.74 %	\$ 2,492	4.42 %	\$ 1,849	4.68 %
Corporate and Other	24	8.39 %	26	3.71 %	56	10.05 %	53	4.01 %
Total net investment earnings/earned rate	\$ 1,345	4.67 %	\$ 1,009	4.71 %	\$ 2,548	4.48 %	\$ 1,902	4.66 %
Retirement Services average invested assets	114,059		82,879		112,711		79,000	
Corporate and Other average invested assets	1,162		2,848		1,113		2,646	
Consolidated average invested assets	\$ 115,221		\$ 85,727		\$ 113,824		\$ 81,646	

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

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
<i>(In millions, except percentages)</i>								
GAAP interest sensitive contract benefits	\$ 1,094	3.84 %	\$ 342	1.65 %	\$ 2,610	4.63 %	\$ 373	0.94 %
Interest credited other than deferred annuities and institutional products	50	0.18 %	9	0.04 %	105	0.19 %	16	0.04 %
FIA option costs	280	0.98 %	206	0.99 %	558	0.99 %	380	0.96 %
Product charges (strategy fees)	(29)	(0.10)%	(23)	(0.11)%	(57)	(0.10)%	(45)	(0.11)%
Reinsurance embedded derivative impacts	14	0.05 %	3	0.02 %	29	0.05 %	6	0.02 %
Change in fair value of embedded derivatives – FIAs	(868)	(3.05)%	(178)	(0.85)%	(2,179)	(3.86)%	(57)	(0.14)%
Negative VOBA amortization	7	0.02 %	7	0.03 %	19	0.03 %	17	0.04 %
Other changes in interest sensitive contract liabilities	(1)	0.00 %	2	0.01 %	(3)	(0.01)%	—	— %
Total adjustments to arrive at cost of crediting	(547)	(1.92)%	26	0.13 %	(1,528)	(2.71)%	317	0.81 %
Retirement Services cost of crediting	\$ 547	1.92 %	\$ 368	1.78 %	\$ 1,082	1.92 %	\$ 690	1.75 %
Retirement Services cost of crediting on deferred annuities	\$ 448	1.98 %	\$ 318	1.92 %	\$ 892	1.98 %	\$ 593	1.89 %
Retirement Services cost of crediting on institutional products	99	3.76 %	50	3.16 %	190	3.73 %	97	3.15 %
Retirement Services cost of crediting	\$ 547	1.92 %	\$ 368	1.78 %	\$ 1,082	1.92 %	\$ 690	1.75 %
Retirement Services average invested assets	\$ 114,059		\$ 82,879		\$ 112,711		\$ 79,000	
Average account value on deferred annuities	90,675		66,241		90,261		62,694	
Average institutional reserve liabilities	10,470		6,341		10,140		6,148	

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

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
GAAP benefits and expenses	\$ 2,619	\$ 1,481	\$ 6,840	\$ 2,170
Premiums	(733)	(731)	(2,699)	(1,009)
Product charges	(132)	(106)	(257)	(202)
Other revenues	(9)	(6)	(21)	(12)
Cost of crediting	(253)	(159)	(495)	(304)
Change in fair value of embedded derivatives – FIA, net of offsets	(817)	(237)	(2,077)	(171)
DAC, DSI and VOBA amortization related to investment gains and losses	(181)	26	(354)	46
Rider reserves related to investment gains and losses	(24)	6	(52)	7
Policy and other operating expenses, excluding policy acquisition expenses	(117)	(98)	(220)	(195)
AmerUs closed block fair value liability	(59)	36	(112)	90
Other	1	8	2	8
Total adjustments to arrive at other liability costs	(2,324)	(1,261)	(6,285)	(1,742)
Other liability costs	\$ 295	\$ 220	\$ 555	\$ 428
Retirement Services	\$ 295	\$ 220	\$ 555	\$ 428
Corporate and Other	—	—	—	—
Consolidated other liability costs	\$ 295	\$ 220	\$ 555	\$ 428

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

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
GAAP policy and other operating expenses	\$ 185	\$ 154	\$ 350	\$ 296
Interest expense	(15)	(16)	(32)	(29)
Policy acquisition expenses, net of deferrals	(69)	(58)	(131)	(103)
Integration, restructuring and other non-operating expenses	(11)	(8)	(12)	(16)
Stock compensation expenses	(3)	(2)	(6)	(5)
Total adjustments to arrive at operating expenses	(98)	(84)	(181)	(153)
Operating expenses	\$ 87	\$ 70	\$ 169	\$ 143
Retirement Services	\$ 68	\$ 56	\$ 130	\$ 114
Corporate and Other	19	14	39	29
Consolidated operating expenses	\$ 87	\$ 70	\$ 169	\$ 143

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

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Total investments, including related parties	\$ 120,106	\$ 107,632
Derivative assets	(2,299)	(1,043)
Cash and cash equivalents (including restricted cash)	5,238	3,403
Accrued investment income	758	682
Payables for collateral on derivatives	(2,183)	(969)
Reinsurance funds withheld and modified coinsurance	(1,236)	223
VIE and VOE assets, liabilities and noncontrolling interest	656	718
Unrealized (gains) losses	(3,084)	808
Ceded policy loans	(280)	(281)
Net investment receivables (payables)	(1,005)	(139)
Total adjustments to arrive at invested assets	(3,435)	3,402
Total invested assets	\$ 116,671	\$ 111,034

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The reconciliation of total investment funds, including related parties and VIEs, to alternative investments within invested assets is as follows:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Investment funds, including related parties and VIEs	\$ 3,912	\$ 3,559
Nonredeemable preferred stock included in equity securities	455	—
CLO equities included in trading securities	111	125
Investment funds within funds withheld at interest	687	660
Royalties and other assets included in other investments	68	71
Net assets of the VIE, excluding investment funds	(7)	50
Unrealized (gains) losses and other adjustments	(32)	27
Total adjustments to arrive at alternative investments	1,282	933
Alternative investments	\$ 5,194	\$ 4,492

The reconciliation of total liabilities to reserve liabilities is as follows:

<i>(In millions)</i>	June 30, 2019	December 31, 2018
Total liabilities	\$ 126,615	\$ 117,229
Long-term debt	(991)	(991)
Derivative liabilities	(80)	(85)
Payables for collateral on derivatives	(2,183)	(969)
Funds withheld liability	(759)	(721)
Other liabilities	(1,958)	(888)
Liabilities of consolidated VIEs	(1)	(1)
Reinsurance ceded receivables	(5,678)	(5,534)
Policy loans ceded	(280)	(281)
Other	(5)	(27)
Total adjustments to arrive at reserve liabilities	(11,935)	(9,497)
Total reserve liabilities	\$ 114,680	\$ 107,732

**Liquidity and Capital Resources**

There are two forms of liquidity relevant to our business, funding liquidity and balance sheet liquidity. Funding liquidity relates to the ability to fund operations. Balance sheet liquidity relates to our ability to liquidate or rebalance our balance sheet without incurring significant costs from fees, bid-offer spreads, or market impact. We manage our liquidity position by matching projected cash demands with adequate sources of cash and other liquid assets. Our principal sources of liquidity, in the ordinary course of business, are operating cash flows and holdings of cash, cash equivalents and other readily marketable assets.

Our investment portfolio is structured to ensure a strong liquidity position over time in order to permit timely payment of policy and contract benefits without requiring asset sales at inopportune times or at depressed prices. In general, liquid assets include cash and cash equivalents, highly rated corporate bonds, unaffiliated preferred stock and unaffiliated public common stock, all of which generally have liquid markets with a large number of buyers. The carrying value of these assets as of June 30, 2019 was \$56.3 billion. Although our investment portfolio does contain assets that are generally considered illiquid for liquidity monitoring purposes (primarily mortgage loans, policy loans, real estate, investment funds, and affiliated common stock), there is some ability to raise cash from these assets if needed. In periods of economic downturn we may maintain higher cash balances than required to manage our liquidity risk and to take advantage of market dislocations as they arise. We have access to additional liquidity through our \$1.0 billion revolving credit facility, which was undrawn as of June 30, 2019 and has a remaining term of approximately a year and a half. Our registration statement on Form S-3 ASR (Shelf Registration Statement) provides us access to the capital markets, subject to market conditions and other factors. In addition, through our membership in the FHLB, we are eligible to borrow under variable rate short-term federal funds arrangements to provide additional liquidity.

We proactively manage our liquidity position to meet cash needs while minimizing adverse impacts on investment returns. We analyze our cash-flow liquidity over the upcoming 12 months by modeling potential demands on liquidity under a variety of scenarios, taking into account the provisions of our policies and contracts in force, our cash flow position, and the volume of cash and readily marketable securities in our portfolio. We also monitor our liquidity profile under more severe scenarios.

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We perform a number of stress tests and analyses to assess our ability to meet our cash flow requirements, as well as the ability of our reinsurance and insurance subsidiaries to meet their collateral obligations. Among these analyses, we manage to the following ALM limits:

- our projected net cumulative cash flows, including both new business and target levels of new investments under a “plan scenario” and a “moderately severe scenario” event, are non-negative over a rolling 12-month horizon;
- we hold enough cash, cash equivalents and other discounted liquid limit assets to cover 12 months of AHL's and Athene USA's projected obligations, including debt servicing costs
  - minimum of 50% of expenses and 100% of debt servicing to be held in cash and cash equivalents at AHL operating accounts
  - minimum of 50% of any required AHL – Athene USA inter-company loan commitments to be held in cash and cash equivalents by AHL
  - dividends from ALRe sufficient to support the ongoing operations of AHL must be available under moderate and substantial stress scenarios
  - for purposes of administering this test, liquid limit assets are discounted by 25% and include public corporate bonds rated A- or above, liquid ABS (defined as prime auto, auto floorplan, Tier 1 subprime auto, auto lease, prime credit cards, equipment lease or utility stranded assets); RMBS with weighted average lives less than three years rated A- or above and CMBS with weighted average lives less than three years rated AAA- or above
- we seek to maintain sufficient capital and surplus at ALRe to meet the following collateral and capital maintenance calls under a substantial stress event, such as the failure of a major financial institution (Lehman event):
  - collateral calls from modco and third-party reinsurance contracts
  - Athene Annuity Re Ltd. (AARE) capital maintenance calls arising from AARE collateral calls from modco reinsurance contracts; and
  - U.S. regulated entity capital maintenance calls from nonmodco activity.

### *Insurance Subsidiaries' Liquidity*

#### *Operations*

The primary cash flow sources for our insurance subsidiaries include retirement services product inflows (premiums), investment income, principal repayments on our investments, and net transfers from separate accounts and financial product deposits. Uses of cash include investment purchases, payments to policyholders for surrenders and withdrawals, maturity payments on funding agreements, policy acquisition costs, and general operating costs.

Our policyholder obligations are generally long-term in nature. However, one liquidity risk is an extraordinary level of early policyholder withdrawals. We include provisions within our annuity policies, such as surrender charges and MVAs, which are intended to protect us from early withdrawals. As of June 30, 2019 and December 31, 2018, approximately 77% and 78%, respectively, of our deferred annuity liabilities were subject to penalty upon surrender. In addition, as of June 30, 2019 and December 31, 2018, approximately 64% and 65%, respectively, of policies contained MVAs that may also have the effect of limiting early withdrawals if interest rates increase. Our funding agreements, group annuities and payout annuities are generally non-surrenderable.

#### *Membership in Federal Home Loan Bank*

Through our membership in the FHLB, we are eligible to borrow under variable rate short-term federal funds arrangements to provide additional liquidity. The borrowings must be secured by eligible collateral such as mortgage loans, eligible CMBS or RMBS, government or agency securities and guaranteed loans. There were no outstanding borrowings under these arrangements as of June 30, 2019 or December 31, 2018.

We have issued funding agreements to the FHLB in exchange for cash advances. These funding agreements were issued in an investment spread strategy, consistent with other investment spread operations. As of each of June 30, 2019 and December 31, 2018, we had funding agreements outstanding with the FHLB in the aggregate principal amount of \$926 million.

The maximum FHLB indebtedness by a member is determined by the amount of collateral pledged, and cannot exceed a specified percentage of the member's total statutory assets dependent on the internal credit rating assigned to the member by the FHLB. As of June 30, 2019, the total maximum borrowings under the FHLB facility were limited to \$18.2 billion. However, our ability to borrow under the facility is constrained by the availability of assets that qualify as eligible collateral under the facility and by the Iowa Code requirement that we maintain funds equivalent to our legal reserve in certain permitted investments, from which we exclude pledged assets. Considering these limitations, we estimate that as of June 30, 2019 we had the ability to draw up to a total of approximately \$1.7 billion, inclusive of borrowings then outstanding. This estimate is based on our internal analysis and assumptions, and may not accurately measure collateral which is ultimately acceptable to the FHLB. Drawing such amounts would have an adverse impact on AAIA's RBC ratio, which may further restrict our ability or willingness to draw up to our estimated capacity.

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**Cash Flows**

Our cash flows were as follows:

<i>(In millions)</i>	Six months ended June 30,	
	2019	2018
Net income	\$ 1,428	\$ 534
Payment at inception of reinsurance agreements, net	—	(394)
Non-cash revenues and expenses	155	287
Net cash provided by operating activities	1,583	427
Sales, maturities and repayments of investments	7,776	8,856
Purchases of investments	(12,425)	(12,656)
Deconsolidation of Athora Holding Ltd.	—	(296)
Other investing activities	631	284
Net cash used in investing activities	(4,018)	(3,812)
Deposits on investment-type policies and contracts	5,972	4,375
Withdrawals on investment-type policies and contracts	(3,275)	(2,839)
Net change in cash collateral posted for derivative transactions	1,214	(577)
Net proceeds and repayment of debt	—	1,181
Issuance of preferred stock, net of expenses	839	—
Repurchase of common stock	(427)	(5)
Other financing activities	(54)	41
Net cash provided by financing activities	4,269	2,176
Net increase (decrease) in cash and cash equivalents <sup>1</sup>	\$ 1,834	\$ (1,209)

<sup>1</sup> Includes cash and cash equivalents, restricted cash, and cash and cash equivalents of consolidated VIEs.

*Cash flows from operating activities*

The primary cash inflows from operating activities include net investment income, annuity considerations and insurance premiums. The primary cash outflows from operating activities are comprised of benefit payments and operating expenses. Our operating activities generated cash flows totaling \$1.6 billion and \$427 million for the six months ended June 30, 2019 and 2018, respectively. The increase in cash provided by operating activities was primarily driven by an increase in net investment income reflecting growth in our investment portfolio and an increase in PRT premiums as well as 2018 ceding commission related to the Voya reinsurance transaction.

*Cash flows from investing activities*

The primary cash inflows from investing activities are the sales, maturities and repayments of investments. The primary cash outflows from investing activities are the purchases and acquisitions of new investments. Our investing activities used cash flows totaling \$4.0 billion and \$3.8 billion for the six months ended June 30, 2019 and 2018, respectively. The change in cash used in investing activities was primarily attributed to the deconsolidation of Germany in 2018, as well as the investment of proceeds from our debt issuance in 2018.

*Cash flows from financing activities*

The primary cash inflows from financing activities are deposits on our investment-type policies, changes of cash collateral posted for derivative transactions, capital contributions and proceeds from borrowing activities. The primary cash outflows from financing activities are withdrawals on our investment-type policies, changes of cash collateral posted for derivative transactions and repayments of borrowing activities. Our financing activities provided cash flows totaling \$4.3 billion and \$2.2 billion for the six months ended June 30, 2019 and 2018, respectively. The change in cash provided from financing activities was primarily attributed to the change in cash collateral posted for derivative transactions driven by favorable equity market performance in 2019, higher investment-type deposits from retail, flow reinsurance and funding agreement deposits and proceeds from the issuance of Preferred Stock, partially offset by 2018 proceeds from the issuance of debt and the repurchase of common stock in 2019.

**Holding Company Liquidity**

AHL is a holding company whose primary liquidity needs include the cash-flow requirements relating to its corporate activities, including its day-to-day operations, debt servicing and strategic transactions, such as acquisitions. The primary source of AHL’s cash flow is dividends from its subsidiaries, which are expected to be adequate to fund cash flow requirements based on current estimates of future obligations.



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The ability of AHL's insurance subsidiaries to pay dividends is limited by applicable laws and regulations of the jurisdictions where the subsidiaries are domiciled, as well as agreements entered into with regulators. These laws and regulations require, among other things, the insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Subject to these limitations and prior notification to the appropriate regulatory agency, the U.S. insurance subsidiaries are permitted to pay ordinary dividends based on calculations specified under insurance laws of the relevant state of domicile. Any distributions above the amount permitted by statute in any twelve month period are considered to be extraordinary dividends, and the approval of the appropriate regulator is required prior to payment. AHL does not currently plan on having the U.S. subsidiaries pay any dividends to ALRe.

Dividends from ALRe are projected to be the primary source of AHL's liquidity. Under the Bermuda Insurance Act, ALRe is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of ALRe's board of directors and its principal representative in Bermuda sign and submit to the Bermuda Monetary Authority (BMA) an affidavit attesting that a dividend in excess of this amount would not cause ALRe to fail to meet its relevant margins. In certain instances, ALRe would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA in accordance with the Bermuda Insurance Act, and further subject to ALRe meeting its relevant margins, ALRe is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of its total statutory capital. Distributions in excess of this amount require the approval of the BMA.

The maximum distribution permitted by law or contract is not necessarily indicative of our actual ability to pay such distributions, which may be further restricted by business and other considerations, such as the potential imposition of withholding tax and the impact of such distributions on surplus, which could affect our ratings or competitive position and the amount of premiums that can be written. Specifically, the level of capital needed to maintain desired financial strength ratings from rating agencies, including S&P, A.M. Best and Fitch, is of particular concern when determining the amount of capital available for distributions. AHL believes its insurance subsidiaries have sufficient statutory capital and surplus, combined with additional capital available to be provided by AHL, to meet their financial strength ratings objectives. Finally, state insurance laws and regulations require that the statutory surplus of our insurance subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for the insurance subsidiaries' financial needs.

### **Other Sources of Funding**

If needed, we may seek to secure additional funding at the holding company level by means other than dividends from subsidiaries, such as by drawing on our undrawn \$1.0 billion credit facility or by pursuing future issuances of debt or equity securities to third-party investors. However, such additional funding may not be available on terms favorable to us or at all, depending on our financial condition, results of operations or prevailing market conditions. In addition, certain covenants in our credit facility prohibit us from incurring any debt not expressly permitted thereby, which may limit our ability to pursue future issuances of debt. Specifically, our credit facility prohibits us from incurring any debt if, on a pro-forma basis, the debt would cause us to exceed a Consolidated Debt to Capitalization Ratio (as such term is defined in the credit facility) of 35%. Certain other sources of liquidity potentially available at the holding company level are discussed below.

*Shelf Registration* – Under our Shelf Registration Statement, subject to market conditions, we have the ability to issue, in indeterminate amounts, debt securities, preferred shares, depository shares, Class A common shares, warrants and units.

*Debt* – On January 12, 2018, we issued \$1.0 billion in aggregate principal amount of 4.125% Senior Notes due January 2028.

*Preferred Stock* – On June 10, 2019, we issued 34,500 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Shares, Series A, par value of \$1.00 per share with a liquidation preference of \$25,000 per share, for aggregate proceeds of \$839 million, net of the underwriters' discount and expenses. See *Note 7 – Equity* to the condensed consolidated financial statements for further information.

*Intercompany Note* – AHL has an unsecured revolving note payable with ALRe, which permits AHL to borrow up to \$1 billion with a fixed interest rate of 1.25% and a maturity date of March 31, 2024. As of June 30, 2019 and December 31, 2018, the revolving note payable had an outstanding balance of \$0 million and \$105 million, respectively.

### **Capital Resources**

As of December 31, 2018 and 2017, our U.S. insurance companies' total adjusted capital (TAC), as defined by the NAIC, was \$2.2 billion and \$1.9 billion, respectively, and our U.S. RBC ratio was 421% and 490%. Each U.S. domestic insurance subsidiary's state of domicile imposes minimum RBC requirements that were developed by the NAIC. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of TAC to its authorized control level RBC (ACL). Our TAC was significantly in excess of all regulatory standards as of December 31, 2018 and 2017, respectively.

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ALRe statutory capital was \$9.7 billion and \$7.0 billion as of December 31, 2018 and 2017, respectively. During 2018, AHL contributed its wholly owned subsidiary, Athene USA, to ALRe. ALRe adheres to BMA regulatory capital requirements to maintain statutory capital and surplus to meet the MMS and maintain minimum EBS capital and surplus to meet the enhanced capital requirement. Under the EBS framework, ALRe's assets are recorded at market value and its insurance reserves are determined by reference to nine prescribed scenarios, with the scenario resulting in the highest reserve balance being ultimately required to be selected. ALRe's EBS capital and surplus was \$12.0 billion and \$7.7 billion, resulting in a BSCR ratio of 340% and 354% as of December 31, 2018 and 2017, respectively. An insurer must have a BSCR ratio of 100% or greater to be considered solvent by the BMA. As of December 31, 2018 and 2017, ALRe held the appropriate capital to adhere to these regulatory standards. In evaluating our capital position and the amount of capital needed to support our Retirement Services segment, we review our ALRe capital by applying the NAIC RBC factors. As of December 31, 2018 and 2017, our ALRe RBC was 405% and 562%, respectively. The decrease in ALRe RBC was driven by the capital charges related to the Voya and Lincoln reinsurance agreements, alternative investment deployment, the increase in deposits and impacts resulting from the Tax Act. Although the updates to the RBC factors to reflect the reduction in the corporate income tax rate from 35% to 21% lowered our ALRe RBC ratio, we do not believe this materially impacted the level of capital that we deem appropriate to run our business. We believe that we enjoy a strong capital position in light of our risks and that we are well positioned to meet policyholder and other obligations. We also believe that our strong capital position, as well as our excess capital position, provides us the opportunity to take advantage of market dislocations as they arise.

### *Share Repurchase Program*

In December 2018, our board of directors approved an authorization for the repurchase of up to \$250 million of our Class A shares. In the first quarter of 2019, our board of directors approved an authorization for the purchase of up to an additional \$247 million of our Class A shares under our share repurchase program, which was conditioned upon the further approval by a committee of our board of directors. Such further approval was granted during the second quarter of 2019. In connection with our Preferred Stock offering, our board of directors approved an authorization for the purchase of up to an additional \$120 million of our Class A shares. In addition, the board subsequently approved an additional authorization of up to \$350 million of our Class A shares. Pursuant to our share repurchase program, we have repurchased 12.9 million Class A shares for \$542 million as of August 5, 2019, of which 10.4 million Class A shares were repurchased in 2019 for \$442 million. As of August 5, 2019, we have \$425 million of repurchase authorization remaining.

## Balance Sheet and Other Arrangements

### *Contractual Obligations*

There have been no material changes to our contractual obligations from those previously disclosed in the 2018 Annual Report.

### *Off Balance Sheet Arrangements*

None.

## Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Amounts based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty, particularly related to the future performance of the underlying business, and will likely change in the future as additional information becomes available. Critical estimates and assumptions are evaluated on an ongoing basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect periodic changes in these estimates and assumptions. Critical accounting estimates are impacted significantly by our methods, judgments and assumptions used in the preparation of the consolidated financial statements and should be read in conjunction with our significant accounting policies described in *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* to the consolidated financial statements of our 2018 Annual Report. The most critical accounting estimates and judgments include those used in determining:

- fair value of investments;
- impairment of investments and valuation allowances;
- future policy benefit reserves;
- derivatives valuation, including embedded derivatives;
- deferred acquisition costs, deferred sales inducements and value of business acquired;
- stock-based compensation;
- consolidation of VIEs; and
- valuation allowances on deferred tax assets.

The above critical accounting estimates and judgments are discussed in detail in *Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* of our 2018 Annual Report.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* to the condensed consolidated financial statements for adoption of new and future accounting pronouncements.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risks**

We regularly analyze our exposure to market risks, which reflect potential losses in value due to credit and counterparty risk, interest rate risk, currency risk, commodity price risk and equity price risk. As a result of that analysis, we have determined that we are primarily exposed to credit risk, interest rate risk and equity price risk. A description of our market risk exposures, including strategies used to manage our exposure to market risk, may be found under *Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risk* of the 2018 Annual Report.

There have been no material changes to our market risk exposures from those previously disclosed in the 2018 Annual Report.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures as such term is defined under Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at attaining the level of reasonable assurance noted above.

### **Changes in Internal Control Over Financial Reporting**

There were no changes to our internal control over financial reporting during the quarter ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to litigation arising in the ordinary course of our business, including litigation principally relating to our FIA business. We cannot assure you that our insurance coverage will be adequate to cover all liabilities arising out of such claims. The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. There is significant judgment required in assessing both the probability of an adverse outcome and the determination as to whether an exposure can be reasonably estimated. In management's opinion, the ultimate disposition of any current legal proceeding or claim brought against us will not have a material effect on our financial condition, results of operations or cash flows. Litigation is, however, inherently uncertain and an adverse outcome from such litigation could have a material effect on the operating results of a particular reporting period.

From time to time, in the ordinary course of business and like others in the insurance and financial services industries, we receive requests for information from government agencies in connection with such agencies' regulatory or investigatory authority. Such requests can include financial or market conduct examinations, subpoenas or demand letters for documents to assist the government in audits or investigations. We and each of our U.S. insurance subsidiaries review such requests and notices and take appropriate action. We have been subject to certain requests for information and investigations in the past and could be subject to them in the future.

For a description of certain legal proceedings affecting us, see *Note 9 – Commitments and Contingencies – Litigation, Claims and Assessments* to the condensed consolidated financial statements.

### Item 1A. Risk Factors

The following should be read in conjunction with, and supplement and amend, the factors that may affect our business or operations described in *Part I—Item 1A. Risk Factors* of our 2018 Annual Report. Other than as described in this Item 1A, there have been no material changes to our risk factors from the risk factors previously disclosed in our 2018 Annual Report.

The following is inserted as the new penultimate paragraph of the similarly named risk factor included in our 2018 Annual Report:

***The amount of statutory capital that our insurance and reinsurance subsidiaries have, or that they are required to hold, can vary significantly from time to time and is sensitive to a number of factors outside of our control.***

The NAIC and state insurance regulators, as well as the Federal Reserve and Federal Insurance Office, are currently working with the International Association of Insurance Supervisors to develop a global common framework (ComFrame) for the supervision of internationally active insurance groups (IAIGs). If adopted, ComFrame would require the designation of a group-wide supervisor for each IAIG and would impose a group capital requirement that would be applied to an IAIG in addition to the current legal entity capital requirements imposed by state insurance laws and regulations. In response to ComFrame, the NAIC developed a model law that allows state insurance regulators in the U.S. to be designated as group-wide supervisors for U.S.-based IAIGs. Additionally, the NAIC is developing a group capital analytical tool that would be applied to U.S.-based insurance groups in addition to the RBC requirement that is applied on a legal entity basis. While not expected, these regulatory developments could increase the amount of capital that we are required to hold and could result in us being subject to increased regulatory requirements.

The following updates and replaces, in its entirety, the similarly named risk factor included in our 2018 Annual Report:

***We rely on our investment management agreements with AAM for the management of our investment portfolio. AAM may terminate these arrangements at any time, and there are limitations on our ability to terminate such arrangements, which may adversely affect our investment results.***

We rely on AAM to provide us with investment management services pursuant to various IMAs. AAM relies in part on its ability to attract and retain key people, and the loss of services of one or more of the members of AAM's senior management could delay or prevent AAM from fully implementing our investment strategy.

*IMA Termination Rights*

Our bye-laws currently provide that we may not, and will cause our subsidiaries not to, terminate any IMA among us or any of our subsidiaries, on the one hand, and AAM, on the other hand, other than on June 4, 2023 or any two-year anniversary of such date (each such date, an IMA Termination Election Date) and any termination on an IMA Termination Election Date requires (i) the approval of two-thirds of our Independent Directors (as defined below) and (ii) written notice to AAM of such termination at least 30 days, but not more than 90 days, prior to an IMA Termination Election Date. If our Independent Directors make any such election to terminate and notice of such termination is delivered, the termination will be effective no earlier than the second anniversary of the applicable IMA Termination Election Date (IMA Termination Effective Date). Notwithstanding the foregoing, (A) except as set forth in clause (B) below, our board of directors may only elect to terminate an IMA on an IMA Termination Election Date if two-thirds of our Independent Directors determine, in their sole discretion and acting in good faith, that either (i) there has been unsatisfactory long-term performance materially detrimental to us by AAM, or (ii) the fees being charged by AAM are unfair and excessive compared to a comparable asset manager (provided, that in either case such Independent Directors must deliver notice of any such determination to AAM and AAM will have until the applicable IMA Termination Effective Date to address such concerns, and provided, further, that in the case of such a determination that the fees being charged by AAM are unfair and excessive, AAM has the right to lower its fees to match the fees of such comparable asset manager) and (B) upon the determination by two-thirds of our Independent Directors, we or our subsidiaries may also terminate an IMA with AAM, on a date other than an IMA Termination Effective Date, as a result of either (i) a material violation of law relating to AAM's advisory business, or (ii) AAM's gross negligence, willful misconduct or reckless disregard of AAM's obligations under the relevant agreement, in each case of this clause (B), that is materially detrimental to us, and in either case of this clause (B), subject to the delivery of written notice at least 30 days prior to such termination; provided, that in connection with an event described in clause (B)(i) or (B)(ii), AAM shall have the right to dispute such determination of the Independent Directors within 30 days after receiving notice from us of such determination, in which case the matter will be submitted to binding arbitration and such IMA shall continue to remain in effect during the period of the arbitration (the events described in the foregoing clauses (A) and (B) are referred to in more detail in our bye-laws as "AHL Cause"). For purposes of these provisions of the bye-laws, an "Independent Director" cannot be (x) an officer or employee of ours or any of our subsidiaries or (y) an officer or employee of (1) any member of the Apollo Group described in clauses (i) through (iv) of the definition of "Apollo Group" as set forth in our bye-laws or (2) AGM or any of its subsidiaries (excluding any subsidiary that constitutes any portfolio company (or investment) of (A) an investment fund or other investment vehicle whose general partner, managing member or similar governing person is owned, directly or indirectly, by AGM or by one or more of its subsidiaries or (B) a managed account agreement (or similar arrangement) whereby AGM or one or more of its subsidiaries serves as general partner, managing member or in a similar governing position). The limitations on our ability to terminate the IMAs with AAM could have a material adverse effect on our financial condition and results of operations.

Our organizational documents give our Independent Directors complete discretion, while acting in good faith, as to whether to determine if an AHL Cause event has occurred with respect to any IMA with AAM, and therefore our Independent Directors are under no obligation to make, and accordingly may exercise their discretion never to make, such a determination.

The boards of directors of AHL's subsidiaries may terminate an IMA with AAM relating to the applicable subsidiary if such subsidiary's board of directors determines that such termination is required in the exercise of its fiduciary duties. If our subsidiaries do elect to terminate any such agreement, other than as provided above, we may be in breach of our bye-laws, which could subject us to regulatory scrutiny, expose us to shareholder lawsuits and could have a negative effect on our financial condition and results of operations.

*Investment Management Fees*

The Fee Agreement provides for a monthly fee payable to AAM in arrears in an amount equal to the following, to the extent not otherwise payable to Apollo pursuant to any one or more investment management or sub-advisory agreements or arrangements:

- (1) a base management fee equal to the sum of (i) 0.225% per annum of the lesser of (A) the aggregate market value of substantially all of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts) on December 31, 2018 (Backbook Value) and (B) the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month, plus (ii) 0.15% per annum of the amount, if any (Incremental Value), by which the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value; plus
- (2) with respect to each asset in an Account, subject to certain exceptions, that is managed by Apollo and that belongs to a specified asset class tier, a sub-allocation fee as follows, which will, in the case of assets acquired after January 1, 2019, be subject to a cap of 10% of the applicable asset's gross book yield, as further described in the Fee Agreement:
  - (i) 0.065% of the market value of Core assets, which include public investment grade corporate bonds, municipal securities, agency RMBS or CMBS, and obligations of governmental agencies or government sponsored entities that are not expressly backed by the U.S. government;
  - (ii) 0.13% of the market value of Core Plus assets, which include private investment grade corporate bonds, fixed rate first lien CML, and certain obligations issued or assumed by financial institutions and determined by Apollo to be "Tier 2 Capital" under Basel III, a set of recommendations for international banking regulations developed by the Bank for International Settlements;
  - (iii) 0.375% of the market value of Yield assets, which include non-agency RMBS, investment grade CLO, CMBS and other ABS (other than RMBS and CLO), emerging market investments, below investment grade corporate bonds, subordinated debt obligations, hybrid securities or surplus notes issued or assumed by a financial institution, rated preferred equity, RML, bank loans, investment grade infrastructure debt, and floating rate CMLs on slightly transitional or stabilized traditional real estate;

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- (iv) 0.70% of the market value of High Alpha assets, which include subordinated CML, below investment grade CLO, unrated preferred equity, debt obligations originated by MidCap, CMLs for redevelopment or construction loans or secured by non-traditional real estate, below investment grade infrastructure debt, certain loans originated directly by Apollo (other than MidCap loans), and agency mortgage derivatives; and
- (v) 0.00% of the market value of cash and cash equivalents, U.S. treasuries, non-preferred equities and alternatives.

The base management fee covers a range of investment services that we receive from Apollo, including investment management, asset allocation, mergers and acquisition asset diligence and certain operational support services such as investment compliance, tax, legal and risk management support, among others. Additionally, the Fee Agreement provides for a possible payment by AAM to us, or a possible payment by us to AAM, equal to 0.025% of the Incremental Value as of the end of each year, beginning on December 31, 2019, depending upon the percentage of our investments that consist of Core and Core Plus assets. If more than 60% of our invested assets that are subject to the sub-allocation fees are invested in Core and Core Plus assets, we will receive a 0.025% fee reduction on the Incremental Value. If less than 50% of our invested assets that are subject to the sub-allocation fee are invested in Core and Core Plus assets, we will pay an additional fee of 0.025% on Incremental Value.

### *Termination by AAM*

Conversely, we may be adversely affected if AAM elects to terminate an IMA at a time when such agreement remains advantageous to us. We depend upon AAM to implement our investment strategy. However, AAM does not face the restrictions described above with regard to its ability to terminate any of its agreements with us and may terminate such agreements at any time. If AAM chooses to terminate such agreements, there is no assurance that we could find a suitable replacement or that certain of the opportunities made available to us as a result of our relationship with AAM and Apollo would be offered by a suitable replacement, and therefore our financial condition and results of operations could be adversely impacted by our failure to retain a satisfactory investment manager.

The following updates and replaces, in its entirety, the similarly named risk factor included in our 2018 Annual Report:

### ***Our failure to obtain or maintain approval of insurance regulators and other regulatory authorities as required for the operations of our insurance subsidiaries may have a material adverse effect on our business, financial condition, results of operations, liquidity, cash flows and prospects.***

U.S. state regulators retain the authority to license insurers in their states and an insurer generally may not operate in a state in which it is not licensed. We have U.S. domiciled insurance subsidiaries that collectively are currently licensed to do business in all 50 states and the District of Columbia. Our ability to retain these licenses depends on our and our subsidiaries' ability to meet requirements established by the NAIC and adopted by each state such as RBC standards and surplus requirements.

Some of the factors influencing these licensing requirements, particularly factors such as changes in equity market levels, the value of certain derivative instruments that do not receive hedge accounting, the value and credit ratings of certain fixed-income and equity securities in our investment portfolio, interest rate changes and changes to the RBC formulas and the interpretation of the NAIC's instructions with respect to RBC calculation methodologies, are out of our control. In addition, licensing regulations differ as to products and jurisdictions and may be subject to interpretation as to whether certain licenses are required with respect to the manner in which we may sell or service some of our products in certain jurisdictions. The degree of complexity is heightened in the context of products that are issued through our institutional channel, including our PRT products, where one product may cover risks in multiple jurisdictions.

If the factors discussed above adversely affect us or a state regulator interprets a licensing requirement differently than we do and we are unable to meet the requirements above, our subsidiaries could lose their licenses to do business in certain states; be subject to additional regulatory oversight; have their licenses suspended; be subject to rescission requests, fines, administrative penalties or payments to policyholders; or be subject to seizure of assets. A loss or suspension of any of our subsidiaries' licenses or an inability of any of our insurance subsidiaries to be able to sell or service certain of our insurance products in one or more jurisdictions may negatively impact our reputation in the insurance market and result in our subsidiaries' inability to write new business, distribute funds or pursue our investment/overall business strategy.

On January 23, 2019, we received a letter from the NYSDFS, which expressed concerns with our interpretation and reliance upon certain exemptions from licensing in New York in connection with certain activities undertaken by our PRT business within New York State. We have been in dialogue with the NYSDFS regarding potential changes to our PRT business practices that may be necessary to comply with New York law. Earlier this year, we were notified by the NYSDFS that, in addition to such changes in our business practices, it proposes that we enter into a settlement agreement or consent order to resolve such licensing concerns. Although we do not expect any changes in our business practices implemented as a result of our discussions with the NYSDFS to have a material adverse effect on our ability to write PRT business, it is possible such changes could have a material impact on our future growth prospects within our PRT channel. Further, such settlement agreement or consent order will likely include fines and penalties, which could be material to our results of operations.

The licenses currently held by our U.S. domiciled insurance subsidiaries are limited in scope with respect to the products that may be sold within the respective jurisdictions. To the extent that our U.S. domiciled insurance subsidiaries seek to sell products for which we are not currently licensed, such subsidiaries would be required to become licensed in each of the respective jurisdictions in which such products are expected to be sold. There is no assurance that our U.S. domiciled insurance subsidiaries would be able to obtain the relevant licenses and the subsidiaries' inability to do so may impair our competitive position and reduce our growth prospects, causing our financial position, results of operations and cash flows to fall below our current expectations.

ALRe and AARE (collectively, Bermuda Reinsurance Subsidiaries), as Bermuda domiciled insurers, are also required to maintain licenses. Each of our Bermuda Reinsurance Subsidiaries is licensed as a reinsurer in Bermuda. Bermuda insurance statutes and regulations and policies of the BMA require that our Bermuda Reinsurance Subsidiaries, among other things, maintain a minimum level of capital and surplus, satisfy solvency standards, restrict dividends and distributions, obtain prior approval or provide notification to the BMA, as the case may be, of ownership, transfer and disposition of shareholder controller shares, maintain a head office, and have certain officers resident in Bermuda, appoint and maintain a principal representative in Bermuda and provide for the performance of certain periodic examinations of itself and its financial condition. A failure to meet these conditions may result in the suspension or revocation of a Bermuda Reinsurance Subsidiary's license to do business as a reinsurance company in Bermuda, which would mean that such Bermuda Reinsurance Subsidiary would not be able to enter into any new reinsurance contracts until the suspension ended or it became licensed in another jurisdiction. Any such suspension or revocation of a Bermuda Reinsurance Subsidiary's license would negatively impact its and our reputation in the reinsurance marketplace and could have a material adverse effect on our results of operations.

The process of obtaining licenses is time consuming and costly, and we may not be able to become licensed in jurisdictions other than those in which our subsidiaries are currently licensed and/or for products for which we are currently licensed. The modification of the conduct of our business resulting from our and our subsidiaries becoming licensed in certain jurisdictions or for certain products could significantly and negatively affect our business. In addition, our inability to comply with insurance statutes and regulations could significantly and adversely affect our business by limiting our ability to conduct business as well as subjecting us to penalties and fines.

The following updates and replaces, in its entirety, the similarly named section of risk factors included in our 2018 Annual Report:

#### **Risks Relating to Taxation**

##### *The BEAT may significantly increase our tax liability.*

The Tax Act introduced a new tax called the BEAT. The BEAT operates as a minimum tax and is generally calculated as a percentage (10% in 2019 – 2025, and 12.5% in 2026 and thereafter) of the “modified taxable income” of an “applicable taxpayer.” Modified taxable income is calculated by adding back to a taxpayer's regular taxable income the amount of certain “base erosion tax benefits” with respect to certain payments made to foreign affiliates of the taxpayer, as well as the “base erosion percentage” of any net operating loss deductions. The BEAT applies for a taxable year only to the extent it exceeds a taxpayer's regular corporate income tax liability for such year (determined without regard to certain tax credits).

Certain of our reinsurance agreements require our U.S. subsidiaries (including any non-U.S. subsidiaries subject to U.S. federal income taxation) to pay or accrue substantial amounts to our non-U.S. reinsurance subsidiaries that would be characterized as “base erosion payments” with respect to which there are “base erosion tax benefits.” However, in certain types of reinsurance transactions, it is not clear whether any amounts paid or accrued by non-U.S. reinsurance entities would be netted against amounts paid or accrued to such entities for purposes of calculating the “base erosion payments” and “base erosion tax benefits.”

In light of the possibility of material additional tax cost to our U.S. subsidiaries and the lack of clear guidance regarding the appropriate method by which to compute the BEAT, we have undertaken certain actions intended to mitigate the potential effect of the BEAT on our results of operations. Such actions may have adverse consequences to our business, such as subjecting profit from our affiliate reinsurance to a layer of withholding tax of up to 30%, which would not have been payable under our prior structure. There can be no assurances that our efforts to mitigate the BEAT will be successful, and our consideration of any further actions may be expensive and time consuming. In addition, we have been, and may continue to be, required to take action before the uncertainty regarding the BEAT is resolved, and accordingly any action we take may, in hindsight, prove to have been unnecessary, ineffective or counterproductive.

The application of the BEAT to our reinsurance arrangements could be affected by further legislative action (including possibly a “technical corrections” bill), administrative guidance or court decisions, any of which could have retroactive effect. In addition, tax authorities may disagree with our BEAT calculations, or the interpretations on which those calculations are based, and assess additional taxes, interest and penalties, and the uncertainty regarding the correct interpretation of the BEAT may make such disagreements more likely. We will establish our tax provision in accordance with GAAP.

However, there can be no assurance that this provision will accurately reflect the amount of federal income tax that we ultimately pay, as that amount could differ materially from the estimate. There may be material adverse consequences to our business if tax authorities successfully challenge our BEAT calculations, in light of the uncertainties described above.

In addition, we have made estimates regarding the effective tax rate we expect to experience, which takes into account the impacts of federal income tax and the BEAT. The determination of each such figure, or range of figures, involves numerous estimates and assumptions, including estimates and assumptions regarding our BEAT calculations. Such estimates and assumptions may prove incorrect. To the extent that actual experience differs from the estimates and assumptions inherent in our projections, our future effective and overall tax rates may deviate materially from the estimates provided and our financial condition and results of operations may be materially less favorable than are implied by the projections provided.

The term “related” is defined broadly under the BEAT and application of the definition and the tax attribution rules to which it refers can produce results that are hard to predict. We believe that other than our subsidiaries, none of our reinsurance counterparties should be treated as “related” to us for purposes of the BEAT, and therefore payments under our reinsurance arrangements with such counterparties are not subject to the BEAT. However, there is considerable uncertainty regarding the scope of the term “related” for BEAT purposes, and no assurances can be made that the IRS will not assert that one or more of our reinsurance counterparties are “related” to us for purposes of the BEAT. A successful challenge could have a material and adverse effect on our financial condition, results of operations and cash flows.

***AHL or its non-U.S. subsidiaries may be subject to U.S. federal income taxation.***

AHL and certain of its subsidiaries are incorporated under the laws of non-U.S. jurisdictions, including Bermuda. AHL, ALRe and their subsidiaries that are treated as foreign corporations under the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (the “Non-U.S. Subsidiaries,” and together with AHL and ALRe, the “Non-U.S. Companies”), have historically intended to operate in a manner that will not cause any to be treated as being engaged in a trade or business within the U.S. or subject to current U.S. federal income taxation on their net income. However, the recent enactment of the BEAT, the reduction of the federal income tax rate applicable to corporations included in the Tax Act and other factors may cause any of our Non-U.S. Companies to conduct its business differently. Further, because there is considerable uncertainty as to when a foreign corporation is engaged in a trade or business within the United States, as the law is unclear and the determination is highly factual and must be made annually, there can be no assurance that the IRS will not successfully contend that a Non-U.S. Company is engaged in a trade or business in the U.S. If a Non-U.S. Company were considered to be engaged in a trade or business in the U.S., it could be subject to U.S. federal income taxation on a net basis on its income that is effectively connected with such U.S. trade or business (including branch profits tax on the portion of its earnings and profits that is attributable to such income) unless otherwise provided under the income tax treaties between the U.S. and Bermuda (the “Bermuda Treaty”) and between the U.S. and the U.K. (the “U.K. Treaty”). Any such U.S. federal income taxation could result in substantial tax liabilities and consequently could have a material adverse effect on our financial condition, results of operations and cash flows.

AHL and ALRe are U.K. tax residents and expect to qualify for the benefits of the U.K. Treaty because AHL’s Class A common shares are listed and regularly traded on the NYSE. Accordingly, AHL and ALRe are expected to qualify for exemptions from, or reduced rates of, U.S. tax on certain amounts that are from U.S. sources or connected with a U.S. trade or business, provided that they satisfy all of the requirements of the U.K. Treaty. However, there can be no assurances that AHL and ALRe will continue to qualify for treaty benefits, particularly given the potential implications of the Bermuda Economic Substance Act 2018, or will not have a U.S. permanent establishment to which their income is attributable. If either AHL or ALRe fails to qualify for treaty benefits or has a U.S. permanent establishment to which its income is attributable, it may incur greater tax costs than expected, which could have a material adverse effect on our financial condition, results of operations and cash flows.

***U.S. persons who own depositary shares representing an interest in our Preferred Stock or own our Class A common shares may be subject to U.S. federal income taxation at ordinary income rates on our undistributed earnings and profits.***

AHL’s bye-laws generally limit the voting power of our Class A common shares (and certain other of our voting securities) such that no person owns (or is treated as owning) more than 9.9% of the total voting power of our common shares (with certain exceptions). AHL’s bye-laws also generally reduce the voting power of Class B common shares held by certain holders if (A) one or more U.S. persons that own (or are treated as owning) more than 9.9% of the total voting power of our common shares own (or are treated as owning) individually or in the aggregate more than 24.9% of the voting power or the value of our common shares or (B) a U.S. person that is classified as an individual, an estate or a trust for U.S. federal income tax purposes owns (or is treated as owning) more than 9.9% of the total voting power of our common shares. Additionally, AHL’s bye-laws require the board of AHL to refer certain decisions with respect to ALRe and our non-U.S. subsidiaries to our shareholders, and to vote our shares in those subsidiaries accordingly. These provisions were intended to reduce the likelihood that any of the Non-U.S. Companies will be treated as a controlled foreign corporation (“CFC”), other than for purposes of taking into account related person insurance income (“RPII”). However, the relevant attribution rules are complex and there is no definitive legal authority on whether the voting provisions included in AHL’s organizational documents are effective for purposes of the CFC provisions.

Moreover, the Tax Act eliminated the prohibition on “downward attribution” from non-U.S. persons to U.S. persons under Section 958(b)(4) of the Code for purposes of determining constructive stock ownership under the CFC rules. As a result, our U.S. subsidiaries are deemed to own all of the stock of the Non-U.S. Subsidiaries for CFC purposes. Further, we believe that other U.S. persons are currently treated as 10% U.S. Shareholders that own more than 25% of the vote (and potentially more than 25% of the value) of ALRe by reason of downward attribution from our direct or indirect shareholders. Accordingly, the Non-U.S. Subsidiaries are currently treated as CFCs and ALRe is believed to be a CFC, at least for purposes of taking into account certain insurance income, without regard to whether the provisions of our bye-laws described above are effective for purposes of the CFC provisions. The legislative history under the Tax Act indicates that this change was not intended to cause a foreign corporation to be treated as a CFC with respect to a 10% U.S. Shareholder (as defined below) that is not related to the U.S. persons receiving such downward attribution. However, it is not clear whether the IRS or a court would interpret the change made by the Tax Act in a manner consistent with such indicated intent.



For any taxable year in which a Non-U.S. Company is treated as a CFC with respect to a 10% U.S. Shareholder of the Non-U.S. Company that held depository shares representing an interest in our Preferred Stock or held our Class A common shares directly or indirectly through non-U.S. entities as of the last day in such taxable year that the company was a CFC would generally be required to include in gross income as ordinary income its pro rata share of the company's insurance and reinsurance income and certain other investment income, regardless of whether that income was actually distributed to such U.S. person (with certain adjustments). A "10% U.S. Shareholder" of an entity treated as a foreign corporation for U.S. federal income tax purposes is a U.S. person who owns (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total value of all classes of shares of the corporation or 10% or more of the total combined voting power of all classes of voting shares of the corporation. Any U.S. person that owns (or is treated as owning) 10% or more of the value of AHL should consult with their tax advisor regarding their investment in AHL.

In general, a non-U.S. corporation is a CFC if 10% U.S. Shareholders, in the aggregate, own (or are treated as owning) stock of the non-U.S. corporation possessing more than 50% of the voting power or value of such corporation's stock. However, this threshold is lowered to more than 25% for purposes of taking into account the insurance income of a non-U.S. corporation. Special rules apply for purposes of taking into account any RPII of a non-U.S. corporation, as described below.

In addition, if a U.S. person disposes of shares in a non-U.S. corporation and the U.S. person owned (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total combined voting power of the voting stock of the corporation at any time when the corporation was a CFC during the five-year period ending on the date of disposition, any gain from the disposition will generally be treated as a dividend to the extent of the U.S. person's share of the corporation's undistributed earnings and profits that were accumulated during the period or periods that the U.S. person owned the shares while the corporation was a CFC (with certain adjustments). Also, a U.S. person may be required to comply with specified reporting requirements, regardless of the number of shares owned.

Because of the limitations in AHL's bye-laws referred to above, among other factors, we believe it is unlikely that any U.S. person that is treated as owning less than 10% of the total value of AHL would be a 10% U.S. Shareholder of any of the Non-U.S. Companies. However, because the relevant attribution rules are complex and there is no definitive legal authority on whether the voting provisions included in AHL's organizational documents are effective for purposes of the CFC provisions, there can be no assurance that this will be the case. Further, our ability to obtain information that would permit us to enforce the limitation described above may be limited. We will take reasonable steps to obtain such information, but there can be no assurance that such steps will be adequate or that we will be successful in this regard. Accordingly, we may not be able to fully enforce the limitation described above.

***U.S. persons who own depository shares representing an interest in our Preferred Stock or own our Class A common shares may be subject to U.S. federal income taxation at ordinary income rates on a disproportionate share of our undistributed earnings and profits attributable to RPII.***

If any of the Non-U.S. Companies is treated as recognizing RPII in a taxable year and is also treated as a CFC for such taxable year, each U.S. person that owns depository shares representing an interest in our Preferred Stock or owns our Class A common shares directly or indirectly through non-U.S. entities as of the last day in such taxable year must generally include in gross income its pro rata share of the RPII, determined as if the RPII were distributed proportionately only to all such U.S. persons, regardless of whether that income is distributed (with certain adjustments). For this purpose, a Non-U.S. Company generally will be treated as a CFC if U.S. persons in the aggregate are treated as owning 25% or more of the total voting power or value of the Non-U.S. Company's stock at any time during the taxable year. We believe that the Non-U.S. Companies will be treated as CFCs for this purpose based on the current and expected ownership of our shares.

RPII generally is any income of a non-U.S. corporation attributable to insuring or reinsuring risks of a U.S. person that owns (or is treated as owning) stock of such non-U.S. corporation, or risks of a person that is "related" to such a U.S. person. For this purpose, (1) a person is "related" to another person if such person "controls," or is "controlled" by, such other person, or if both are "controlled" by the same persons, and (2) "control" of a corporation means ownership (or deemed ownership) of stock possessing more than 50% of the total voting power or value of such corporation's stock and "control" of a partnership, trust or estate for U.S. federal income tax purposes means ownership (or deemed ownership) of more than 50% by value of the beneficial interests in such partnership, trust or estate.

Athene and Apollo have considerable overlap in ownership. If it is determined that the same persons "control" both us and Apollo through owning (or being treated as owning) more than 50% of the vote or value of Athene and Apollo, substantially all of the income of the Non-U.S. Companies that are engaged in reinsurance might constitute RPII. This would trigger the adverse RPII consequences described above to all U.S. persons that hold our depository shares representing an interest in our Preferred Stock or hold our Class A common shares directly or indirectly through non-U.S. entities and would have a material adverse effect on the value of their investment in the depository shares representing an interest in our Preferred Stock or their investment in our Class A common shares.

Existing voting restrictions set forth in AHL's bye-laws are generally intended to prevent a person who owns (or is treated as owning) shares in Apollo from owning (or being treated as owning) any of the voting power of our Class A common shares, thus preventing persons who own (or are treated as owning) both AHL and Apollo from owning (or being treated as owning) more than 50% of the voting power of our stock. However, these restrictions do not prevent members of the Apollo Group from retaining the right to vote on newly acquired Class A common shares, should they choose to do so, nor do they prevent persons who own (or are treated as owning) both AHL and Apollo from owning (or being treated as owning) more than 50% of the value of our stock. AHL's bye-laws also generally provide that no person (nor certain direct or indirect beneficial owners or related persons to such person) who owns our shares, other than a member of the Apollo Group, may acquire any shares of Apollo or otherwise make any investment that would cause such person, or any other person that is a U.S. person, to own (or be treated as owning) more than 50% of the vote or value of AHL's stock. Any holder of our shares that violates this provision may be required, at the board's discretion, to sell its shares or take any other reasonable action that the board deems necessary.

Because of the restrictions described above, among other factors, we believe it is likely that one or more exceptions under the RPII rules will apply such that U.S. persons will not be required to include any RPII in their gross income with respect to the Non-U.S. Companies. However, there can be no assurance that this will be the case. Further, our ability to obtain information that would permit us to enforce the restrictions described above may be limited. We will take reasonable steps to obtain such information, but there can be no assurance that such steps will be adequate or that we will be successful in this regard. Accordingly, we may not be able to fully enforce these restrictions.

***U.S. persons who dispose of depositary shares representing an interest in our Preferred Stock or dispose of our Class A common shares may be required to treat any gain as ordinary income for U.S. federal income tax purposes and comply with other specified reporting requirements.***

If a U.S. person disposes of shares in a non-U.S. corporation that is an insurance company that had RPII and the 25% threshold described above is met at any time when the U.S. person owned any shares in the corporation during the five-year period ending on the date of disposition, any gain from the disposition will generally be treated as a dividend to the extent of the U.S. person's share of the corporation's undistributed earnings and profits that were accumulated during the period that the U.S. person owned the shares (possibly whether or not those earnings and profits are attributable to RPII). In addition, the shareholder will be required to comply with specified reporting requirements, regardless of the amount of shares owned. We believe that these rules should not apply to a disposition of depositary shares representing an interest in our Preferred Stock or a disposition of our Class A common shares because AHL is not itself directly engaged in the insurance business. We cannot assure you, however, that the IRS will not successfully assert that these rules apply to a disposition of depositary shares representing an interest in our Preferred Stock or a disposition of our Class A common shares.

***U.S. tax-exempt organizations that own depositary shares representing an interest in our Preferred Stock or own our Class A common shares may recognize unrelated business taxable income.***

A U.S. tax-exempt organization that directly or indirectly owns depositary shares representing an interest in our Preferred Stock or owns our Class A common shares generally will recognize unrelated business taxable income and be subject to additional U.S. tax filing obligations to the extent such tax-exempt organization is required to take into account any of our insurance income or RPII pursuant to the CFC and RPII rules described above. U.S. tax-exempt organizations should consult their own tax advisors regarding the risk of recognizing unrelated business taxable income as a result of the ownership of depositary shares representing an interest in our Preferred Stock or the ownership of our Class A common shares.

***U.S. persons who own depositary shares representing an interest in our Preferred Stock or own our Class A common shares may be subject to adverse tax consequences if AHL is considered a passive foreign investment company for U.S. federal income tax purposes.***

If AHL is considered a passive foreign investment company (PFIC) for U.S. federal income tax purposes, a U.S. person who directly or, in certain cases, indirectly owns depositary shares representing an interest in our Preferred Stock or owns our Class A common shares could be subject to adverse tax consequences, including a greater tax liability than might otherwise apply, an interest charge on certain taxes that are deemed deferred as a result of AHL's non-U.S. status and additional U.S. tax filing obligations, regardless of the number of shares owned.

We currently do not expect that AHL will be a PFIC for U.S. federal income tax purposes in the current taxable year or the foreseeable future because AHL, through its insurance subsidiaries, intends to qualify for the "active insurance" exception to PFIC treatment. This exception was amended as part of the Tax Act, and we believe that we qualify for the exception as amended. However, there is significant uncertainty regarding how the exception will be interpreted. The IRS recently proposed regulations providing guidance on the amended exception. The proposed regulations are not effective until adopted in final form.

Under the Code and the proposed regulations, the active insurance exception is available only if a foreign insurance company is considered to be engaged in the "active conduct" of an insurance business. The proposed regulations state that whether a company is engaged in the "active conduct" of an insurance business is a facts and circumstances test, but then introduce a "bright line" rule providing that the "active conduct" requirement is met if, and only if, the insurance company's "active conduct percentage" is at least 50%. In general, a company's active conduct percentage is determined by dividing the company's aggregate expenses for certain insurance-related services of its officers and employees (and the officers and employees of certain affiliates) by the company's aggregate expenses for such insurance-related services (including those paid to unaffiliated persons). The precise scope of expenses that should be taken into account in calculating the active conduct percentage is unclear.

ALRe generally pays fees to unaffiliated service providers, including Apollo, for investment management and other services. Including such fees in the calculation would have the effect of reducing ALRe's active conduct percentage. Due to uncertainty in the scope of expenses that should be taken into account, complexity in tracking and allocating expenses, and variations in expenses from year to year, among other uncertainties, no assurances can be provided that ALRe's active conduct percentage will be at least 50% in any given year. Accordingly, if the proposed regulations were finalized in their proposed form, depending on which expenses are included in the fraction, there is risk that ALRe would be considered a PFIC in one or more taxable years, in which case AHL would also likely be a PFIC in such taxable years.

The IRS has requested comments on several aspects of the proposed regulations. It is uncertain when the proposed regulations will be finalized, and whether the provisions of any final or temporary regulations will vary from the proposed regulations. As a result, we cannot assure you that AHL will not be treated as a PFIC. If AHL is treated as a PFIC, the adverse tax consequences described above generally would also apply with respect to a U.S. person's indirect ownership interest in any PFICs in which AHL directly or, in certain cases, indirectly, owns an interest, including ALRe.

***Changes in U.S. tax law might adversely affect us or our shareholders, including holders of the depositary shares representing an interest in our Preferred Stock or holders of our Class A common shares.***

The tax treatment of non-U.S. companies and their U.S. and non-U.S. insurance subsidiaries may be the subject of further tax legislation. No prediction can be made as to whether any particular proposed legislation will be enacted or, if enacted, what the specific provisions or the effective date of any such legislation would be, or whether it would have any effect on us. As such, we cannot assure you that future legislative, administrative or judicial developments will not result in an increase in the amount of U.S. tax payable by us or by an investor in depositary shares representing an interest in our Preferred Stock or an investor in our Class A common shares or reduce the attractiveness of our products. If any such developments occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

***Changes in U.S. tax law might adversely affect demand for our products.***

Many of the products that we sell and reinsure benefit from one or more forms of tax-favored status under current U.S. federal and state income tax regimes. For example, we sell and reinsure annuity contracts that allow the policyholders to defer the recognition of taxable income earned within the contract. Future changes in U.S. federal or state tax law, could reduce or eliminate the attractiveness of such products, which could affect the sale of our products or increase the expected lapse rate with respect to products that have already been sold. Decreases in product sales or increases in lapse rates, in either case, brought about by changes in U.S. tax law, may result in a decrease in invested assets and therefore investment income and may have a material and adverse effect on our business, financial position, results of operations and cash flows.

***There is U.S. income tax risk associated with reinsurance between U.S. insurance companies and their Bermuda affiliates.***

If a reinsurance agreement is entered into among related parties, the IRS is permitted to reallocate or recharacterize income, deductions or certain other items, and to make any other adjustment, to reflect the proper amount, source or character of the taxable income of each of the parties. If the IRS were to successfully challenge our reinsurance arrangements, our financial condition, results of operations and cash flows could be adversely affected.

***We may become subject to U.S. withholding tax under certain U.S. tax provisions commonly known as FATCA.***

Certain U.S. tax provisions commonly known as FATCA impose a 30% withholding tax on certain payments of U.S. source income to certain "foreign financial institutions" and "non-financial foreign entities." The withholding tax may also apply to certain "foreign passthru payments" made by foreign financial institutions at a future date. The U.S. government has signed an intergovernmental agreement to facilitate the implementation of FATCA with the government of Bermuda (Bermuda IGA). The Non-U.S. Companies intend to comply with the obligations imposed on them under FATCA and the Bermuda IGA, as applicable, to avoid being subject to withholding under FATCA on payments made to them or penalties. However, no assurance can be provided in this regard. We may become subject to withholding tax or penalties if we are unable to comply with FATCA.

If AHL is treated as engaged in a U.S. trade or business in any taxable year, all or a portion of the dividends on our Preferred Stock or our Class A common shares may be treated as U.S. source income and may be subject to withholding and information reporting under FATCA unless a shareholder (and any intermediaries through which the shareholder holds its shares) establishes an exemption from such withholding and information reporting. As discussed above, we have historically intended to limit our U.S. activities so that AHL is not considered to be engaged in a U.S. trade or business. However, the recent enactment of the BEAT, the reduction of the federal income tax rate applicable to corporations included in the Tax Act and other factors may cause AHL to conduct its business differently. Furthermore, no definitive standards are provided by the Code, U.S. Treasury regulations or court decisions regarding when a foreign corporation is engaged in the conduct of a U.S. trade or business. Because the law is unclear, and the determination is highly factual and must be made annually, there is no assurance that the IRS will not contend that AHL is engaged in a U.S. trade or business.

*We are subject to the risk that Bermuda tax laws may change and that we may become subject to new Bermuda taxes following the expiration of a current exemption after 2035.*

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, as amended, has given us an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or any of our operations, shares, debentures or other obligations until March 31, 2035, except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda. Given the limited duration of the Bermuda Minister of Finance’s assurance, we cannot assure you that we will not be subject to any Bermuda tax after March 31, 2035.

*The impact of the Organisation for Economic Co-operation and Development’s recommendations on base erosion and profit shifting is uncertain and could impose adverse tax consequences on us.*

In 2015, the Organisation for Economic Co-operation and Development published final recommendations on base erosion and profit shifting (BEPS). These BEPS recommendations propose the development of rules directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. Beginning with 2017, some countries in which we do business, including Bermuda and the U.S., require certain multinational enterprises, including ours, to report detailed information regarding allocation of revenue, profit, and other information, on a country-by-country basis, which could increase scrutiny by foreign tax authorities.

The BEPS recommendations also include revisions to the definition of a “permanent establishment” and the rules for attributing profit to a permanent establishment. Other recommended actions relate to the goal of ensuring that transfer pricing outcomes are in line with value creation, noting that the current rules may facilitate the transfer of risks or capital away from countries where the economic activity takes place. We expect many countries to change their tax laws in response to this project, and several countries (including the U.S.) have already changed or proposed changes to their tax laws. Changes to tax laws could increase their complexity and the burden and costs of compliance. Additionally, such changes could also result in significant modifications to the existing transfer pricing rules and could potentially have an impact on our taxable profits in various jurisdictions.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Securities

Purchases of common stock made by or on behalf of us or our affiliates during the three months ended June 30, 2019 are set forth below:

Period	(a) Total number of shares purchased <sup>1</sup>	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced programs <sup>1,2</sup>	(d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs <sup>2</sup>
April 1 – April 30, 2019	1,136	\$ 42.71	—	\$ 102,632,284
May 1 – May 31, 2019	2,793,562	\$ 43.20	2,793,553	\$ 229,352,721
June 1 – June 30, 2019	5,974,518	\$ 42.71	5,974,518	\$ 94,257,312

<sup>1</sup> Differences in amounts between column (a) and (c) relate to shares withheld (under the terms of employee stock-based compensation plans) to offset tax withholding obligations that occur upon the delivery of outstanding shares underlying equity awards or upon the exercise of stock options.

<sup>2</sup> On December 10, 2018, we announced that our board of directors had approved an authorization for the repurchase of up to \$250 million of our Class A shares (Previous Authorization). On May 7, 2019, we announced that our board of directors had approved an authorization for the repurchase of up to \$350 million of our Class A shares, inclusive of the remaining shares authorized for repurchase under the Previous Authorization. On June 10, 2019, we announced that our board of directors had approved an additional \$120 million authorization for the repurchase our Class A shares. On August 5, 2019, we announced that our board of directors had approved an additional \$350 million authorization for the repurchase of our Class A shares. None of the authorizations have a definitive expiration date, but may be terminated at any time at the sole discretion of our board of directors. See Note 7 – Equity to the condensed consolidated financial statements for more information.

## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Twelfth Amended and Restated By-Laws of Athene Holding Ltd., effective June 4, 2019 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on June 10, 2019 dated June 4, 2019).</a>
4.1	<a href="#">Certificate of Designations of 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Shares, Series A (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on June 10, 2019 dated June 5, 2019).</a>
4.2	<a href="#">Form of Share Certificate evidencing 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Share, Series A (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on June 10, 2019 dated June 5, 2019).</a>
4.3	<a href="#">Deposit Agreement, dated June 10, 2019, between Athene Holding Ltd. and Computershare Inc. and Computershare Trust Company, N.A., collectively, and the holders from time to time of the Depository Receipts (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on June 10, 2019 dated June 5, 2019).</a>
4.4	<a href="#">Form of Depository Receipt (included in Exhibit 4.3).</a>
10.1	<a href="#">Seventh Amended and Restated Fee Agreement, dated June 10, 2019, between Athene Holding Ltd. and AAM (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 10, 2019 dated June 4, 2019).</a>
10.2	<a href="#">Athene Holding Ltd. 2019 Share Incentive Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on June 10, 2019 dated June 4, 2019).</a>
10.3	<a href="#">Form of Director Retention Letter.</a>
10.4	<a href="#">Form of 2019 Share Incentive Plan Restricted Share Restricted Share Award Notice and Agreement (Outside Directors).</a>
10.5	<a href="#">Form of 2019 Share Incentive Plan Restricted Share Restricted Share Award Notice and Agreement.</a>
10.6	<a href="#">Form of 2019 Share Incentive Plan Restricted Share Unit Award Notice (Performance-Based Vesting) and Agreement.</a>
10.7	<a href="#">Form of 2019 Share Incentive Plan Restricted Share Unit Award Notice (Time-Based Vesting) and Agreement.</a>
10.8	<a href="#">Form of 2019 Share Incentive Plan Nonqualified Stock Option Award Notice and Agreement.</a>
10.9	<a href="#">Form of 2019 Share Incentive Plan Restricted Share Award Notice (Performance-Based Vesting) and Agreement.</a>
31.1	<a href="#">Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.

**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 thereunto duly authorized.

**ATHENE HOLDING LTD.**

Date: August 5, 2019

/s/ Martin P. Klein

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Martin P. Klein

Executive Vice President and Chief Financial Officer  
(principal financial officer and duly authorized signatory)



[Date]

[Director Name  
Street Address  
City, State Zip]

Dear [Director Name],

As previously discussed, attached hereto as Annex A is a summary of the terms (the "Term Sheet") in connection with your service as a director of Athene Holding Ltd. and/or certain of its subsidiaries (each, a "Company", and collectively, the "Companies"). This letter memorializes the agreement of each Company which has signed this letter below, or which has joined by signing a copy of this letter at a later date, that this letter and the Term Sheet constitute a binding commitment (which is several and not joint) of each such Company. If you are in agreement with the foregoing, please so indicate by signing this letter where indicated below.

Very truly yours,

**ATHENE HOLDING LTD.**

By: \_\_\_\_\_  
Name:  
Title:

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**Agreed to and accepted to:**

[*Director Name*]

Dated:



## Annex A

### Summary of Terms for Directorship Services

- Parties:** Each of the entities which has signed the letter to which this Annex A is attached or which has joined by signing a copy of such letter at a later date (each, a “Company”, and collectively, the “Companies”), and [*Director Name*] (“Director”) of [*Director Address*].
- Interpretation:** For purposes of this Annex A (this “Agreement”), “Subsidiary” shall mean all direct and indirect subsidiaries of the relevant Company.
- For purposes of this Annex A, “affiliate” of any Company shall include all Subsidiaries of such Company and Athene Asset Management LLC.
- For purposes of this Annex A, “applicable law” shall mean, with respect to any Company, the laws of the jurisdiction of formation of such Company.
- Term:** Director shall hold office for such term as the shareholder(s) of the relevant Company may determine or, in the absence of such determination, in such manner as is consistent with this Agreement, applicable law, any applicable shareholders agreement, bye-laws or other definitive governing document of such Company (in each case, as may be amended, restated or otherwise modified from time to time). Director may be removed from office and Director’s office as a director shall be vacated in such manner as is consistent with this Agreement, applicable law, any applicable shareholders agreement, bye-laws or other definitive governing document of such Company (in each case, as may be amended, restated or otherwise modified from time to time).
- Further, Director agrees to resign his or her office as a director of any Company (a) if, by virtue of holding the office of director, Director causes such Company or any affiliate of such Company to be subject to an adverse tax consequence, (b) in the event that he or she shall be convicted of a felony, or (c) in the event that a determination shall be made by such Company, or any affiliate thereof, as the case may be, that the continued appointment of Director may result in adverse regulatory or legal consequences to, or would be adverse to the reputation of, such Company or its affiliates.
- Fees and Expenses:** Each of the Companies agrees to pay Director the fees and expenses set forth opposite that Company on Schedule I (as modified from time to time), with all cash fees and expenses to be paid in U.S. Dollars. It is understood and agreed that all fees and expenses to be paid to Director hereunder will be paid (i) by Athene Holding Ltd. (“AHL”), which may be reimbursed by the relevant Company through separate shared service arrangements or (ii) if not reimbursed by the relevant Company through such arrangements, directly by the relevant Company.

No additional or separate compensation will be paid to Director for:

- (i) attendance at shareholder meetings of any Company or its Subsidiaries; or
- (ii) any other service reasonably attendant to the services described in this Annex A.

Each Company shall pay or reimburse Director for all documented out-of-pocket expenses reasonably incurred by Director in connection with the performance of his or her duties or obligations as a Director or committee member of such Company, including, but not limited to travel, lodging and transportation expenses incurred in connection with attendance at meetings, with such reimbursements in accordance with the policies of the Company in effect from time to time.

All incremental fees payable as a result of the retroactive application of the letter to the Effective Date, if any, will be paid in connection with the first regularly scheduled payment to the Director immediately following the date of the letter. The Director will not be required to reimburse the Company for any cash deficiency arising from or relating to the retroactive application of the letter to the Effective Date.

**Duties, Time Commitment:**

Director shall use reasonable best efforts to attend all board, committee, and if requested, shareholder meetings of any entity on which he or she serves as a director or committee member.

Director's duties associated with serving as a member of any committee of any board of which Director shall be a member will be as set forth in the relevant committee charter and will include attendance at such committee's meetings.

During the continuance of Director's appointment, Director will be expected to:

- (i) faithfully, efficiently, competently and diligently perform his or her duties and exercise such powers as are appropriate to his or her role as a director;
- (ii) promptly declare, so far as he or she is aware, the nature of any interest, whether direct or indirect, in any contract or proposed contract entered into or to be entered into between Director and the Company, and/or any affiliate of the Company or any Related Party Transaction (as defined in AHL's Related Party Transactions Policy, as amended from time to time, "Related Party Transaction") or proposed Related Party Transaction involving Director;
- (iii) take into consideration any potential conflicts of interest when accepting appointment to other boards;

- (iv) comply with all reasonable requests, instructions and regulations made or given by any board of which he or she is a member (or by any duly authorized committee thereof), and give to each board or committee such explanations, information and assistance as they may reasonably require;
- (v) act in the best interests of the Company and its Subsidiaries; and
- (vi) use commercially reasonable efforts to promote and extend the interests and reputation of the Company and its Subsidiaries, including assisting their respective boards in relation to public and corporate affairs and bringing to bear for the benefit of the relevant board, Director's particular knowledge and experience.

It is hereby understood and agreed that if Director is classified as an independent director by the board of any Company, Director shall promptly inform such board of any circumstances that would likely affect such independent status.

Director shall inform each board on which he or she serves as a member, within 10 business days, of any (direct or indirect) personal interests, whether now existing or hereafter arising, which may conflict with Director's duties to the Company and/or its affiliates, or with any of their respective businesses. Director undertakes that during the term of his or her appointment as a Director of the Company, he or she will promptly disclose in writing any new directorship or appointment, any conflict of interest or any situation that may reasonably be expected to result in an appearance of a conflict of interest, including any business relationship or interest in a business entity which is likely to compete with the Company, any contract between Director (on the one hand) and the Company and/or affiliates of the Company (on the other hand) and any Related Party Transaction involving Director.

**Fiduciary Obligations:**

Director acknowledges and understands that the structure, practices and committees of their respective boards, including matters relating to the size, independence and composition of their boards, the election and removal of directors, requirements relating to board action, the powers delegated to board committees and the appointment of executive officers, are governed by applicable law and the shareholders agreements, bye-laws or other definitive governing documents of the applicable entity (in each case, as may be amended, restated or otherwise modified from time to time).

Director hereby acknowledges that he or she has been provided a copy of the Operating Guidelines applicable to AHL and its affiliates (the "Operating Guidelines") and agrees at all times to comply with the same (as such may be amended or modified from time to time) in connection with all services to be performed as a Director and committee member.

**Confidential Information:**

Director agrees that both during and after his or her time as a director of any Company, Director will not use for his or her own, or for another's benefit, or disclose or permit the disclosure of any confidential information relating to such Company, or its affiliates, including, without limitation, any information about any board deliberations or any other information with respect to Athene Asset Management LLC.

The restriction shall cease to apply to any confidential information which may (other than by reason of Director's breach of Director's obligations) become available to the public generally or which is required to be disclosed by a subpoena or other legally compelling procedure.

Director also agrees during his or her appointment that he or she will not, other than for the benefit of such Company or its affiliates, and in connection with his or her service as a director, make any notes, memoranda, electronic records, tape records, films, photographs, plans, drawings or any form of record relating to any matter within the scope of the business or concerning the dealings or affairs of such Company or its affiliates, and will promptly return any such items at any time upon request.

**Insurance:**

Each Company is a beneficiary under an insurance policy under which the directors and officers of such Company and its affiliates are insured, subject to the limits of the policy, against certain losses arising from claims made against such directors and officers by reason of any acts or omissions covered under the policy in their respective capacities as directors or officers, including certain liabilities under securities laws.

**Several Obligations of the Companies**

Each Company shall be liable severally (and not jointly) for its obligations to Director hereunder and no Company shall be responsible for any obligation of any other Company hereunder.

**Miscellaneous:**

This letter does not create any relationship of employee and employer between Director, on the one hand, and any Company and/or its affiliates, on the other hand.

**Governing Law and Jurisdiction:**

This appointment and the terms hereunder are governed under the laws of the jurisdiction of formation of the relevant Company. The courts in such jurisdiction shall have non-exclusive jurisdiction to settle any dispute, and the parties to this Agreement hereby agree to submit to the non-exclusive jurisdiction of such courts.

**Notices:** Any notice to be given under the terms of this letter shall, in the case of notice to any Company be deemed to be given if left at the address on Schedule I, or sent by facsimile transmission to the facsimile number on Schedule I (in each case, addressed to the Chairman) or in the case of notice to Director, if handed to him or her personally or left at, or sent by air courier or facsimile transmission to, his or her last-known address or facsimile number, as set forth in the relevant Company's records. Any such notice shall be deemed to be given at the time of its delivery or dispatch by facsimile transmission.

**Prior Agreements:** All prior agreements relating to the service of the Director as a director of the Companies are superseded and otherwise terminated in favor of this Agreement.

**Schedule I**

<b>Company, address and facsimile</b>	<b>Jurisdiction of Formation</b>	<b>Compensation (pro-rata for any service over a period which is less than the full period set forth below)</b>
<p>Athene Holding Ltd.</p> <p>Chesney House, 96 Pitts Bay Road, P.O. Box HM 1386, Hamilton HM FX, Bermuda</p> <p>Fax: 441 279-8401</p>	<p>Bermuda</p>	<p>\$120,000 cash retainer per year, payable quarterly in advance.</p> <p>\$150,000 annual restricted stock grant, payable in advance as of the close of business of the first trading day of the year.*</p> <p>\$36,750 annual fee for serving as lead director of the board of directors of the Company, \$18,375 of which is payable in cash on a quarterly basis in advance and \$18,375 of which is payable in restricted stock in one installment as of the close of business of the first trading day of the year.*</p> <p>\$15,750 annual cash fee for serving as a member (but not the chairperson) of the audit committee of the board of directors of the Company, payable quarterly in advance.</p> <p>\$10,500 annual cash fee (per committee) for serving as a member (but not the chairperson) of any other committee of the board of directors of the Company, payable quarterly in advance.</p> <p>\$31,500 annual cash fee for serving as the chairperson of the audit committee of the board of directors of the Company, payable quarterly in advance.</p> <p>\$21,000 annual cash fee (per committee) for serving as the chairperson of the compensation committee or risk committee of the board of directors of the Company, payable quarterly in advance.</p> <p>\$15,750 annual cash fee for serving as the chairperson of the nominating and corporate governance committee of the board of directors of the Company, payable quarterly in advance.</p> <p>* All restricted stock grants vest in full on the first anniversary of the vesting commencement date, provided that the director is then serving as a director of the Company.</p>
<p>Athene Life Re Ltd.</p> <p>Chesney House, 96 Pitts Bay Road, P.O. Box HM 1386, Hamilton HM FX, Bermuda</p>	<p>Bermuda</p>	<p>\$5,000 cash retainer per year, paid on a quarterly basis.</p>
<p>Athene Annuity &amp; Life Assurance Company</p> <p>7700 Mills Civic Parkway West Des Moines, IA 50266-3862</p>	<p>Delaware</p>	<p>\$10,000 cash retainer per year, paid on a quarterly basis.</p>

Athene Annuity and Life Company 7700 Mills Civic Parkway West Des Moines, IA 50266-3862	Iowa	\$7,000 cash retainer per year, paid on a quarterly basis.
Athene Annuity & Life Assurance Company of New York 7700 Mills Civic Parkway West Des Moines, IA 50266-3862	New York	\$5,000 cash retainer per year, paid on a quarterly basis.
Athene Life Insurance Company of New York 7700 Mills Civic Parkway West Des Moines, IA 50266-3862	New York	\$3,000 cash retainer per year, paid on a quarterly basis.

ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN

Restricted Share Award Notice (Outside Directors)

[Participant Name]

You have been awarded a restricted share award with respect to Class A common shares of Athene Holding Ltd., a Bermuda exempted company limited by shares (the “Company”), pursuant to the terms and conditions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”) and the Restricted Share Award Agreement (together with this Award Notice, the “Agreement”). Copies of the Plan and the Restricted Share Award Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Shares Subject to Award: [Number of Awards Granted] Class A common shares, par value \$0.001 per share, of the Company (the “Common Shares”), subject to adjustment as provided in Section 6.2 of the Agreement. The purchase price is \$0.001 per share (the “Purchase Price”). You agree to allow the Company to deduct the Purchase Price from any amount then or thereafter payable by the Company to you, as a condition to receipt of the Restricted Shares.

Grant Date: [Grant Date]

Vesting Inception Date: January 1 of the year of grant

Vesting Schedule: Except as otherwise provided in the Plan, the Agreement or any other agreement between you and the Company or any of its Subsidiaries, the Award shall vest on the one-year anniversary of the Vesting Inception Date with respect to one hundred percent (100%) of the number of Common Shares subject thereto on the Grant Date, provided you have not experienced a Termination of Relationship prior to such date.

If you experience a Termination of Relationship prior to the first anniversary of the Vesting Inception Date for any reason, the Award shall be forfeited and shall be canceled by the Company; provided, however, that upon the occurrence of a Change in Control prior to your Termination of Relationship, the Award shall become immediately and fully vested as of the effective date of such Change in Control; provided further that if your Termination of Relationship is due to your death or Disability, the Award shall become immediately and fully vested as of the effective date of such Termination of Relationship. For purposes of this Agreement, “Disability” means: (i) if at the time of termination you are party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a physical or mental impairment which, as reasonably determined by the Committee, renders you unable to perform the essential functions of your employment with your employer, even with reasonable accommodation that does not impose an undue hardship on your employer, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.





**ATHENE HOLDING LTD.**

Name: James R. Belardi  
Title: CEO, Athene Holding Ltd.

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Athene Holding Ltd. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Award granted to me and agree to be bound by the terms and conditions of the Agreement and the Plan.

[Electronic Signature]

\_\_\_\_\_  
[Participant Name]

\_\_\_\_\_  
[Acceptance Date]

**Athene Holding Ltd.**  
**c/o Athene Employee Services, LLC**  
**Attn: Kristi Burma, SVP of Human Resources**  
**7700 Mills Civic Parkway**  
**West Des Moines, IA 50266-3862**

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**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Award Agreement**

Athene Holding, Ltd., a Bermuda exempted company limited by shares (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the “Grant Date” (as defined in the Award Notice), pursuant to the provisions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”), a restricted share award (the “Award”) with respect to the number of the Company’s Class A common shares, par value \$0.001 per share (the “Common Shares”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless Holder shall accept this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement pursuant to procedures established by the Committee). By acceptance of this Award, Holder shall be deemed to appoint, and does so appoint by execution of the Award Notice, the Company and each of its authorized representatives as Holder’s attorney(s) in fact to (a) effect any transfer to the Company of the Common Shares subject to this Award (the “Restricted Shares”) that are forfeited to the Company and (b) execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer.
  2. Restriction Period and Vesting. Except as otherwise provided in this Agreement, the Award shall vest in accordance with the vesting schedule set forth in the Award Notice (the “Vesting Schedule”). Upon the forfeiture of any Restricted Shares, such forfeited Restricted Shares shall be automatically transferred to the Company (without consideration) as of the date of such forfeiture, without any action by Holder. The Company may exercise its powers under the Plan and this Agreement and take any other action necessary or advisable to evidence such transfer.
  3. Rights as a Shareholder. Holder shall not have any rights of a shareholder with respect to the Restricted Shares, including the right to vote, until such time as the Restricted Shares have become vested in accordance with Section 2; provided, however, that in the event the Company declares a dividend or other distribution with respect to Restricted Shares subject to this Award after the Grant Date, such dividend or other distribution shall be (a) deposited with the Company and held for the benefit of Holder, (b) subject to the same restrictions as the Restricted Shares with respect to which such dividend or other distribution was made and (c) delivered to Holder only upon the vesting of such Restricted Shares. If Holder forfeits any unvested Restricted Shares, Holder shall also forfeit any payments related to any dividends or other distributions otherwise deliverable in connection with the forfeited Restricted Shares.
  4. Issuance and Delivery of Shares. The Company shall issue the Restricted Shares in book entry form, registered in the name of Holder with notations regarding the applicable restrictions on transfer imposed under the Plan and this Agreement until the Restricted Shares subject to the Award have become vested. Notwithstanding the foregoing, the Company, at its option, may hold the Restricted Shares in a Company controlled account until the Restricted Shares have vested. Promptly after the date any Restricted Shares become vested pursuant to Section 2, the Company shall remove the applicable notations regarding restrictions imposed by the Plan and/or this Agreement on the transfer of the Restricted Shares. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance. Holder shall deliver to the Company any representations or other documents or assurances as the Company may deem necessary or reasonably desirable to ensure compliance with all applicable legal and regulatory requirements.
  5. Transfer Restrictions and Investment Representations.
    - 5.1. Nontransferability of Restricted Shares and Award. Neither the Award nor any Restricted Shares subject to this Award may be transferred by Holder other than by will or the laws of descent and distribution, pursuant to the designation of one or more beneficiaries on the form prescribed by the Committee or, to the extent permitted by the Committee, to a trust or entity established for estate planning purposes. Except as permitted by the foregoing sentence, neither the Award nor any Restricted Shares subject to this Award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award or any Restricted Shares subject to the Award, the Award and all rights hereunder shall immediately become null and void.
    - 5.2. Investment Representation. Holder hereby represents and covenants that (a) any Common Shares acquired pursuant to the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Holder shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (i) is true and correct as of the date of any vesting of any shares hereunder or (ii) is true and correct as of the date of any sale of any such shares, as applicable.
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As a further condition precedent to the delivery to Holder of any Common Shares subject to the Award, Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions

6.1. Taxes. Holder understands that, as a non-employee director, Holder is solely responsible for all tax consequences to Holder in connection with this Award.

6.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation or applicable successor guidance) that causes the per share value of a Common Share to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of the Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of Holder. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

6.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the Common Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action incidental thereto is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the Common Shares subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.

6.4. Awards Subject to Reduction for 280G. The Award and any Common Shares, other securities, cash or other property delivered pursuant to the Award or otherwise (including any payment, benefit or distribution of any type to or for the benefit of Holder which is paid, payable, provided or to be provided, distributed or distributable pursuant to any other agreement, arrangement, plan or program) are subject to reduction pursuant to any policy which the Company may adopt from time to time to avoid the potential adverse tax consequences that may be imposed on the Company or Holder pursuant to Section 280G and/or Section 4999 of the Code.

6.5. Award Confers No Rights to Continued Service. In no event shall the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continue to serve, to be elected or reelected to serve or to be nominated to serve as a director of the Company, the Asset Management Company or any of their Subsidiaries or affiliates.

6.6. Decisions of Board or Committee. The Committee (or Board, as applicable) shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee (or Board, as applicable) regarding the Plan, the Award Notice or this Agreement shall be final, binding and conclusive.

6.7. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.8. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Athene Holding Ltd., c/o Athene Employee Services, LLC, Attn: Kristi Burma, SVP of Human Resources, 7700 Mills Civic Parkway, West Des Moines, IA 50266-3862, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.9. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.10. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. Holder hereby acknowledges receipt of a copy of the Plan.

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6.11. Entire Agreement. This Agreement, including the Award Notice, and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof.

6.12. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

6.13. Amendment and Waiver. The provisions of this Agreement may not be amended without the written consent of Holder where such amendment would materially impair Holder's rights under this Agreement. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.14. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

6.15. Minimum Ownership and Holding Requirements. Holder hereby agrees to comply with such minimum equity ownership requirements, equity holding period requirements and other policies applicable to the Company's directors as the Committee or the Board may in its reasonable judgment adopt from time to time.

**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Award Notice**

[Participant Name]

You have been awarded a restricted share award with respect to Class A common shares of Athene Holding Ltd., a Bermuda exempted company limited by shares (the “Company”), pursuant to the terms and conditions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”) and the Restricted Share Award Agreement (together with this Award Notice, the “Agreement”). Copies of the Plan and the Restricted Share Award Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Shares Subject to Award: [Number of Awards Granted] Class A common shares, par value \$0.001 per share, of the Company (the “Common Shares”), subject to adjustment as provided in Section 6.2 of the Agreement. The purchase price is \$0.001 per share (the “Purchase Price”). You agree to allow the Company to deduct the Purchase Price from any amount then or thereafter payable by the Company to you, in a lump sum cash payment payable to the Company, as a condition to receipt of the Restricted Shares.

Grant Date: [Grant Date]

Vesting Inception Date: January 1 of the year of grant

Vesting Schedule: Except as otherwise provided in the Plan, the Agreement or any other agreement between you and the Company or any of its Subsidiaries, the Award shall vest (i) on the one-year anniversary of the Vesting Inception Date with respect to one-half of the number of Common Shares subject thereto on the Grant Date, and (ii) on the two-year anniversary of the Vesting Inception Date with respect to the remaining one-half of the number of Common Shares subject thereto on the Grant Date, in each case, provided you have not experienced a Termination of Relationship prior to such date.

If you experience a Termination of Relationship prior to the two-year anniversary of the Vesting Inception Date for any reason, the Award, with respect to the number of Common Shares that remain unvested on the effective date of your Termination of Relationship, shall be forfeited and shall be canceled by the Company; provided, however, that if your Termination of Relationship is due to your death or Disability (as defined below), the Award shall become immediately and fully vested as of the effective date of such Termination of Relationship; and provided, further, that if your Termination of Relationship is due to (i) an involuntary termination by the Company without Cause (as defined below) or (ii) resignation by you for Good Reason (as defined below) and, in each case, such Termination of Relationship occurs within eighteen (18) months following a Change in Control, the Award shall become immediately and fully vested as of the effective date of such Termination of Relationship.

Definitions: For purposes of this Agreement, the following definitions shall apply:

- 1) “Cause” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by the Company, any of its Subsidiaries or the Asset Management Company based on (A) your commission of a felony or a crime of moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) your commission of a willful and material act of dishonesty involving the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (C) your material non-curable breach of the your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (D) your breach of the Company’s policies or procedures (or the policies or procedures of any of its Subsidiaries, the Asset Management Company or any of the Company’s or their respective Affiliates which are applicable) that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (E) your willful misconduct or gross negligence which causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations;
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(F) your violation of a fiduciary duty of loyalty to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (G) your knowing attempt to obstruct or knowing failure to cooperate with any investigation authorized by the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any governmental or self-regulatory entity; (H) your disqualification or bar by any governmental or self-regulatory authority or the loss of any governmental or self-regulatory license that is reasonably necessary for you to perform your duties to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (I) any directive made by any governmental or self-regulatory authority to terminate your services; or (J) your failure to cure a material breach of your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates within 30 days after written notice of such breach. For the avoidance of doubt, the termination of your service with the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates for Cause shall constitute Cause under this Agreement.

- 2) “Disability” means: (i) if at the time of termination you are party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a physical or mental impairment which, as reasonably determined by the Committee, renders you unable to perform the essential functions of your employment with your employer, even with reasonable accommodation that does not impose an undue hardship on your employer, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.
  - 3) “Good Reason” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by you following: (A) a reduction of greater than 10% in your annual base salary or bonus potential under any bonus plan maintained by the Asset Management Company (if you are employed by the Asset Management Company), the Company or any of its Subsidiaries that employs you (but not including any diminution related to a broader compensation reduction that is not limited to any particular employee or executive); or (B) any material adverse change in your title, authority, duties, or responsibilities or the assignment to you of any duties or responsibilities inconsistent in any material respect with those customarily associated with your position; provided, however, that none of the events described in the foregoing clauses (A) and (B) shall constitute Good Reason unless you shall have notified the Company in writing describing the events which constitute Good Reason within 45 days after the occurrence of such events and then only if the relevant employer shall have failed to cure such events within 60 days after the Company’s receipt of such written notice.
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**ATHENE HOLDING LTD.**

Name: Kristi Kaye Burma  
Title: EVP, Human Resources

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Athene Holding Ltd. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Award granted to me and agree to be bound by the terms and conditions of the Agreement and the Plan.

[Electronic Signature]

\_\_\_\_\_  
[Participant Name]

\_\_\_\_\_  
[Acceptance Date]

**Athene Holding Ltd.**  
**c/o Athene Employee Services, LLC**  
**Attn: Kristi Burma, EVP of Human Resources**  
**7700 Mills Civic Parkway**  
**West Des Moines, IA 50266-3862**

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**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Award Agreement**

Athene Holding, Ltd., a Bermuda exempted company limited by shares (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the “Grant Date” (as defined in the Award Notice), pursuant to the provisions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”), a restricted share award (the “Award”) with respect to the number of the Company’s Class A common shares, par value \$0.001 per share (the “Common Shares”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless Holder shall accept this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement pursuant to procedures established by the Committee). By acceptance of this Award, Holder shall be deemed to appoint, and does so appoint by execution of the Award Notice, the Company and each of its authorized representatives as Holder’s attorney(s) in fact to (a) effect any transfer to the Company of the Common Shares subject to this Award (the “Restricted Shares”) that are forfeited to the Company and (b) execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer.
  2. Restriction Period and Vesting. Except as otherwise provided in this Agreement, the Award shall vest in accordance with the vesting schedule set forth in the Award Notice (the “Vesting Schedule”). Upon the forfeiture of any Restricted Shares, such forfeited Restricted Shares shall be automatically transferred to the Company (without consideration) as of the date of such forfeiture, without any action by Holder. The Company may exercise its powers under the Plan and this Agreement and take any other action necessary or advisable to evidence such transfer.
  3. Rights as a Shareholder. Holder shall not have any rights of a shareholder with respect to the Restricted Shares, including the right to vote, until such time as the Restricted Shares have become vested in accordance with Section 2; provided, however, that in the event the Company declares a dividend or other distribution with respect to Restricted Shares subject to this Award after the Grant Date, such dividend or other distribution shall be (a) deposited with the Company and held for the benefit of Holder, (b) subject to the same restrictions as the Restricted Shares with respect to which such dividend or other distribution was made and (c) delivered to Holder only upon the vesting of such Restricted Shares. If Holder forfeits any unvested Restricted Shares, Holder shall also forfeit any payments related to any dividends or other distributions otherwise deliverable in connection with the forfeited Restricted Shares.
  4. Issuance and Delivery of Shares. The Company shall issue the Restricted Shares in book entry form, registered in the name of Holder with notations regarding the applicable restrictions on transfer imposed under the Plan and this Agreement until the Restricted Shares subject to the Award have become vested. The Company may hold the Restricted Shares in a Company controlled account until the Restricted Shares have vested. Promptly after the date any Restricted Shares become vested pursuant to Section 2, the Company shall remove the applicable notations regarding restrictions imposed by the Plan and/or this Agreement on the transfer of the Restricted Shares. Except as set forth in Section 6.1, the Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance. Holder shall deliver to the Company any representations or other documents or assurances as the Company may deem necessary or reasonably desirable to ensure compliance with all applicable legal and regulatory requirements.
  5. Transfer Restrictions and Investment Representations.
    - 5.1. Nontransferability of Restricted Shares and Award. Neither the Award nor any Restricted Shares subject to this Award may be transferred by Holder other than by will or the laws of descent and distribution, pursuant to the designation of one or more beneficiaries on the form prescribed by the Committee or, to the extent permitted by the Committee, to a trust or entity established for estate planning purposes. Except as permitted by the foregoing sentence, neither the Award nor any Restricted Shares subject to this Award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award or any Restricted Shares subject to the Award, the Award and all rights hereunder shall immediately become null and void.
    - 5.2. Investment Representation. Holder hereby represents and covenants that (a) any Common Shares acquired pursuant to the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Holder shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (i) is true and correct as of the date of any vesting of any shares hereunder or (ii) is true and correct as of the date of any sale of any such shares, as applicable.
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As a further condition precedent to the delivery to Holder of any Common Shares subject to the Award, Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions

6.1. Withholding Taxes

(a) As a condition precedent to the delivery of the Restricted Shares or any certificates evidencing the Restricted Shares (or the removal of the restrictive notations or legends on such shares or certificates) upon vesting of the Restricted Shares, Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the vesting of the Award. If Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Holder.

(b) Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by a cash payment to the Company or, if applicable, authorizing the Company to withhold from the number of Restricted Shares which would otherwise be delivered to Holder upon vesting of such Restricted Shares having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the “Tax Date”), equal to the Required Tax Payments. Withholding may also be satisfied by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Shares having an aggregate Fair Market Value on the Tax Date equal to the Required Tax Payments or any combination of the methods described in this Section 6.1(b). Common Shares to be delivered or withheld may not have a Fair Market Value in excess of the Required Tax Payments calculated using the highest statutory rates in the relevant jurisdictions, provided that the withholding rate does not have an adverse accounting impact on the Company. Any fraction of a Common Share which would be required to satisfy any such obligation shall be rounded up to the nearest whole number. No Common Share or certificate representing a Common Share shall be issued or delivered until the Required Tax Payments have been satisfied in full.

6.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation or applicable successor guidance) that causes the per share value of a Common Share to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of the Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of Holder. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

If any such adjustment is made to the Restricted Shares, the restrictions applicable to the Restricted Shares will continue in effect with respect to any consideration or other securities (the “Restricted Property,” and, for the purposes of this Agreement, “Restricted Shares” shall include “Restricted Property,” unless the context otherwise requires) received in respect of such Restricted Shares. Such Restricted Property shall vest at such times and in such proportion as the Restricted Shares to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof, if such Restricted Shares had remained outstanding.

6.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the Common Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action incidental thereto is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the Common Shares subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.

6.4. Awards Subject to Clawback and Reduction for 280G. The Award and any Common Shares, other securities, cash or other property delivered pursuant to the Award or otherwise (including any payment, benefit or distribution of any type to or for the benefit of Holder which is paid, payable, provided or to be provided, distributed or distributable pursuant to any other agreement, arrangement, plan or program) are subject to (a) forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy in effect as of the Grant Date or which the Company may adopt from time to time as required by applicable law, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder and (b) reduction pursuant to the Company’s Policy on Limitations of Benefits Contingent Upon a Change in Control, in effect as of the Grant Date, to avoid the potential adverse tax consequences that may be imposed on the Company or Holder pursuant to Section 280G and/or Section 4999 of the Code.

6.5. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continued employment by the Company, the Asset Management Company or any of their Subsidiaries or affiliates or affect in any manner the right of the Company, the Asset Management Company or any of their Subsidiaries or affiliates to terminate the employment of any person at any time.

6.6. Decisions of Board or Committee. The Committee (or Board, as applicable) shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee (or Board, as applicable) regarding the Plan, the Award Notice or this Agreement shall be final, binding and conclusive.

6.7. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.8. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Athene Holding Ltd., c/o Athene Employee Services, LLC, Attn: Kristi Burma, EVP of Human Resources, 7700 Mills Civic Parkway, West Des Moines, IA 50266-3862, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.9. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.10. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. Holder hereby acknowledges receipt of a copy of the Plan.

6.11. Entire Agreement. This Agreement, including the Award Notice, and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof.

6.12. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

6.13. Amendment and Waiver. The provisions of this Agreement may not be amended without the written consent of Holder where such amendment would materially impair Holder's rights under this Agreement. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.14. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

## 7. Protective Covenants.

### 7.1. Confidential Information.

(a) Holder shall not disclose or use at any time any Confidential Information (as defined below) of which Holder is or becomes aware, whether or not such information is developed by Holder, except to the extent that such disclosure or use is directly related to and required by Holder's performance in good faith of duties for the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates. Holder shall take all appropriate steps to safeguard Confidential Information in Holder's possession and to protect it against disclosure, misuse, espionage, loss and theft. Holder shall deliver to the Company upon Holder's Termination of Relationship, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the business of the Company, its Subsidiaries, the Asset Management Company or any of their respective Affiliates which Holder may then possess or have under his or her control. Notwithstanding the foregoing, Holder may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates in connection with their businesses, including, but not limited to, information, observations and data obtained by Holder while providing services to the Company, its Subsidiaries, the Asset Management Company, their respective Affiliates or any predecessors thereof (including those obtained prior to the date hereof) concerning (i) the business or affairs of the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes,

whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by Holder in breach of this Agreement) in a form generally available to the public prior to the date Holder proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(b) Holder understands that nothing contained in this Agreement limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Holder further understands that this Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

#### 7.2. Restriction on Competition.

(a) Holder acknowledges that, in the course of his or her service with the Company, its Subsidiaries, the Asset Management Company and/or their predecessors (the "Protected Companies"), he or she has become familiar, or will become familiar, with the Protected Companies' trade secrets and with other confidential and proprietary information concerning the Protected Companies and that his or her services have been and will be of special, unique and extraordinary value to the Protected Companies. Holder agrees that if Holder were to become employed by, or substantially involved in, the business of a competitor of the Protected Companies during the Restricted Period, it would be very difficult for Holder not to rely on or use the Protected Companies' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Protected Companies' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Protected Companies' relationships and goodwill with customers, during the Restricted Period, Holder will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer or licensor of technology. For purposes of this Agreement, "Restricted Area" means anywhere in the United States, Bermuda and elsewhere in the world where the Protected Companies engage in business, including, without limitation, jurisdictions where any of the Protected Companies reasonably anticipate engaging in business on the date of Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such area has been discussed as a market that the Protected Companies reasonably contemplate engaging in within the twelve (12) month period following the date of Holder's Termination of Relationship). For purposes of this Agreement, "Competing Business" means a Person that at any time during Holder's period of service has competed, or any time during the twelve (12) month period following the date of Holder's Termination of Relationship begins competing with the Protected Companies anywhere in the Restricted Area and in the business of (i) annuity reinsurance, focusing on contracts reinsuring a quota share of future premiums of various fixed annuity product lines, (ii) reinsuring closed blocks of existing business, (iii) managing investments held by ceding companies pursuant to funds withheld coinsurance contracts with its affiliates, (iv) managing investments in the life insurance industry, or (v) any significant business conducted by the Protected Companies as of the date of Holder's Termination of Relationship and any significant business the Protected Companies conduct in the twelve (12) month period after Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such business has been discussed as a business that the Protected Companies reasonably contemplate engaging in within such twelve (12) month period). For purposes of this Agreement, "Restricted Period" means Holder's period of service until his or her Termination of Relationship, and thereafter through and including: (A) twelve (12) months following Holder's Termination of Relationship with respect to any Holder with a title of CEO, President or EVP at the time of the Termination of Relationship; (B) nine (9) months following Holder's Termination of Relationship with respect to any Holder with a title of SVP at the time of the Termination of Relationship and (C) six (6) months following Holder's Termination of Relationship with respect to any Holder with a title of VP at the time of the Termination of Relationship.

(b) Nothing herein shall prohibit Holder from (i) being a passive owner of not more than 1% of the outstanding stock of any class of a corporation which is publicly traded, so long as Holder has no active participation in the business of such corporation, or (ii) providing services to a subsidiary, division or affiliate of a Competing Business if such subsidiary, division or affiliate is not itself engaged in a Competing Business and Holder does not provide services to, or have any responsibilities regarding, the Competing Business.

7.3. Non-Solicitation of Employees and Consultants. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person (a) induce or attempt to induce any employee or independent contractor of the Protected Companies to leave the employ or service, as applicable, of the Protected Companies, or in any way interfere with the relationship between the Protected Companies, on the one hand, and any employee or independent contractor thereof, on the other hand, or (b) hire any person who was an employee of the Protected Companies, in each case, until six (6) months after such individual's employment relationship with the Protected Companies has been terminated.

7.4. Non-Solicitation of Customers. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, ceding companies, associates, consultants, agents, or partners of the Protected Companies to divert their business away from the Protected Companies, and Holder will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Protected Companies, on the one hand, and any of their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.

7.5. Understanding of Covenants. Holder represents and agrees that he or she (a) is familiar with and carefully considered the foregoing covenants set forth in this Section 7 (together, the "Restrictive Covenants"), (b) is fully aware of his or her obligations hereunder, (c) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (d) agrees that the Restrictive Covenants are necessary to protect the Protected Companies' confidential and proprietary information, good will, stable workforce and customer relations, and (e) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 7 regardless of whether Holder is then entitled to receive severance pay or benefits from any of the Protected Companies. Holder understands that the Restrictive Covenants may limit his or her ability to earn a livelihood in a business similar to the business of the Protected Companies, but he or she nevertheless believes that he or she has received and will receive sufficient consideration and other benefits as an employee of or other service provider to the Company and as otherwise provided hereunder to clearly justify such restrictions which, in any event (given his or her education, skills and ability), Holder does not believe would prevent him or her from otherwise earning a living. Holder agrees that the Restrictive Covenants do not confer a benefit upon the Protected Companies disproportionate to the detriment of Holder.

7.6. Enforcement. Holder agrees that Holder's services are unique and that he or she has access to Confidential Information. Accordingly, Holder agrees that a breach by Holder of any of the Restrictive Covenants would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, Holder agrees that in the event of any breach or threatened breach of any provision of this Section 7, the Company shall be entitled, in addition to and without limitation upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 7, as the case may be, or require Holder to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 7, if and when final judgment of a court of competent jurisdiction is so entered against Holder. Holder further agrees that the applicable period of time any Restrictive Covenant is in effect following the date of Holder's Termination of Relationship, as determined pursuant to the foregoing provisions of this Section 7, shall be extended by the same amount of time that Holder is in breach of any Restrictive Covenant.

**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Unit Award Notice (Performance-Based Vesting)**

**[Participant Name]**

You have been awarded a restricted share unit award with respect to Class A common shares of Athene Holding Ltd., a Bermuda exempted company limited by shares (the “Company”), pursuant to the terms and conditions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”) and the Restricted Share Unit Award Agreement (together with this Award Notice, the “Agreement”). Copies of the Plan and the Restricted Share Unit Award Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

RSU Award: Subject to the terms and conditions of the Plan and this Agreement, this Award entitles you to receive [**Number of Awards Granted**] Class A common shares, par value \$0.001 per share, of the Company (the “Common Shares”) if the Company achieves the target level of performance with respect to the Performance Measures set forth below (the “Target Common Shares”). The actual number of Common Shares you are entitled to receive shall be based on the attainment of the applicable Performance Measures and your continued employment through the Vesting Date, each as described below. References in the Agreement to Common Shares shall also include references to the cash equivalent thereof.

If the Company achieves the following level of performance:	Then, you will become vested in the following percentage of the Target Common Shares:
Minimum	50%
Target	100%
Maximum	150%

If the Company achieves a level of performance between any two performance levels in the above table, you will vest in a percentage of the Target Common Shares that will be determined based on linear interpolation between the applicable performance levels.

Grant Date: **[Grant Date]**

Performance Period: The three (3) consecutive fiscal years of the Company beginning on January 1, 20[\_\_\_].

Performance Measures: With respect to 33.33% of the Target Common Shares, the Performance Measure will be based on the average Adjusted Operating Return on Equity for the Performance Period (calculated as the simple average of the Adjusted Operating Return on Equity for each fiscal year of the Company included in the Performance Period) (the “ROE Performance Measure”). With respect to another 33.33% of the Target Common Shares, the Performance Measure will be based on the cumulative Adjusted Operating Income over the Performance Period (the “Operating Income Performance Measure”). With respect to the final 33.34% of the Target Common Shares, the Performance Measure will be based on the Adjusted Book Value Per Share as of the end of the Performance Period (the “Adjusted Book Value Performance Measure”).

For this purpose, Adjusted Operating Return on Equity, Adjusted Operating Income and Adjusted Book Value Per Share have the same meanings as disclosed in the Company’s financial statements and reports filed with the U.S. Securities Exchange Commission (the “SEC”); provided, however, that any one or all three may be amended or adjusted to reflect changes in law or accounting principles.

Vesting Conditions: Except as otherwise provided in the Plan, the Agreement or any other agreement between you and the Company or any of its Subsidiaries, the number of Common Shares subject to the Award shall vest, if at all, on the February 28th immediately following the end of the Performance Period (the “Vesting Date”) based on the attainment of the Performance Measures during the Performance Period as set forth below and provided that you have not had a Termination of Relationship prior to the Vesting Date. The number of Common Shares subject to the Award that vest upon the attainment of Performance Measures between Minimum, Target and Maximum levels shall be determined by interpolation between the applicable performance levels.

Applicable Performance Measures	If the Company attains the following level of performance,	Then, you will become vested in the following percentage of Target Common Shares subject to the applicable Performance Measure
With respect to the 33.33% of the Target Common Shares subject to the ROE Performance Measure	Minimum of [ ]%	50%
	Target of [ ]%	100%
	Maximum of [ ]%	150%
With respect to the 33.33% of the Target Common Shares subject to the Operating Income Performance Measure	Minimum of \$[ ]	50%
	Target of \$[ ]	100%
	Maximum of \$[ ]	150%
With respect to the 33.34% of the Target Common Shares subject to the Adjusted Book Value Performance Measure	Minimum of \$[ ]	50%
	Target of \$[ ]	100%
	Maximum of \$[ ]	150%

If you experience a Termination of Relationship before the Vesting Date for any reason, the Award shall be forfeited and shall be canceled by the Company except as follows:

- 1) **Death or Disability.** If your Termination of Relationship is due to your death or Disability (as defined below), the Award shall become immediately and fully vested as of the effective date of such Termination of Relationship with respect to the Target Common Shares; provided, however, if you experience a Termination of Relationship due to death or Disability following the conclusion of the Performance Period but prior to the Vesting Date, the Award shall become vested based on the actual level of performance measured through the end of the Performance Period, as calculated above;
- 2) **Retirement.** If your Termination of Relationship is due to your Retirement (as defined below), the Performance Period shall continue through the last day thereof and you will be eligible for a prorated Award, payable no later than the March 15th immediately following the end of the Performance Period. The Award shall become vested based on actual performance as set forth in the table above and shall be prorated based on the number of days that have elapsed between the first day of the Performance Period and the date of your Termination of Relationship relative to the total number of days in the Performance Period; and
- 3) **Change in Control.** If your Termination of Relationship occurs within eighteen (18) months following a Change in Control and is due to (i) an involuntary termination by the Company without Cause (as defined below) or (ii) a resignation by you for Good Reason (as defined below), the Award shall become vested as of the effective date of such Termination of Relationship with respect to the Target Common Shares; provided, however, if you experience such a Termination of Relationship following the conclusion of the Performance Period but prior to the Vesting Date, the Award shall become vested based on the greater of (a) target level of performance and (b) actual level of performance measured through the end of the Performance Period, as calculated above.

For the avoidance of doubt, any portion of the Award which does not become vested on the Vesting Date (or, if earlier as of the date of your Termination of Relationship pursuant to the paragraphs (1), (2) or (3) above) shall be forfeited and canceled by the Company immediately thereafter.

Definitions:

For purposes of this Agreement, the following definitions shall apply:

- 1) “Cause” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by the Company, any of its Subsidiaries or the Asset Management Company based on (A) your commission of a felony or a crime of moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) your commission of a willful and material act of dishonesty involving the Company,

any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (C) your material non-curable breach of the your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (D) your breach of the Company's policies or procedures (or the policies or procedures of any of its Subsidiaries, the Asset Management Company or any of the Company's or their respective Affiliates which are applicable) that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (E) your willful misconduct or gross negligence which causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (F) your violation of a fiduciary duty of loyalty to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (G) your knowing attempt to obstruct or knowing failure to cooperate with any investigation authorized by the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any governmental or self-regulatory entity; (H) your disqualification or bar by any governmental or self-regulatory authority or the loss of any governmental or self-regulatory license that is reasonably necessary for you to perform your duties to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (I) any directive made by any governmental or self-regulatory authority to terminate your services; or (J) your failure to cure a material breach of your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates within 30 days after written notice of such breach. For the avoidance of doubt, the termination of your service with the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates for Cause shall constitute Cause under this Agreement.

- 2) "Disability," means: (i) if at the time of termination you are party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a physical or mental impairment which, as reasonably determined by the Committee, renders you unable to perform the essential functions of your employment with your employer, even with reasonable accommodation that does not impose an undue hardship on your employer, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.
  - 3) "Good Reason" means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by you following: (A) a reduction of greater than 10% in your annual base salary or bonus potential under any bonus plan maintained by the Asset Management Company (if you are employed by the Asset Management Company), the Company or any of its Subsidiaries that employs you (but not including any diminution related to a broader compensation reduction that is not limited to any particular employee or executive); or (B) any material adverse change in your title, authority, duties, or responsibilities or the assignment to you of any duties or responsibilities inconsistent in any material respect with those customarily associated with your position; provided, however, that none of the events described in the foregoing clauses (A) and (B) shall constitute Good Reason unless you shall have notified the Company in writing describing the events which constitute Good Reason within 45 days after the occurrence of such events and then only if the relevant employer shall have failed to cure such events within 60 days after the Company's receipt of such written notice.
  - 4) "Retirement" means: a Termination of Relationship other than for Cause on or after your attainment of age 60 with at least five (5) consecutive years of employment or service with the Company or its affiliates immediately prior to your Retirement.
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**ATHENE HOLDING LTD.**

Name: James R. Belardi  
Title: CEO, Athene Holding Ltd.

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Athene Holding Ltd. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Award granted to me and agree to be bound by the terms and conditions of the Agreement and the Plan.

[Electronic Signature]

\_\_\_\_\_  
[Participant Name]

\_\_\_\_\_  
[Acceptance Date]

**Athene Holding Ltd.**  
**c/o Athene Employee Services, LLC**  
**Attn: Kristi Burma, EVP of Human Resources**  
**7700 Mills Civic Parkway**  
**West Des Moines, IA 50266-3862**

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**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Unit Award Agreement**

Athene Holding, Ltd., a Bermuda exempted company limited by shares (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the “Grant Date” (as defined in the Award Notice), pursuant to the provisions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”), a restricted share unit award (the “Award”) with respect to the number of the Company’s Class A common shares, par value \$0.001 per share (the “Common Shares”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless Holder shall accept this Agreement by executing it in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement pursuant to procedures established by the Committee).

2. Restriction Period and Vesting. Except as otherwise provided in this Agreement, the Award shall vest in accordance with the vesting schedule set forth in the Award Notice (the “Vesting Schedule”).

3. Settlement of Award.

(a) Subject to Sections 5.1 and 5.15, as soon as practicable after the vesting of all or a portion of the Award (but not later than the March 15th occurring immediately after the year in which the Holder’s substantial risk of forfeiture with respect to the Award lapses), the Company shall settle the Award, subject to the conditions of this Agreement, with respect to the number of Common Shares so vested. Settlement shall be made by delivery of the number of Common Shares subject to the Award so vested. If the Company elects to issue any Common Shares in settlement of the Award, such issuance shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company and the Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance, except as otherwise provided in Section 5.1. Any fraction of a Common Share which would otherwise be issuable upon settlement of the Award shall be rounded up to the nearest whole number. The Holder shall pay promptly (and in any event no later than five (5) days after the settlement date) \$0.001 per Common Share issued in settlement of the Award to the Company in a lump sum in cash. Except as set forth in this Agreement, Holder shall not be entitled to any voting rights or other privileges of ownership with respect to Common Shares subject to the Award unless and until the Award become vested and settled pursuant to Section 2 and this Section 3, and then only to the extent the Company has settled such portion of the Award in Common Shares. Prior to the settlement of the Award (whether in cash or Common Shares), Holder shall have only the status of a general unsecured creditor of the Company and shall have no direct or secured claim in any specific assets of the Company or in any Common Shares.

(b) Dividend Equivalents. In the event that the Company pays a dividend on its Common Shares, which dividend record date is prior to the date on which all or any portion of this Award is settled, then subject to Section 5.1, the Company shall pay to Holder, each time all or any portion of the Award is settled (or, subject to Section 3(a), the payment date for the dividend, if later) an amount in cash equal to the aggregate ordinary cash dividends that would have been paid on the equivalent number of Common Shares subject to the portion of the Award being settled (the “Dividend Equivalent Shares”) during the period between the Grant Date and such settlement date had the Dividend Equivalent Shares been held directly by Holder during such period (the “Dividend Equivalents”). Dividend Equivalents shall be paid whether the Award (or portion thereof) is settled in cash or Common Shares. No Dividend Equivalents shall be paid prior to the date on which the Award vests and is settled, in whole or in part, and no Dividend Equivalents shall be paid with respect to any Common Shares subject to this Award that have either been settled or forfeited prior to the record date for such ordinary cash dividend.

4. Transfer Restrictions and Investment Representations.

4.1. Nontransferability of Award. The Award may not be transferred by Holder other than by will or the laws of descent and distribution, pursuant to the designation of one or more beneficiaries on the form prescribed by the Committee or, to the extent permitted by the Committee, to a trust or entity established for estate planning purposes. Except as permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

4.2. Investment Representation. Holder hereby represents and covenants that (a) any Common Shares acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Holder shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of any vesting of any shares hereunder or (y) is true and correct as of the date of any sale of any such shares, as applicable.

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As a further condition precedent to the delivery to Holder of any Common Shares subject to the Award, Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

5. Additional Terms and Conditions.

5.1. Withholding Taxes.

(a) As a condition precedent to the settlement of any Award upon vesting, Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the vesting and settlement of the Award. If Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Holder.

(b) Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by a cash payment to the Company or, if applicable, authorizing the Company to withhold whole shares of Common Shares which would otherwise be delivered to Holder upon settlement of the Award having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the “Tax Date”), equal to the Required Tax Payments. Withholding may also be satisfied by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Shares having an aggregate Fair Market Value on the Tax Date equal to the Required Tax Payments or any combination of the methods described in this Section 5.1(b). Common Shares to be delivered or withheld may not have a Fair Market Value in excess of the Required Tax Payments calculated using the highest statutory rates in the relevant jurisdictions, provided that the withholding rate does not have an adverse accounting impact on the Company. Any fraction of a Common Share which would be required to satisfy any such obligation shall be rounded up to the nearest whole number. No Common Share or certificate representing a Common Share shall be issued or delivered until the Required Tax Payments have been satisfied in full.

5.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation or applicable successor guidance) that causes the per share value of a Common Share to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of the Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of Holder. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the Common Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action incidental thereto is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the Common Shares subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.

5.4. Awards Subject to Clawback and Reduction for 280G. The Award and any Common Shares, other securities, cash or other property delivered pursuant to the Award or otherwise (including any payment, benefit or distribution of any type to or for the benefit of Holder which is paid, payable, provided or to be provided, distributed or distributable pursuant to any other agreement, arrangement, plan or program) are subject to (a) forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy in effect as of the Grant Date or which the Company may adopt from time to time as required by applicable law, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder and (b) reduction pursuant to the Company’s Policy on Limitations of Benefits Contingent Upon a Change in Control, in effect as of the Grant Date, to avoid the potential adverse tax consequences that may be imposed on the Company or Holder pursuant to Section 280G and/or Section 4999 of the Code.

5.5. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continued employment by the Company, the Asset Management Company or any of their Subsidiaries or affiliates or affect in any manner the right of the Company, the Asset Management Company or any of their Subsidiaries or affiliates to terminate the employment of any person at any time.

5.6. Decisions of Board or Committee. The Committee (or Board, as applicable) shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee (or Board, as applicable) regarding the Plan, the Award Notice or this Agreement shall be final, binding and conclusive.

5.7. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

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5.8. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Athene Holding Ltd., c/o Athene Employee Services, LLC, Attn: Kristi Burma, EVP of Human Resources, 7700 Mills Civic Parkway, West Des Moines, IA 50266-3862, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

5.9. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

5.10. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. Holder hereby acknowledges receipt of a copy of the Plan.

5.11. Entire Agreement. This Agreement, including the Award Notice, and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof.

5.12. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

5.13. Amendment and Waiver. The provisions of this Agreement may not be amended without the written consent of Holder where such amendment would materially impair Holder's rights under this Agreement. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

5.14. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

5.15. Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly. Notwithstanding any other provision in this Award, to the extent any payments hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A, then (a) to the extent this Agreement provides for the Award to become vested and be settled upon Holder's Termination of Relationship, the applicable Award shall be settled upon Holder's "separation from service" (within the meaning of Section 409A of the Code) even if the Award vests upon an earlier Termination of Relationship and (b) if Holder is a specified employee (within the meaning of Section 409A of the Code) as of the date of Holder's separation from service, each such payment that is payable upon Holder's separation from service and would have been paid prior to the six-month anniversary of Holder's separation from service, shall be delayed until the earlier to occur of (i) the six-month anniversary of Holder's separation from service and (ii) the date of Holder's death.

## 6. Protective Covenants

### 6.1. Confidential Information

(a) Holder shall not disclose or use at any time any Confidential Information (as defined below) of which Holder is or becomes aware, whether or not such information is developed by Holder, except to the extent that such disclosure or use is directly related to and required by Holder's performance in good faith of duties for the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates. Holder shall take all appropriate steps to safeguard Confidential Information in Holder's possession and to protect it against disclosure, misuse, espionage, loss and theft. Holder shall deliver to the Company upon Holder's Termination of Relationship, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the business of the Company, its Subsidiaries, the Asset Management Company or any of their respective Affiliates which Holder may then possess or have under his or her control. Notwithstanding the foregoing, Holder may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates in connection with their businesses, including, but not limited to, information, observations and data obtained by Holder while providing services to the Company, its Subsidiaries, the Asset Management Company, their respective Affiliates or any predecessors thereof (including those obtained prior to the date hereof) concerning (i) the business or affairs of the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses,

(vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by Holder in breach of this Agreement) in a form generally available to the public prior to the date Holder proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(b) Holder understands that nothing contained in this Agreement limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Holder further understands that this Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

## 6.2. Restriction on Competition.

(a) Holder acknowledges that, in the course of his or her service with the Company, its Subsidiaries, the Asset Management Company and/or their predecessors (the "Protected Companies"), he or she has become familiar, or will become familiar, with the Protected Companies' trade secrets and with other confidential and proprietary information concerning the Protected Companies and that his or her services have been and will be of special, unique and extraordinary value to the Protected Companies. Holder agrees that if Holder were to become employed by, or substantially involved in, the business of a competitor of the Protected Companies during the Restricted Period, it would be very difficult for Holder not to rely on or use the Protected Companies' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Protected Companies' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Protected Companies' relationships and goodwill with customers, during the Restricted Period, Holder will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer or licensor of technology. For purposes of this Agreement, "Restricted Area" means anywhere in the United States, Bermuda and elsewhere in the world where the Protected Companies engage in business, including, without limitation, jurisdictions where any of the Protected Companies reasonably anticipate engaging in business on the date of Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such area has been discussed as a market that the Protected Companies reasonably contemplate engaging in within the twelve (12) month period following the date of Holder's Termination of Relationship). For purposes of this Agreement, "Competing Business" means a Person that at any time during Holder's period of service has competed, or any time during the twelve (12) month period following the date of Holder's Termination of Relationship begins competing with the Protected Companies anywhere in the Restricted Area and in the business of (i) annuity reinsurance, focusing on contracts reinsuring a quota share of future premiums of various fixed annuity product lines, (ii) reinsuring closed blocks of existing business, (iii) managing investments held by ceding companies pursuant to funds withheld coinsurance contracts with its affiliates, (iv) managing investments in the life insurance industry, or (v) any significant business conducted by the Protected Companies as of the date of Holder's Termination of Relationship and any significant business the Protected Companies conduct in the twelve (12) month period after Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such business has been discussed as a business that the Protected Companies reasonably contemplate engaging in within such twelve (12) month period). For purposes of this Agreement, "Restricted Period" means Holder's period of service until his or her Termination of Relationship, and thereafter through and including: (A) twelve (12) months following Holder's Termination of Relationship with respect to any Holder with a title of CEO, President or EVP at the time of the Termination of Relationship; (B) nine (9) months following Holder's Termination of Relationship with respect to any Holder with a title of SVP at the time of the Termination of Relationship and (C) six (6) months following Holder's Termination of Relationship with respect to any Holder with a title of VP at the time of the Termination of Relationship.

(b) Nothing herein shall prohibit Holder from (i) being a passive owner of not more than 1% of the outstanding stock of any class of a corporation which is publicly traded, so long as Holder has no active participation in the business of such corporation, or (ii) providing services to a subsidiary, division or affiliate of a Competing Business if such subsidiary, division or affiliate is not itself engaged in a Competing Business and Holder does not provide services to, or have any responsibilities regarding, the Competing Business.

6.3. Non-Solicitation of Employees and Consultants. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person (a) induce or attempt to induce any employee or independent contractor of the Protected Companies to leave the employ or service, as applicable, of the Protected Companies, or in any way interfere with the relationship between the Protected Companies, on the one hand, and any employee or independent contractor thereof, on the other hand, or (b) hire any person who was an employee of the Protected Companies, in each case, until six (6) months after such individual's employment relationship with the Protected Companies has been terminated.

6.4. Non-Solicitation of Customers. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, ceding companies, associates, consultants, agents, or partners of the Protected Companies to divert their business away from the Protected Companies, and Holder will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Protected Companies, on the one hand, and any of their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.

6.5. Understanding of Covenants. Holder represents and agrees that he or she (a) is familiar with and carefully considered the foregoing covenants set forth in this Section 6 (together, the "Restrictive Covenants"), (b) is fully aware of his or her obligations hereunder, (c) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (d) agrees that the Restrictive Covenants are necessary to protect the Protected Companies' confidential and proprietary information, good will, stable workforce and customer relations, and (e) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 6 regardless of whether Holder is then entitled to receive severance pay or benefits from any of the Protected Companies. Holder understands that the Restrictive Covenants may limit his or her ability to earn a livelihood in a business similar to the business of the Protected Companies, but he or she nevertheless believes that he or she has received and will receive sufficient consideration and other benefits as an employee of or other service provider to the Company and as otherwise provided hereunder to clearly justify such restrictions which, in any event (given his or her education, skills and ability), Holder does not believe would prevent him or her from otherwise earning a living. Holder agrees that the Restrictive Covenants do not confer a benefit upon the Protected Companies disproportionate to the detriment of Holder.

6.6. Enforcement. Holder agrees that Holder's services are unique and that he or she has access to Confidential Information. Accordingly, Holder agrees that a breach by Holder of any of the Restrictive Covenants would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, Holder agrees that in the event of any breach or threatened breach of any provision of this Section 6, the Company shall be entitled, in addition to and without limitation upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 6, as the case may be, or require Holder to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 6, if and when final judgment of a court of competent jurisdiction is so entered against Holder. Holder further agrees that the applicable period of time any Restrictive Covenant is in effect following the date of Holder's Termination of Relationship, as determined pursuant to the foregoing provisions of this Section 6, shall be extended by the same amount of time that Holder is in breach of any Restrictive Covenant.

**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Unit Award Notice (Time-Based Vesting)**

[Participant Name]

You have been awarded a restricted share unit award with respect to Class A common shares of Athene Holding Ltd., a Bermuda exempted company limited by shares (the “Company”), pursuant to the terms and conditions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”) and the Restricted Share Unit Award Agreement (together with this Award Notice, the “Agreement”). Copies of the Plan and the Restricted Share Unit Award Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

RSU Award: Subject to the terms and conditions of the Plan and this Agreement, this Award entitles you to receive [Number of Awards Granted] Class A common shares, par value \$0.001 per share, of the Company (the “Common Shares”), subject to adjustment as provided in Section 5.2 of the Agreement.

Grant Date: [Grant Date]

Vesting Inception Date: January 1 of the year of grant

Vesting Schedule: Except as otherwise provided in the Plan, the Agreement or any other agreement between you and the Company or any of its Subsidiaries, the Award shall vest (i) on the one-year anniversary of the Vesting Inception Date with respect to one-third of the number of Common Shares subject thereto on the Grant Date, (ii) on the two-year anniversary of the Vesting Inception Date with respect to an additional one-third of the number of Common Shares subject thereto on the Grant Date and (iii) on the three-year anniversary of the Vesting Inception Date with respect to the remaining one-third of the number of Common Shares subject thereto on the Grant Date, in each case, provided you have not experienced a Termination of Relationship prior to such date.

If you experience a Termination of Relationship prior to the three-year anniversary of the Vesting Inception Date for any reason, the unvested portion of the Award, as of the effective date of your Termination of Relationship, shall be forfeited and shall be canceled by the Company; provided, however, that if your Termination of Relationship is due to your death or Disability (as defined below), the Award shall become immediately and fully vested as of the effective date of such Termination of Relationship; provided, further, that if your Termination of Relationship is due to (i) an involuntary termination by the Company without Cause (as defined below) or (ii) resignation by you for Good Reason (as defined below) and, in each case, such Termination of Relationship occurs within eighteen (18) months following a Change in Control, the Award shall become immediately and fully vested as of the effective date of such Termination of Relationship.

Definitions: For purposes of this Agreement, the following definitions shall apply:

- 1) “Cause” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by the Company, any of its Subsidiaries or the Asset Management Company based on (A) your commission of a felony or a crime of moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) your commission of a willful and material act of dishonesty involving the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (C) your material non-curable breach of the your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (D) your breach of the Company’s policies or procedures (or the policies or procedures of any of its Subsidiaries, the Asset Management Company or any of the Company’s or their respective Affiliates which are applicable) that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (E) your willful misconduct or gross negligence which causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (F) your violation of a fiduciary duty of loyalty to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations;
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(G) your knowing attempt to obstruct or knowing failure to cooperate with any investigation authorized by the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any governmental or self-regulatory entity; (H) your disqualification or bar by any governmental or self-regulatory authority or the loss of any governmental or self-regulatory license that is reasonably necessary for you to perform your duties to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (I) any directive made by any governmental or self-regulatory authority to terminate your services; or (J) your failure to cure a material breach of your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates within 30 days after written notice of such breach. For the avoidance of doubt, the termination of your service with the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates for Cause shall constitute Cause under this Agreement.

- 2) “Disability” means: (i) if at the time of termination you are party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a physical or mental impairment which, as reasonably determined by the Committee, renders you unable to perform the essential functions of your employment with your employer, even with reasonable accommodation that does not impose an undue hardship on your employer, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.
  - 3) “Good Reason” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by you following: (A) a reduction of greater than 10% in your annual base salary or bonus potential under any bonus plan maintained by the Asset Management Company (if you are employed by the Asset Management Company), the Company or any of its Subsidiaries that employs you (but not including any diminution related to a broader compensation reduction that is not limited to any particular employee or executive); or (B) any material adverse change in your title, authority, duties, or responsibilities or the assignment to you of any duties or responsibilities inconsistent in any material respect with those customarily associated with your position; provided, however, that none of the events described in the foregoing clauses (A) and (B) shall constitute Good Reason unless you shall have notified the Company in writing describing the events which constitute Good Reason within 45 days after the occurrence of such events and then only if the relevant employer shall have failed to cure such events within 60 days after the Company’s receipt of such written notice.
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**ATHENE HOLDING LTD.**

Name: James R. Belardi  
Title: CEO, Athene Holding Ltd.

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Athene Holding Ltd. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Award granted to me and agree to be bound by the terms and conditions of the Agreement and the Plan.

[Electronic Signature]

\_\_\_\_\_  
[Participant Name]

\_\_\_\_\_  
[Acceptance Date]

**Athene Holding Ltd.**  
c/o Athene Employee Services, LLC  
Attn: Kristi Burma, EVP of Human Resources  
7700 Mills Civic Parkway  
West Des Moines, IA 50266-3862

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**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Unit Award Agreement**

Athene Holding, Ltd., a Bermuda exempted company limited by shares (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the “Grant Date” (as defined in the Award Notice), pursuant to the provisions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”), a restricted share unit award (the “Award”) with respect to the number of the Company’s Class A common shares, par value \$0.001 per share (the “Common Shares”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless Holder shall accept this Agreement by executing it in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement pursuant to procedures established by the Committee).

2. Restriction Period and Vesting. Except as otherwise provided in this Agreement, the Award shall vest in accordance with the vesting schedule set forth in the Award Notice (the “Vesting Schedule”).

3. Settlement of Award.

(a) Subject to Sections 5.1 and 5.15, as soon as practicable after the vesting of all or a portion of the Award (but not later than sixty (60) days after each date on which all or a portion of the Award vests), the Company shall settle the Award, subject to the conditions of this Agreement, with respect to the number of Common Shares so vested. Settlement shall be made by delivery of the number of Common Shares subject to the Award so vested. If the Company elects to issue any Common Shares in settlement of the Award, such issuance shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company and the Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance, except as otherwise provided in Section 5.1. Any fraction of a Common Share which would otherwise be issuable upon settlement of the Award shall be rounded up to the nearest whole number. The Holder shall pay promptly (and in any event no later than five (5) days after the settlement date) \$0.001 per Common Share issued in settlement of the Award to the Company in a lump sum in cash. Except as set forth in this Agreement, Holder shall not be entitled to any voting rights or other privileges of ownership with respect to Common Shares subject to the Award unless and until the Award become vested and settled pursuant to Section 2 and this Section 3, and then only to the extent the Company has settled such portion of the Award in Common Shares. Prior to the settlement of the Award (whether in cash or Common Shares), Holder shall have only the status of a general unsecured creditor of the Company and shall have no direct or secured claim in any specific assets of the Company or in any Common Shares.

(b) Dividend Equivalents. In the event that the Company pays a dividend on its Common Shares, which dividend record date is prior to the date on which all or any portion of this Award is settled, then subject to Section 5.1, the Company shall pay to Holder, each time all or any portion of the Award is settled (or, subject to Section 3(a), the payment date for the dividend, if later), an amount in cash equal to the aggregate ordinary cash dividends that would have been paid on the equivalent number of Common Shares subject to the portion of the Award being settled (the “Dividend Equivalent Shares”) during the period between the Grant Date and such settlement date had the Dividend Equivalent Shares been held directly by Holder during such period (the “Dividend Equivalents”). Dividend Equivalents shall be paid whether the Award (or portion thereof) is settled in cash or Common Shares. No Dividend Equivalents shall be paid prior to the date on which the Award vests and is settled, in whole or in part, and no Dividend Equivalents shall be paid with respect to any Common Shares subject to this Award that have either been settled or forfeited prior to the record date for such ordinary cash dividend.

4. Transfer Restrictions and Investment Representations.

4.1. Nontransferability of Award. The Award may not be transferred by Holder other than by will or the laws of descent and distribution, pursuant to the designation of one or more beneficiaries on the form prescribed by the Committee or, to the extent permitted by the Committee, to a trust or entity established for estate planning purposes. Except as permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

4.2. Investment Representation. Holder hereby represents and covenants that (a) any Common Shares acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Holder shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (i) is true and correct as of the date of any vesting of any shares hereunder or (ii) is true and correct as of the date of any sale of any such shares, as applicable. As a further condition precedent to the delivery to Holder of any Common Shares subject to the Award, Holder shall comply with all regulations and requirements of any regulatory authority having control of or

supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

5. Additional Terms and Conditions

5.1. Withholding Taxes

(a) As a condition precedent to the settlement of any portion of the Award upon vesting, Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the vesting and settlement of the Award. If Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Holder.

(b) Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by a cash payment to the Company or, if applicable, authorizing the Company to withhold whole shares of Common Shares which would otherwise be delivered to Holder upon settlement of the Award having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments. Withholding may also be satisfied by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Shares having an aggregate Fair Market Value on the Tax Date equal to the Required Tax Payments or any combination of the methods described in this Section 5.1(b). Common Shares to be delivered or withheld may not have a Fair Market Value in excess of the Required Tax Payments calculated using the highest statutory rates in the relevant jurisdictions, provided that the withholding rate does not have an adverse accounting impact on the Company. Any fraction of a Common Share which would be required to satisfy any such obligation shall be rounded up to the nearest whole number. No Common Share or certificate representing a Common Share shall be issued or delivered until the Required Tax Payments have been satisfied in full.

5.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation or applicable successor guidance) that causes the per share value of a Common Share to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of the Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of Holder. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the Common Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action incidental thereto is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the Common Shares subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.

5.4. Awards Subject to Clawback and Reduction for 280G. The Award and any Common Shares, other securities, cash or other property delivered pursuant to the Award or otherwise (including any payment, benefit or distribution of any type to or for the benefit of Holder which is paid, payable, provided or to be provided, distributed or distributable pursuant to any other agreement, arrangement, plan or program) are subject to (a) forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy in effect as of the Grant Date or which the Company may adopt from time to time as required by applicable law, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder and (b) reduction pursuant to the Company's Policy on Limitations of Benefits Contingent Upon a Change in Control, in effect as of the Grant Date, to avoid the potential adverse tax consequences that may be imposed on the Company or Holder pursuant to Section 280G and/or Section 4999 of the Code.

5.5. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continued employment by the Company, the Asset Management Company or any of their Subsidiaries or affiliates or affect in any manner the right of the Company, the Asset Management Company or any of their Subsidiaries or affiliates to terminate the employment of any person at any time.

5.6. Decisions of Board or Committee. The Committee (or Board, as applicable) shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee (or Board, as applicable) regarding the Plan, the Award Notice or this Agreement shall be final, binding and conclusive.

5.7. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

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5.8. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Athene Holding Ltd., c/o Athene Employee Services, LLC, Attn: Kristi Burma, EVP of Human Resources, 7700 Mills Civic Parkway, West Des Moines, IA 50266-3862, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

5.9. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

5.10. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. Holder hereby acknowledges receipt of a copy of the Plan.

5.11. Entire Agreement. This Agreement, including the Award Notice, and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof.

5.12. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

5.13. Amendment and Waiver. The provisions of this Agreement may not be amended without the written consent of Holder where such amendment would materially impair Holder's rights under this Agreement. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

5.14. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

5.15. Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly, and each payment hereunder shall be considered a separate payment. Notwithstanding any other provision in this Award, to the extent any payments hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A, then (a) to the extent this Agreement provides for the Award to become vested and be settled upon Holder's Termination of Relationship, the applicable Award shall be settled upon Holder's "separation from service" (within the meaning of Section 409A of the Code) even if the Award vests upon an earlier Termination of Relationship and (b) if Holder is a specified employee (within the meaning of Section 409A of the Code) as of the date of Holder's separation from service, each such payment that is payable upon Holder's separation from service and would have been paid prior to the six-month anniversary of Holder's separation from service, shall be delayed until the earlier to occur of (i) the six-month anniversary of Holder's separation from service and (ii) the date of Holder's death.

## 6. Protective Covenants.

### 6.1. Confidential Information.

(a) Holder shall not disclose or use at any time any Confidential Information (as defined below) of which Holder is or becomes aware, whether or not such information is developed by Holder, except to the extent that such disclosure or use is directly related to and required by Holder's performance in good faith of duties for the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates. Holder shall take all appropriate steps to safeguard Confidential Information in Holder's possession and to protect it against disclosure, misuse, espionage, loss and theft. Holder shall deliver to the Company upon Holder's Termination of Relationship, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the business of the Company, its Subsidiaries, the Asset Management Company or any of their respective Affiliates which Holder may then possess or have under his or her control. Notwithstanding the foregoing, Holder may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates in connection with their businesses, including, but not limited to, information, observations and data obtained by Holder while providing services to the Company, its Subsidiaries, the Asset Management Company, their respective Affiliates or any predecessors thereof (including those obtained prior to the date hereof) concerning (i) the business or affairs of the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses,

(vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by Holder in breach of this Agreement) in a form generally available to the public prior to the date Holder proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(b) Holder understands that nothing contained in this Agreement limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Holder further understands that this Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

## 6.2. Restriction on Competition.

(a) Holder acknowledges that, in the course of his or her service with the Company, its Subsidiaries, the Asset Management Company and/or their predecessors (the "Protected Companies"), he or she has become familiar, or will become familiar, with the Protected Companies' trade secrets and with other confidential and proprietary information concerning the Protected Companies and that his or her services have been and will be of special, unique and extraordinary value to the Protected Companies. Holder agrees that if Holder were to become employed by, or substantially involved in, the business of a competitor of the Protected Companies during the Restricted Period, it would be very difficult for Holder not to rely on or use the Protected Companies' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Protected Companies' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Protected Companies' relationships and goodwill with customers, during the Restricted Period, Holder will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer or licensor of technology. For purposes of this Agreement, "Restricted Area" means anywhere in the United States, Bermuda and elsewhere in the world where the Protected Companies engage in business, including, without limitation, jurisdictions where any of the Protected Companies reasonably anticipate engaging in business on the date of Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such area has been discussed as a market that the Protected Companies reasonably contemplate engaging in within the twelve (12) month period following the date of Holder's Termination of Relationship). For purposes of this Agreement, "Competing Business" means a Person that at any time during Holder's period of service has competed, or any time during the twelve (12) month period following the date of Holder's Termination of Relationship begins competing with the Protected Companies anywhere in the Restricted Area and in the business of (i) annuity reinsurance, focusing on contracts reinsuring a quota share of future premiums of various fixed annuity product lines, (ii) reinsuring closed blocks of existing business, (iii) managing investments held by ceding companies pursuant to funds withheld coinsurance contracts with its affiliates, (iv) managing investments in the life insurance industry, or (v) any significant business conducted by the Protected Companies as of the date of Holder's Termination of Relationship and any significant business the Protected Companies conduct in the twelve (12) month period after Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such business has been discussed as a business that the Protected Companies reasonably contemplate engaging in within such twelve (12) month period). For purposes of this Agreement, "Restricted Period" means Holder's period of service until his or her Termination of Relationship, and thereafter through and including: (A) twelve (12) months following Holder's Termination of Relationship with respect to any Holder with a title of CEO, President or EVP at the time of the Termination of Relationship; (B) nine (9) months following Holder's Termination of Relationship with respect to any Holder with a title of SVP at the time of the Termination of Relationship and (C) six (6) months following Holder's Termination of Relationship with respect to any Holder with a title of VP at the time of the Termination of Relationship.

(b) Nothing herein shall prohibit Holder from (i) being a passive owner of not more than 1% of the outstanding stock of any class of a corporation which is publicly traded, so long as Holder has no active participation in the business of such corporation, or (ii) providing services to a subsidiary, division or affiliate of a Competing Business if such subsidiary, division or affiliate is not itself engaged in a Competing Business and Holder does not provide services to, or have any responsibilities regarding, the Competing Business.

6.3. Non-Solicitation of Employees and Consultants. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person (a) induce or attempt to induce any employee or independent contractor of the Protected Companies to leave the employ or service, as applicable, of the Protected Companies, or in any way interfere with the relationship between the Protected Companies, on the one hand, and any employee or independent contractor thereof, on the other hand, or (b) hire any person who was an employee of the Protected Companies, in each case, until six (6) months after such individual's employment relationship with the Protected Companies has been terminated.

6.4. Non-Solicitation of Customers. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, ceding companies, associates, consultants, agents, or partners of the Protected Companies to divert their business away from the Protected Companies, and Holder will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Protected Companies, on the one hand, and any of their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.

6.5. Understanding of Covenants. Holder represents and agrees that he or she (a) is familiar with and carefully considered the foregoing covenants set forth in this Section 6 (together, the "Restrictive Covenants"), (b) is fully aware of his or her obligations hereunder, (c) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (d) agrees that the Restrictive Covenants are necessary to protect the Protected Companies' confidential and proprietary information, good will, stable workforce and customer relations, and (e) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 6 regardless of whether Holder is then entitled to receive severance pay or benefits from any of the Protected Companies. Holder understands that the Restrictive Covenants may limit his or her ability to earn a livelihood in a business similar to the business of the Protected Companies, but he or she nevertheless believes that he or she has received and will receive sufficient consideration and other benefits as an employee of or other service provider to the Company and as otherwise provided hereunder to clearly justify such restrictions which, in any event (given his or her education, skills and ability), Holder does not believe would prevent him or her from otherwise earning a living. Holder agrees that the Restrictive Covenants do not confer a benefit upon the Protected Companies disproportionate to the detriment of Holder.

6.6. Enforcement. Holder agrees that Holder's services are unique and that he or she has access to Confidential Information. Accordingly, Holder agrees that a breach by Holder of any of the Restrictive Covenants would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, Holder agrees that in the event of any breach or threatened breach of any provision of this Section 6, the Company shall be entitled, in addition to and without limitation upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 6, as the case may be, or require Holder to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 6, if and when final judgment of a court of competent jurisdiction is so entered against Holder. Holder further agrees that the applicable period of time any Restrictive Covenant is in effect following the date of Holder's Termination of Relationship, as determined pursuant to the foregoing provisions of this Section 6, shall be extended by the same amount of time that Holder is in breach of any Restrictive Covenant.

ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN

Nonqualified Stock Option Award Notice

[Participant Name]

You have been awarded an option to purchase Class A common shares of Athene Holding Ltd., a Bermuda exempted company limited by shares (the "Company"), pursuant to the terms and conditions of the Athene Holding Ltd. 2019 Share Incentive Plan (the "Plan") and the Nonqualified Stock Option Agreement (together with this Award Notice, the "Agreement"). Copies of the Plan and the Nonqualified Stock Option Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Option: You have been awarded an Option to purchase from the Company [Number of Awards Granted] Class A common shares, par value \$0.001 per share (the "Common Shares"), subject to adjustment as provided in Section 4.2 of the Agreement.

Option Date: [Grant Date]

Vesting Inception Date: January 1 of the year of grant

Exercise Price: \$[Grant Date FMV] per share, subject to adjustment as provided in Section 4.2 of the Agreement.

Vesting Schedule: Except as otherwise provided in the Plan, the Agreement or any other agreement between you and the Company or any of its Subsidiaries, the Option shall vest and become exercisable on (i) the one-year anniversary of the Vesting Inception Date with respect to one-third of the number of shares subject thereto on the Option Date, (ii) on the two-year anniversary of the Vesting Inception Date with respect to an additional one-third of the number of shares subject thereto on the Option Date and (iii) on the three-year anniversary of the Vesting Inception Date with respect to the remaining one-third of the number of shares subject thereto on the Option Date, in each case, provided you have not experienced a Termination of Relationship prior to such date.

Expiration Date: Except to the extent earlier terminated pursuant to Section 2.2 of the Agreement or earlier exercised pursuant to Section 2.3 of the Agreement, the Option shall terminate at 5:00 p.m., U.S. Central time, on the ten-year anniversary of the Option Date.

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**ATHENE HOLDING LTD.**

Name: James R. Belardi  
Title: CEO, Athene Holding Ltd.

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Athene Holding Ltd. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Option granted to me and agree to be bound by the terms and conditions of the Agreement and the Plan.

[Electronic Signature]

\_\_\_\_\_  
[Participant Name]

\_\_\_\_\_  
[Acceptance Date]

**Athene Holding Ltd.**  
**c/o Athene Employee Services, LLC**  
**Attn: Kristi Burma, EVP of Human Resources**  
**7700 Mills Civic Parkway**  
**West Des Moines, IA 50266-3862**

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**Athene Holding Ltd.  
2019 Share Incentive Plan**

**Nonqualified Stock Option Agreement**

Athene Holding Ltd., a Bermuda exempted company limited by shares (the “Company”), hereby grants to the individual (“Optionee”) named in the award notice attached hereto (the “Award Notice”) as of the “Option Date” (as defined in the Award Notice), pursuant to the provisions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”), a nonqualified stock option (the “Option”) to purchase from the Company the number of the Company’s Class A common shares, par value \$0.001 per share (“Common Shares”), set forth in the Award Notice at the price per share set forth in the Award Notice (the “Exercise Price”), upon and subject to the terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Option Subject to Acceptance of Agreement. The Option shall be null and void unless Optionee shall accept this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement pursuant to procedures established by the Committee).

2. Time and Manner of Exercise of Option.

2.1. Maximum Term of Option. In no event may the Option be exercised, in whole or in part, after the expiration date set forth in the Award Notice (the “Expiration Date”).

2.2. Vesting and Exercise of Option. The Option shall become vested and exercisable in accordance with the Vesting Schedule set forth in the Award Notice. The Option shall be exercisable following a Termination of Relationship according to the following terms and conditions:

(a) Termination of Relationship due to Death or Disability. If Optionee experiences a Termination of Relationship by reason of Optionee’s death or Disability (as defined below), the Option shall become immediately and fully vested as of the date of such Termination of Relationship and may thereafter be exercised by Optionee or Optionee’s executor, administrator, legal representative, guardian or similar person until and including the earlier to occur of (i) the date which is one (1) year after the date of such Termination of Relationship and (ii) the Expiration Date.

(b) Termination by Company for Cause. Notwithstanding anything to the contrary in the Award Notice or this Agreement, if Optionee experiences a Termination of Relationship by reason of the Company’s termination of Optionee’s employment for Cause (as defined below), then the Option, whether or not vested, shall terminate immediately upon such Termination of Relationship and shall no longer be exercisable as of the date of such Termination of Relationship.

(c) Termination of Relationship by the Company Other than for Cause, Death or Disability or by Optionee. If Optionee experiences a Termination of Relationship for any reason other than those described in Sections 2.2(a), (b) and (d), the Option, to the extent vested on the effective date of such Termination of Relationship, may thereafter be exercised by Optionee until and including the earlier to occur of (i) the date which is ninety (90) days after the date of such Termination of Relationship and (ii) the Expiration Date. The Option, to the extent unvested on the effective date of such Termination of Relationship, shall terminate and no longer be exercisable as of the effective date of such Termination of Relationship.

(d) Termination of Relationship Following a Change in Control. Notwithstanding anything to the contrary in Section 2.2(c), if Optionee experiences a Termination of Relationship due to (i) an involuntary termination by the Company without Cause or (ii) resignation by Optionee for Good Reason (as defined below), in each case, within eighteen (18) months following a Change in Control, the Option shall become immediately and fully vested as of the date of such Termination of Relationship and may thereafter be exercised by Optionee until and including the earlier to occur of (i) the date which is ninety (90) days after the date of such Termination of Relationship and (ii) the Expiration Date.

2.3. Method of Exercise.

(a) Exercise Procedures. Subject to the limitations set forth in this Agreement, the Option, to the extent vested, may be exercised by Optionee (a) by delivering to the Company an exercise notice in the form prescribed by the Company specifying the number of whole Common Shares to be purchased and by accompanying such notice with payment therefor in full (or by arranging for such payment to the Company’s satisfaction) in cash or by one of the following methods of payment, subject to Section 2.3(b): (i) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of Common Shares having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable pursuant to the Option by reason of such exercise; (ii) authorizing the Company to withhold whole Common Shares which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable pursuant to the Option by reason of such exercise; (iii) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise; or (iv) a combination of cash, (i), (ii) and (iii), and (b) by executing such documents as the Committee may request.



Any fraction of a Common Share which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by Optionee. No Common Shares shall be issued or delivered until the full purchase price therefor and any withholding taxes thereon, as described in [Section 4.1](#), have been paid.

(b) Automatic Exercise. Notwithstanding the foregoing, if the Fair Market Value of a Common Share on the Expiration Date or, if applicable, the earlier termination date of the Option in accordance with [Sections 2.2\(a\)](#), [2.2\(c\)](#) or [2.2\(d\)](#) (each, a “Covered Termination Event”) exceeds the Exercise Price per share of the Option, then to the extent the Option has not theretofore been exercised, expired or otherwise terminated, the Company shall cause the Option to be automatically exercised immediately prior to its termination on the Expiration Date or, if applicable, following the earlier Covered Termination Event, and to provide for the full Exercise Price and related withholding taxes thereon (as described in [Section 4.1](#)) to be satisfied through a cash payment, except as prohibited by applicable law, through the sale of Common Shares that would otherwise be delivered to the Optionee having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy the Exercise Price and the withholding taxes thereon; provided, however, if the foregoing method for the payment of the Exercise Price and the withholding taxes thereon is prohibited by applicable law, then the payment of the Exercise price and related withholding taxes shall be satisfied by withholding Common Shares that would otherwise be delivered to the Optionee having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy the Exercise Price and the withholding taxes thereon. This Section is intended to constitute a written plan pursuant to Rule 10b5-1(c) under the Securities Exchange Act of 1934.

2.4. Termination of Option. In no event may the Option be exercised after it terminates as set forth in this [Section 2.4](#). The Option shall terminate, to the extent not earlier terminated pursuant to [Section 2.2](#) or exercised pursuant to [Section 2.3](#), on the Expiration Date. Upon the termination of the Option, the Option and all rights hereunder shall immediately become null and void.

2.5. Definitions.

(a) “Cause” means: (i) if Optionee is at the time of termination a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by the Company, any of its Subsidiaries or the Asset Management Company based on Optionee’s (A) commission of a felony or a crime of moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) commission of a willful and material act of dishonesty involving the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (C) material non-curable breach of the Optionee’s obligations hereunder or any other agreement entered into between the Optionee and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (D) breach of the Company’s policies or procedures (or the policies or procedures of any of its Subsidiaries, the Asset Management Company or any of the Company’s or their respective Affiliates which are applicable to the Optionee) that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (E) willful misconduct or gross negligence which causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (F) violation of a fiduciary duty of loyalty to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (G) knowing attempt to obstruct or knowing failure to cooperate with any investigation authorized by the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any governmental or self-regulatory entity; (H) disqualification or bar by any governmental or self-regulatory authority or the Optionee’s loss of any governmental or self-regulatory license that is reasonably necessary for the Optionee to perform his/her duties to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (I) any directive has been made by any governmental or self-regulatory authority to terminate the Optionee; or (J) failure to cure a material breach of his or her obligations under the Plan, this Agreement or any other agreement entered into between the Optionee and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates within 30 days after written notice of such breach. For the avoidance of doubt, the termination of Optionee’s service with the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates for Cause shall constitute Cause under this Agreement.

(b) “Disability” means: (i) if Optionee is at the time of termination a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a physical or mental impairment which, as reasonably determined by the Committee, renders the Optionee unable to perform the essential functions of his or her employment with his or her employer, even with reasonable accommodation that does not impose an undue hardship on his or her employer, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.

(c) “Good Reason” means: (i) if Optionee is at the time of termination a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by the Optionee following: (A) a reduction of greater than 10% in the Optionee’s annual base salary or bonus potential under any bonus plan maintained by the Asset Management Company (if the Optionee is employed by the Asset Management Company), the Company or any of its Subsidiaries that employs the Optionee (but not including any diminution related to a broader compensation reduction that is not limited to any particular employee or executive); or

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(B) any material adverse change in the Optionee's title, authority, duties, or responsibilities or the assignment to the Optionee of any duties or responsibilities inconsistent in any material respect with those customarily associated with the position of the Optionee; provided, however, that none of the events described in the foregoing clauses (A) and (B) shall constitute Good Reason unless the Optionee shall have notified the Company in writing describing the events which constitute Good Reason within 45 days after the occurrence of such events and then only if the relevant employer shall have failed to cure such events within 60 days after the Company's receipt of such written notice.

3. Transfer Restrictions and Investment Representations.

3.1. Nontransferability of Option. The Option may not be transferred by Optionee other than by will or the laws of descent and distribution, pursuant to the designation of one or more beneficiaries on the form prescribed by the Committee or, to the extent permitted by the Committee, to a trust or entity established by Optionee for estate planning purposes. During Optionee's lifetime, the Option is exercisable only by Optionee, unless Optionee becomes subject to a Disability in which case, the Option may be exercised by Optionee's designated beneficiary or if no beneficiary has been designated in writing, by Optionee's executors or administrators. Except as permitted by this Section 3.1, the Option may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Option, the Option and all rights hereunder shall immediately become null and void.

3.2. Investment Representation. Optionee hereby represents and covenants that (a) any Common Shares purchased upon exercise of the Option will be purchased for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such purchase has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Optionee shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (i) is true and correct as of the date of any purchase of any shares hereunder or (ii) is true and correct as of the date of any sale of any such shares, as applicable. As a further condition precedent to any exercise of the Option, Optionee shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Company shall in its sole discretion deem necessary or advisable.

4. Additional Terms and Conditions.

4.1. Withholding Taxes.

(a) As a condition precedent to the issuance of Common Shares following the exercise of all or any portion of the Option, Optionee shall, upon request by the Company, pay to the Company in addition to the purchase price of the shares, such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to such exercise of the Option. If Optionee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Optionee.

(b) Subject to Section 2.3(b), Optionee may elect to satisfy his or her obligation to advance the Required Tax Payments by a cash payment to the Company or by any of the following means: (i) authorizing the Company to withhold whole shares of Common Shares which would otherwise be delivered to Optionee upon exercise of the Option having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments, (ii) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Common Shares having an aggregate Fair Market Value, on the Tax Date, equal to the Required Tax Payments, (iii) except as may be prohibited by applicable law, a cash payment by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise, or (iv) any combination of foregoing. Common Shares to be delivered or withheld may not have a Fair Market Value in excess of the Required Tax Payments calculated using the highest statutory rates in the relevant jurisdictions, provided that the withholding rate does not have an adverse accounting impact on the Company. Any fraction of a Common Share which would be required to satisfy any such obligation shall be rounded up to the nearest whole number. No Common Share or certificate representing a Common Share shall be issued or delivered until the Required Tax Payments have been satisfied in full.

4.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation) that causes the per share value of a Common Share to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the number and class of securities subject to the Option and the Exercise Price shall be appropriately adjusted by the Committee, such adjustment to be made in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of Optionee. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

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4.3. Compliance with Applicable Law. The Option is subject to the condition that if the listing, registration or qualification of the shares subject to the Option upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action incidental thereto is necessary or desirable as a condition of, or in connection with, the purchase or issuance of shares hereunder, the Option may not be exercised, in whole or in part, and such shares may not be issued, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.

4.4. Issuance or Delivery of Shares. Upon the exercise of the Option, in whole or in part, the Company shall promptly issue or deliver, subject to the conditions of this Agreement, the number of Common Shares purchased against full payment therefor. Such issuance shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance, except as otherwise provided in Section 4.1.

4.5. Option Confers No Rights as Shareholder. Optionee shall not be entitled to any privileges of ownership with respect to the shares subject to the Option unless and until such shares are purchased and issued upon the exercise of the Option, in whole or in part, and Optionee becomes a shareholder with respect to such issued shares. Optionee shall not be considered a shareholder of the Company with respect to any such shares not so purchased and issued.

4.6. Option Confers No Rights to Continued Employment. In no event shall the granting of the Option or its acceptance by Optionee, or any provision of this Agreement or the Plan, give or be deemed to give Optionee any right to continued employment by the Company, the Asset Management Company or any of their Subsidiaries or affiliates or affect in any manner the right of the Company, the Asset Management Company or any of their Subsidiaries or affiliates to terminate the employment of any person at any time.

4.7. Decisions of Board or Committee. The Committee (or Board, as applicable) shall have the right to resolve all questions which may arise in connection with the Option or its exercise. Any interpretation, determination or other action made or taken by the Committee (or Board, as applicable) regarding the Plan, the Award Notice or this Agreement shall be final, binding and conclusive.

4.8. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Optionee, acquire any rights hereunder in accordance with this Agreement or the Plan.

4.9. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Athene Holding Ltd., c/o Athene Employee Services, LLC, Attn: Kristi Burma, EVP of Human Resources, 7700 Mills Civic Parkway, West Des Moines, IA 50266-3862, and if to Optionee, to the last known mailing address of Optionee contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

4.10. Governing Law. This Agreement, the Option and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

4.11. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Optionee hereby acknowledges receipt of a copy of the Plan.

4.12. Entire Agreement. This Agreement, including the Award Notice, and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof.

4.13. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

4.14. Amendment and Waiver. The provisions of this Agreement may not be amended without the written consent of Optionee where such amendment would materially impair Optionee's rights under this Agreement. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

4.15. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

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4.16. Option Subject to Clawback and Reduction for 280G. The Option and any Common Shares, other securities or other property delivered pursuant to the Option or otherwise (including any payment, benefit or distribution of any type to or for the benefit of the Optionee which is paid, payable, provided or to be provided, distributed or distributable pursuant to any other agreement, arrangement, plan or program) are subject to (a) forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy in effect as of the Option Date or which the Company may adopt from time to time as required by applicable law, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder and (b) reduction pursuant to the Company's Policy on Limitations of Benefits Contingent Upon a Change in Control, in effect as of the Option Date, to avoid the potential adverse tax consequences that may be imposed on the Company or the Optionee pursuant to Section 280G and/or Section 4999 of the Code.

5. Protective Covenants.

5.1. Confidential Information.

(a) Optionee shall not disclose or use at any time any Confidential Information (as defined below) of which Optionee is or becomes aware, whether or not such information is developed by Optionee, except to the extent that such disclosure or use is directly related to and required by Optionee's performance in good faith of duties for the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates. Optionee shall take all appropriate steps to safeguard Confidential Information in Optionee's possession and to protect it against disclosure, misuse, espionage, loss and theft. Optionee shall deliver to the Company upon Optionee's Termination of Relationship, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the business of the Company, its Subsidiaries, the Asset Management Company or any of their respective Affiliates which Optionee may then possess or have under his or her control. Notwithstanding the foregoing, Optionee may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates in connection with their businesses, including, but not limited to, information, observations and data obtained by Optionee while providing services to the Company, its Subsidiaries, the Asset Management Company, their respective Affiliates or any predecessors thereof (including those obtained prior to the date hereof) concerning (i) the business or affairs of the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by Optionee in breach of this Agreement) in a form generally available to the public prior to the date Optionee proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(b) Optionee understands that nothing contained in this Agreement limits Optionee's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Optionee further understands that this Agreement does not limit Optionee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Optionee's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

5.2. Restriction on Competition.

(a) Optionee acknowledges that, in the course of his or her service with the Company, its Subsidiaries, the Asset Management Company and/or their predecessors (the "Protected Companies"), he or she has become familiar, or will become familiar, with the Protected Companies' trade secrets and with other confidential and proprietary information concerning the Protected Companies and that his or her services have been and will be of special, unique and extraordinary value to the Protected Companies. Optionee agrees that if Optionee were to become employed by, or substantially involved in, the business of a competitor of the Protected Companies during the Restricted Period, it would be very difficult for Optionee not to rely on or use the Protected Companies' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Protected Companies' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Protected Companies' relationships and goodwill with customers, during the Restricted Period, Optionee will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or

indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer or licensor of technology. For purposes of this Agreement, “Restricted Area” means anywhere in the United States, Bermuda and elsewhere in the world where the Protected Companies engage in business, including, without limitation, jurisdictions where any of the Protected Companies reasonably anticipate engaging in business on the date of Optionee’s Termination of Relationship (provided that as of the date of Optionee’s Termination of Relationship, to the knowledge of Optionee, such area has been discussed as a market that the Protected Companies reasonably contemplate engaging in within the twelve (12) month period following the date of Optionee’s Termination of Relationship). For purposes of this Agreement, “Competing Business” means a Person that at any time during Optionee’s period of service has competed, or any time during the twelve (12) month period following the date of Optionee’s Termination of Relationship begins competing with the Protected Companies anywhere in the Restricted Area and in the business of (i) annuity reinsurance, focusing on contracts reinsuring a quota share of future premiums of various fixed annuity product lines, (ii) reinsuring closed blocks of existing business, (iii) managing investments held by ceding companies pursuant to funds withheld coinsurance contracts with its affiliates, (iv) managing investments in the life insurance industry, or (v) any significant business conducted by the Protected Companies as of the date of Optionee’s Termination of Relationship and any significant business the Protected Companies conduct in the twelve (12) month period after Optionee’s Termination of Relationship (provided that as of the date of Optionee’s Termination of Relationship, to the knowledge of Optionee, such business has been discussed as a business that the Protected Companies reasonably contemplate engaging in within such twelve (12) month period). For purposes of this Agreement, “Restricted Period” means Optionee’s period of service until his or her Termination of Relationship, and thereafter through and including: (A) twelve (12) months following Optionee’s Termination of Relationship with respect to any Optionee with a title of CEO, President or EVP at the time of the Termination of Relationship; (B) nine (9) months following Optionee’s Termination of Relationship with respect to any Optionee with a title of SVP at the time of the Termination of Relationship and (C) six (6) months following Optionee’s Termination of Relationship with respect to any Optionee with a title of VP at the time of the Termination of Relationship.

(b) Nothing herein shall prohibit Optionee from (i) being a passive owner of not more than 1% of the outstanding stock of any class of a corporation which is publicly traded, so long as Optionee has no active participation in the business of such corporation, or (ii) providing services to a subsidiary, division or affiliate of a Competing Business if such subsidiary, division or affiliate is not itself engaged in a Competing Business and Optionee does not provide services to, or have any responsibilities regarding, the Competing Business.

5.3. Non-Solicitation of Employees and Consultants. During Optionee’s period of service and for a period of twelve (12) months after the date of Optionee’s Termination of Relationship, Optionee shall not directly or indirectly through any other Person (a) induce or attempt to induce any employee or independent contractor of the Protected Companies to leave the employ or service, as applicable, of the Protected Companies, or in any way interfere with the relationship between the Protected Companies, on the one hand, and any employee or independent contractor thereof, on the other hand, or (b) hire any person who was an employee of the Protected Companies, in each case, until six (6) months after such individual’s employment relationship with the Protected Companies has been terminated.

5.4. Non-Solicitation of Customers. During Optionee’s period of service and for a period of twelve (12) months after the date of Optionee’s Termination of Relationship, Optionee shall not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, ceding companies, associates, consultants, agents, or partners of the Protected Companies to divert their business away from the Protected Companies, and Optionee will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Protected Companies, on the one hand, and any of their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.

5.5. Understanding of Covenants. Optionee represents and agrees that he or she (a) is familiar with and carefully considered the foregoing covenants set forth in this Section 5 (together, the “Restrictive Covenants”), (b) is fully aware of his or her obligations hereunder, (c) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (d) agrees that the Restrictive Covenants are necessary to protect the Protected Companies’ confidential and proprietary information, good will, stable workforce and customer relations, and (e) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 5 regardless of whether Optionee is then entitled to receive severance pay or benefits from any of the Protected Companies. Optionee understands that the Restrictive Covenants may limit his or her ability to earn a livelihood in a business similar to the business of the Protected Companies, but he or she nevertheless believes that he or she has received and will receive sufficient consideration and other benefits as an employee of or other service provider to the Company and as otherwise provided hereunder to clearly justify such restrictions which, in any event (given his or her education, skills and ability), Optionee does not believe would prevent him or her from otherwise earning a living. Optionee agrees that the Restrictive Covenants do not confer a benefit upon the Protected Companies disproportionate to the detriment of Optionee.

5.6. Enforcement. Optionee agrees that Optionee’s services are unique and that he or she has access to Confidential Information. Accordingly, Optionee agrees that a breach by Optionee of any of the Restrictive Covenants would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, Optionee agrees that in the event of any breach or threatened breach of any provision of this Section 5, the Company shall be entitled, in addition to and without limitation upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 5, as the case may be, or require Optionee to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 5, if and when final judgment of a court of

competent jurisdiction is so entered against Optionee. Optionee further agrees that the applicable period of time any Restrictive Covenant is in effect following the date of Optionee's Termination of Relationship, as determined pursuant to the foregoing provisions of this Section 5, shall be extended by the same amount of time that Optionee is in breach of any Restrictive Covenant.

**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Award Notice (Performance-Based Vesting)**

**[Participant Name]**

You have been awarded a restricted share award with respect to Class A common shares of Athene Holding Ltd., a Bermuda exempted company limited by shares (the “Company”), pursuant to the terms and conditions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”) and the Restricted Share Award Agreement (together with this Award Notice, the “Agreement”). Copies of the Plan and the Restricted Share Award Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Shares Subject to Award:

**[Number of Awards Granted]** Class A common shares, par value \$0.001 per share, of the Company, which are subject to the terms and conditions of the Plan and this Agreement (the “Restricted Shares”). You agree to allow the Company to deduct the Purchase Price from any amount then or thereafter payable by the Company to you, as a condition to receipt of the Restricted Shares. The “Purchase Price” is \$0.001 per Restricted Share. The actual number of Restricted Shares that shall vest shall be based on the attainment of the applicable Performance Measures and your continued employment through the Vesting Date, each as described below.

The number of Restricted Shares that would vest (subject to your continued employment through the Vesting Date) if the Company achieves the target level of performance with respect to the Performance Measures is 66.66% of the Restricted Shares (the “Target Restricted Shares”). The following table shows the percentage of the Target Restricted Shares in which you will vest, in accordance with the Vesting Conditions and with respect to the Performance Measures (as described below):

If the Company achieves the following level of performance:	Then, you will become vested in the following percentage of the Target Restricted Shares:
Minimum	50%
Target	100%
Maximum	150%

If the Company achieves a level of performance between any two performance levels in the above table, you will vest in a percentage of the Target Restricted Shares that will be determined based on linear interpolation between the applicable performance levels.

Any Restricted Shares subject to the portion of the award that does not become vested due to the failure of the Company to achieve the performance measures at the maximum level of performance shall be forfeited and transferred to the Company (or its assignee or nominee).

Grant Date:

**[Grant Date]**

Performance Period:

The three (3) consecutive fiscal years of the Company beginning on January 1, 20[ ].

Performance Measures:

With respect to 33.33% of the Restricted Shares, the Performance Measure will be based on the average Adjusted Operating Return on Equity for the Performance Period (calculated as the simple average of the Adjusted Operating Return on Equity for each fiscal year of the Company included in the Performance Period) (the “ROE Performance Measure”). With respect to another 33.33% of the Restricted Shares, the Performance Measure will be based on the cumulative Adjusted Operating Income over the Performance Period (the “Operating Income Performance Measure”). With respect to the final 33.34% of the Restricted Shares, the Performance Measure will be based on the Adjusted Book Value Per Share as of the end of the Performance Period (the “Adjusted Book Value Performance Measure”).

For this purpose, Adjusted Operating Return on Equity, Adjusted Operating Income and Adjusted Book Value Per Share have the same meanings as disclosed in the Company’s financial statements and reports filed with the U.S. Securities Exchange Commission (the “SEC”); provided, however, that any one or all three may be amended or adjusted to reflect changes in law or accounting principles.

Vesting Conditions:

Except as otherwise provided in the Plan, the Agreement or any other agreement between you and the Company or any of its Subsidiaries, the number of Restricted Shares shall vest, if at all, on the February 28th immediately following the end of the Performance Period (the “Vesting Date”), based on the attainment of the Performance Measures during the Performance Period as set forth below, and provided that you have not had a Termination of Relationship prior to the Vesting Date. The number of Restricted Shares that vest upon the attainment of Performance Measures between Minimum, Target and Maximum performance levels shall be determined by interpolation between the applicable performance levels.

Applicable Performance Measures	If the Company attains the following level of performance,	Then, you will become vested in the following percentage of Target Restricted Shares subject to the applicable Performance Measure
With respect to the 33.33% of the Restricted Shares subject to the ROE Performance Measure	Minimum of [ ]%	50%
	Target of [ ]%	100%
	Maximum of [ ]%	150%
With respect to the 33.33% of the Restricted Shares subject to the Operating Income Performance Measure	Minimum of \$[ ]	50%
	Target of \$[ ]	100%
	Maximum of \$[ ]	150%
With respect to the 33.34% of the Restricted Shares subject to the Adjusted Book Value Per Share Performance Measure	Minimum of \$[ ]	50%
	Target of \$[ ]	100%
	Maximum of \$[ ]	150%

If you experience a Termination of Relationship before the Vesting Date for any reason, the Award shall be forfeited and shall be canceled by the Company, except as follows:

- 1) **Death or Disability.** If your Termination of Relationship is due to your death or Disability (as defined below), the Award shall become immediately and fully vested, at the target level of performance, as of the effective date of such Termination of Relationship with respect to the Restricted Shares; provided, however, if you experience a Termination of Relationship due to death or Disability following the conclusion of the Performance Period but prior to the Vesting Date, the Award shall become vested based on the actual level of performance measured through the end of the Performance Period, as calculated above;
- 2) **Retirement.** If your Termination of Relationship is due to your Retirement (as defined below), the Performance Period shall continue through the last day thereof and you shall be eligible for a prorated Award based on actual performance as set forth in the table above and shall be prorated based on the number of days that have elapsed between the first day of the Performance Period and the date of your Termination of Relationship relative to the total number of days in the Performance Period; and
- 3) **Change in Control.** If your Termination of Relationship occurs within eighteen (18) months following a Change in Control and is due to (i) an involuntary termination by the Company without Cause (as defined below) or (ii) a resignation by you for Good Reason (as defined below), the Award shall become vested, at the target level of performance, as of the effective date



of such Termination of Relationship with respect to the Restricted Shares; provided, however, if you experience such a Termination of Relationship following the conclusion of the Performance Period but prior to the Vesting Date, the Award shall become vested based on the greater of

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(a) target level of performance and (b) actual level of performance measured through the end of the Performance Period, as calculated above.

For the avoidance of doubt, any portion of the Award that does not become vested on the Vesting Date (or, if earlier, as of the date of your Termination of Relationship pursuant to the paragraphs (1), (2) or (3) above) shall be forfeited and canceled by the Company immediately thereafter.

Definitions:

For purposes of this Agreement, the following definitions shall apply:

- 1) “Cause” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by the Company, any of its Subsidiaries or the Asset Management Company based on (A) your commission of a felony or a crime of moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) your commission of a willful and material act of dishonesty involving the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (C) your material non-curable breach of the your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (D) your breach of the Company’s policies or procedures (or the policies or procedures of any of its Subsidiaries, the Asset Management Company or any of the Company’s or their respective Affiliates which are applicable) that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (E) your willful misconduct or gross negligence which causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (F) your violation of a fiduciary duty of loyalty to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates that causes material harm to the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any of their business reputations; (G) your knowing attempt to obstruct or knowing failure to cooperate with any investigation authorized by the Company, any of its Subsidiaries, the Asset Management Company, any of their respective Affiliates or any governmental or self-regulatory entity; (H) your disqualification or bar by any governmental or self-regulatory authority or the loss of any governmental or self-regulatory license that is reasonably necessary for you to perform your duties to the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates; (I) any directive made by any governmental or self-regulatory authority to terminate your services; or (J) your failure to cure a material breach of your obligations under the Plan, this Agreement or any other agreement entered into between you and the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates within 30 days after written notice of such breach. For the avoidance of doubt, the termination of your service with the Company, any of its Subsidiaries, the Asset Management Company or any of their respective Affiliates for Cause shall constitute Cause under this Agreement.
  - 2) “Disability” means: (i) if at the time of termination you are party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a physical or mental impairment which, as reasonably determined by the Committee, renders you unable to perform the essential functions of your employment with your employer, even with reasonable accommodation that does not impose an undue hardship on your employer, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.
  - 3) “Good Reason” means: (i) if at the time of termination you are a party to a written employment agreement with the Company, any of its Subsidiaries or the Asset Management Company which defines such term, the meaning given in such employment agreement; and (ii) in all other cases, a Termination of Relationship by you following: (A) a reduction of greater than 10% in your annual base salary or bonus potential under any bonus plan maintained by the Asset Management Company (if you are employed by the Asset Management Company), the Company or any of its Subsidiaries that employs you (but not including any diminution related to a broader compensation reduction that is not limited to any particular employee or executive); or (B) any material adverse change in your title, authority, duties, or responsibilities or the assignment to you of any duties or responsibilities inconsistent in any material respect with those customarily
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associated with your position; provided, however, that none of the events described in the foregoing clauses (A) and (B) shall constitute Good Reason unless you shall have notified the Company in writing describing the events which constitute Good Reason within 45 days after the occurrence of such events and then only if the relevant employer shall have failed to cure such events within 60 days after the Company's receipt of such written notice.

- 4) "Retirement" means: a Termination of Relationship other than for Cause on or after your attainment of age 60 with at least five (5) consecutive years of employment or service with the Company or its affiliates immediately prior to your Retirement.
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**ATHENE HOLDING LTD.**

Name: James R. Belardi  
Title: CEO, Athene Holding Ltd.

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Athene Holding Ltd. at the address stated herein, I hereby acknowledge receipt of the Agreement and the Plan, accept the Award granted to me and agree to be bound by the terms and conditions of the Agreement and the Plan.

[Electronic Signature]

\_\_\_\_\_  
[Participant Name]

\_\_\_\_\_  
[Acceptance Date]

**Athene Holding Ltd.**  
**c/o Athene Employee Services, LLC**  
**Attn: Kristi Burma, EVP of Human Resources**  
**7700 Mills Civic Parkway**  
**West Des Moines, IA 50266-3862**

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**ATHENE HOLDING LTD.  
2019 SHARE INCENTIVE PLAN**

**Restricted Share Award Agreement**

Athene Holding, Ltd., a Bermuda exempted company limited by shares (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the “Grant Date” (as defined in the Award Notice), pursuant to the provisions of the Athene Holding Ltd. 2019 Share Incentive Plan (the “Plan”), a restricted share award (the “Award”) with respect to the number of the Company’s Class A common shares, par value \$0.001 per share (the “Common Shares”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth below, in the Award Notice and in the Plan. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless Holder shall accept this Agreement by executing it in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement pursuant to procedures established by the Committee). By acceptance of this Award, Holder shall be deemed to appoint, and does so appoint by execution of the Award Notice, the Company and each of its authorized representatives as Holder’s attorney(s) in fact to (a) effect any transfer to the Company of the Common Shares subject to this Award (the “Restricted Shares”) that are forfeited to the Company and (b) execute such documents as the Company or such representatives deem necessary or advisable in connection with any such transfer.

2. Restriction Period and Vesting. Except as otherwise provided in this Agreement, the Award shall vest in accordance with the vesting conditions set forth in the Award Notice. Upon the forfeiture of any Restricted Shares, such forfeited Restricted Shares shall be automatically transferred to the Company (without consideration) as of the date of such forfeiture, without any action by Holder. The Company may exercise its powers under the Plan and this Agreement and take any other action necessary or advisable to evidence such transfer.

3. Rights as a Shareholder. Holder shall not have any rights of a shareholder with respect to the Restricted Shares, including the right to vote, until such time as the Restricted Shares have become vested in accordance with Section 2; provided, however, that in the event the Company declares a dividend or other distribution with respect to Restricted Shares subject to this Award after the Grant Date, such dividend or other distribution shall be (a) deposited with the Company and held for the benefit of Holder, (b) subject to the same restrictions as the Restricted Shares with respect to which such dividend or other distribution was made and (c) delivered to Holder only upon the vesting of such Restricted Shares. If Holder forfeits any unvested Restricted Shares, Holder shall also forfeit any payments related to any dividends or other distributions otherwise deliverable in connection with the forfeited Restricted Shares.

4. Issuance and Delivery of Shares. The Company shall issue the Restricted Shares in book entry form, registered in the name of Holder with notations regarding the applicable restrictions on transfer imposed under the Plan and this Agreement until the Restricted Shares subject to the Award have become vested. The Company may hold the Restricted Shares in a Company controlled account until the Restricted Shares have vested. Promptly after the date any Restricted Shares become vested pursuant to Section 2, the Company shall remove the applicable notations regarding restrictions imposed by the Plan and/or this Agreement on the transfer of the Restricted Shares. Except as set forth in Section 6, the Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance. Holder shall deliver to the Company any representations or other documents or assurances as the Company may deem necessary or reasonably desirable to ensure compliance with all applicable legal and regulatory requirements.

5. Transfer Restrictions and Investment Representations.

5.1. Nontransferability of Restricted Shares and Award. Neither the Award nor any Restricted Shares subject to this Award may be transferred by Holder other than by will or the laws of descent and distribution, pursuant to the designation of one or more beneficiaries on the form prescribed by the Committee or, to the extent permitted by the Committee, to a trust or entity established for estate planning purposes. Except as permitted by the foregoing sentence, neither the Award nor any Restricted Shares subject to this Award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award or any Restricted Shares subject to the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. Holder hereby represents and covenants that (a) any Common Shares acquired pursuant to the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, Holder shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of any vesting of any shares hereunder or

(y) is true and correct as of the date of any sale of any such shares, as applicable. As a further condition precedent to the delivery to Holder of any Common Shares subject to the Award, Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents that the Committee shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions

6.1. Withholding Taxes

(a) As a condition precedent to the delivery of the Restricted Shares or any certificates evidencing the Restricted Shares (or the removal of the restrictive notations or legends on such shares or certificates) upon vesting of the Restricted Shares, Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the vesting of the Award. If Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Holder.

(b) Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by a cash payment to the Company or, if applicable, authorizing the Company to withhold from the number of Restricted Shares that would otherwise be delivered to Holder upon vesting of such Restricted Shares having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the “Tax Date”), equal to the Required Tax Payments. Withholding may also be satisfied by delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole shares of Common Shares having an aggregate Fair Market Value on the Tax Date equal to the Required Tax Payments or any combination of the methods described in this Section 6.1(b). Common Shares to be delivered or withheld may not have a Fair Market Value in excess of the Required Tax Payments calculated using the highest statutory rates in the relevant jurisdictions, provided that the withholding rate does not have an adverse accounting impact on the Company. Any fraction of a Common Share that would be required to satisfy any such obligation shall be rounded up to the nearest whole number. No Common Share or certificate representing a Common Share shall be issued or delivered until the Required Tax Payments have been satisfied in full.

6.2. Adjustment. In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation or applicable successor guidance) that causes the per share value of a Common Share to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of the Award, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of Holder. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

If any such adjustment is made to the Restricted Shares, the restrictions applicable to the Restricted Shares will continue in effect with respect to any consideration or other securities (the “Restricted Property,” and, for the purposes of this Agreement, “Restricted Shares” shall include “Restricted Property,” unless the context otherwise requires) received with respect to such Restricted Shares. Such Restricted Property shall vest at such times and in such proportion as the Restricted Shares to which the Restricted Property is attributable vest, or would have vested pursuant to the terms hereof, if such Restricted Shares had remained outstanding.

6.3. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the Common Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action incidental thereto is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the Common Shares subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.

6.4. Awards Subject to Clawback and Reduction for 280G. The Award and any Common Shares, other securities, cash or other property delivered pursuant to the Award or otherwise (including any payment, benefit or distribution of any type to or for the benefit of Holder that is paid, payable, provided or to be provided, distributed or distributable pursuant to any other agreement, arrangement, plan or program) are subject to (a) forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy in effect as of the Grant Date or that the Company may adopt from time to time as required by applicable law, including without limitation any such policy that the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder and (b) reduction pursuant to the Company’s Policy on Limitations of Benefits Contingent Upon a Change in Control, in effect as of the Grant Date, to avoid the potential adverse tax consequences that may be imposed on the Company or Holder pursuant to Section 280G and/or Section 4999 of the Code.

6.5. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by Holder, or any provision of this Agreement or the Plan, give or be deemed to give Holder any right to continued employment by the Company, the Asset Management Company or any of their Subsidiaries or affiliates or affect in any manner the right of the Company, the Asset Management Company or any of their Subsidiaries or affiliates to terminate the employment of any person at any time.

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6.6. Decisions of Board or Committee. The Committee (or Board, as applicable) shall have the right to resolve all questions that may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee (or Board, as applicable) regarding the Plan, the Award Notice or this Agreement shall be final, binding and conclusive.

6.7. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.8. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Athene Holding Ltd., c/o Athene Employee Services, LLC, Attn: Kristi Burma, EVP of Human Resources, 7700 Mills Civic Parkway, West Des Moines, IA 50266-3862, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.9. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.10. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. Holder hereby acknowledges receipt of a copy of the Plan.

6.11. Entire Agreement. This Agreement, including the Award Notice, and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof.

6.12. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

6.13. Amendment and Waiver. The provisions of this Agreement may not be amended without the written consent of Holder if such amendment would materially impair Holder's rights under this Agreement. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.14. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

## 7. Protective Covenants.

### 7.1. Confidential Information.

(a) Holder shall not disclose or use at any time any Confidential Information (as defined below) of which Holder is or becomes aware, whether or not such information is developed by Holder, except to the extent that such disclosure or use is directly related to and required by Holder's performance in good faith of duties for the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates. Holder shall take all appropriate steps to safeguard Confidential Information in Holder's possession and to protect it against disclosure, misuse, espionage, loss and theft. Holder shall deliver to the Company upon Holder's Termination of Relationship, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the business of the Company, its Subsidiaries, the Asset Management Company or any of their respective Affiliates that Holder may then possess or have under his or her control. Notwithstanding the foregoing, Holder may truthfully respond to a lawful and valid subpoena or other legal process, but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist the Company and such counsel in resisting or otherwise responding to such process. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates in connection with their businesses, including, but not limited to, information, observations and data obtained by Holder while providing services to the Company, its Subsidiaries, the Asset Management Company, their respective Affiliates or any predecessors thereof (including those obtained prior to the date hereof) concerning (i) the business or affairs of the Company, its Subsidiaries, the Asset Management Company or their respective Affiliates (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) data bases, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes,

whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that has been published (other than a disclosure by Holder in breach of this Agreement) in a form generally available to the public prior to the date Holder proposes to disclose or use such information. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(b) Holder understands that nothing contained in this Agreement limits Holder's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"). Holder further understands that this Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Holder's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

#### 7.2. Restriction on Competition.

(a) Holder acknowledges that, in the course of his or her service with the Company, its Subsidiaries, the Asset Management Company and/or their predecessors (the "Protected Companies"), he or she has become familiar, or will become familiar, with the Protected Companies' trade secrets and with other confidential and proprietary information concerning the Protected Companies and that his or her services have been and will be of special, unique and extraordinary value to the Protected Companies. Holder agrees that if Holder were to become employed by, or substantially involved in, the business of a competitor of the Protected Companies during the Restricted Period, it would be very difficult for Holder not to rely on or use the Protected Companies' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Protected Companies' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Protected Companies' relationships and goodwill with customers, during the Restricted Period, Holder will not directly or indirectly through any other Person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer or licensor of technology. For purposes of this Agreement, "Restricted Area" means anywhere in the United States, Bermuda and elsewhere in the world where the Protected Companies engage in business, including, without limitation, jurisdictions where any of the Protected Companies reasonably anticipate engaging in business on the date of Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such area has been discussed as a market that the Protected Companies reasonably contemplate engaging in within the twelve (12) month period following the date of Holder's Termination of Relationship). For purposes of this Agreement, "Competing Business" means a Person that at any time during Holder's period of service has competed, or any time during the twelve (12) month period following the date of Holder's Termination of Relationship begins competing with the Protected Companies anywhere in the Restricted Area and in the business of (i) annuity reinsurance, focusing on contracts reinsuring a quota share of future premiums of various fixed annuity product lines, (ii) reinsuring closed blocks of existing business, (iii) managing investments held by ceding companies pursuant to funds withheld coinsurance contracts with its affiliates, (iv) managing investments in the life insurance industry, or (v) any significant business conducted by the Protected Companies as of the date of Holder's Termination of Relationship and any significant business the Protected Companies conduct in the twelve (12) month period after Holder's Termination of Relationship (provided that as of the date of Holder's Termination of Relationship, to the knowledge of Holder, such business has been discussed as a business that the Protected Companies reasonably contemplate engaging in within such twelve (12) month period). For purposes of this Agreement, "Restricted Period" means Holder's period of service until his or her Termination of Relationship, and thereafter through and including: (A) twelve (12) months following Holder's Termination of Relationship with respect to any Holder with a title of CEO, President or EVP at the time of the Termination of Relationship; (B) nine (9) months following Holder's Termination of Relationship with respect to any Holder with a title of SVP at the time of the Termination of Relationship and (C) six (6) months following Holder's Termination of Relationship with respect to any Holder with a title of VP at the time of the Termination of Relationship.

(b) Nothing herein shall prohibit Holder from (i) being a passive owner of not more than 1% of the outstanding stock of any class of a corporation that is publicly traded, so long as Holder has no active participation in the business of such corporation, or (ii) providing services to a subsidiary, division or affiliate of a Competing Business if such subsidiary, division or affiliate is not itself engaged in a Competing Business and Holder does not provide services to, or have any responsibilities regarding, the Competing Business.

7.3. Non-Solicitation of Employees and Consultants. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person (a) induce or attempt to induce any employee or independent contractor of the Protected Companies to leave the employ or service, as applicable, of the Protected Companies, or in any way interfere with the relationship between the Protected Companies, on the one hand, and any employee or independent contractor thereof, on the other hand, or (b) hire any person who was an employee of the Protected Companies, in each case, until six (6) months after such individual's employment relationship with the Protected Companies has been terminated.

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7.4. Non-Solicitation of Customers. During Holder's period of service and for a period of twelve (12) months after the date of Holder's Termination of Relationship, Holder shall not directly or indirectly through any other Person influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, ceding companies, associates, consultants, agents, or partners of the Protected Companies to divert their business away from the Protected Companies, and Holder will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Protected Companies, on the one hand, and any of their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, employees, consultants, managers, partners, members or investors, on the other hand.

7.5. Understanding of Covenants. Holder represents and agrees that he or she (a) is familiar with and carefully considered the foregoing covenants set forth in this Section 7 (together, the "Restrictive Covenants"), (b) is fully aware of his or her obligations hereunder, (c) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (d) agrees that the Restrictive Covenants are necessary to protect the Protected Companies' confidential and proprietary information, good will, stable workforce and customer relations, and (e) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 7 regardless of whether Holder is then entitled to receive severance pay or benefits from any of the Protected Companies. Holder understands that the Restrictive Covenants may limit his or her ability to earn a livelihood in a business similar to the business of the Protected Companies, but he or she nevertheless believes that he or she has received and will receive sufficient consideration and other benefits as an employee of or other service provider to the Company and as otherwise provided hereunder to clearly justify such restrictions that, in any event (given his or her education, skills and ability), Holder does not believe would prevent him or her from otherwise earning a living. Holder agrees that the Restrictive Covenants do not confer a benefit upon the Protected Companies disproportionate to the detriment of Holder.

7.6. Enforcement. Holder agrees that Holder's services are unique and that he or she has access to Confidential Information. Accordingly, Holder agrees that a breach by Holder of any of the Restrictive Covenants would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, Holder agrees that in the event of any breach or threatened breach of any provision of this Section 7, the Company shall be entitled, in addition to and without limitation upon all other remedies the Company may have under this Agreement, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 7, as the case may be, or require Holder to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 7, if and when final judgment of a court of competent jurisdiction is so entered against Holder. Holder further agrees that the applicable period of time any Restrictive Covenant is in effect following the date of Holder's Termination of Relationship, as determined pursuant to the foregoing provisions of this Section 7, shall be extended by the same amount of time that Holder is in breach of any Restrictive Covenant.

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY OF 2002

I, James R. Belardi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Athene Holding Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2019

/s/ James R. Belardi

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James R. Belardi  
Chairman, Chief Executive Officer and Chief Investment Officer  
(principal executive officer)

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY OF 2002

I, Martin P. Klein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Athene Holding Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2019

/s/ Martin P. Klein

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Martin P. Klein  
Executive Vice President and Chief Financial Officer  
(principal financial officer)

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY OF 2002**

I, James R. Belardi, certify that Athene Holding Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Athene Holding Ltd.

Date: August 5, 2019

/s/ James R. Belardi

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James R. Belardi

Chairman, Chief Executive Officer and Chief Investment Officer  
(principal executive officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY OF 2002**

I, Martin P. Klein, certify that Athene Holding Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Athene Holding Ltd.

Date: August 5, 2019

/s/ Martin P. Klein

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Martin P. Klein

Executive Vice President and Chief Financial Officer  
(principal financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.