

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): November 5, 2019



ATHENE HOLDING LTD.

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of
incorporation or organization)

001-37963

(Commission file number)

98-0630022

(I.R.S. Employer
Identification Number)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common shares, par value \$0.001 per share	ATH	New York Stock Exchange
Depository Shares, each representing a 1/1,000 th interest in a 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Share, Series A	ATHPrA	New York Stock Exchange
Depository Shares, each representing a 1/1,000 th interest in a 5.625% Fixed Rate Perpetual Non-Cumulative Preference Share, Series B	ATHPrB	New York Stock Exchange

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On November 5, 2019, Athene Holding Ltd. (the “Company”) issued a press release to announce its financial results for the third quarter 2019. A copy of the press release containing this information is furnished as Exhibit 99.1 hereto and is incorporated by reference in this Item 2.02. The Company's financial supplement for the third quarter ended 2019 is furnished as Exhibit 99.2 hereto and is incorporated by reference in this Item 2.02.

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

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 [Press release of Athene Holding Ltd., dated November 5, 2019 \(furnished and not filed\).](#)

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

Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

ATHENE HOLDING LTD.

Date: November 5, 2019

/s/ Martin P. Klein

Martin P. Klein

Executive Vice President and Chief Financial Officer

ATHENE HOLDING LTD. REPORTS THIRD QUARTER 2019 RESULTS

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

Net income available to AHL common shareholders for the third quarter 2019 was \$276 million, or \$1.50 per diluted Class A common share ("diluted share"), compared to net income available to AHL common shareholders for the third quarter 2018 of \$623 million, or \$3.15 per diluted common share. The decrease from the prior year quarter was primarily driven by an unfavorable change in the value of FIA embedded derivatives, due to the impact of unfavorable unlocking from the annual actuarial assumption review, less favorable equity market performance, and an unfavorable change in discount rates. The decrease was also driven by lower adjusted operating income.

Adjusted operating income available to common shareholders¹ for the third quarter 2019 was \$243 million, or \$1.34 per adjusted operating common share, compared to adjusted operating income available to common shareholders for the third quarter 2018 of \$371 million, or \$1.90 per adjusted operating common share. The decrease from the prior year quarter was primarily driven by an increase in cost of funds due to continued growth in the business including institutional products, as well as unfavorable equity market and adverse unlocking impacts.

Highlights

- Book value per common share of \$74.20, an increase of 11% and 63% for the quarter-over-quarter and year-over-year periods ended September 30, 2019, respectively
- Adjusted book value per common share of \$50.74, an increase of 3% and 11% for the quarter-over-quarter and year-over-year periods ended September 30, 2019, respectively
- ROE of 8.5%, Consolidated adjusted operating ROE of 10.6%, and Retirement Services adjusted operating ROE of 13.5% for the quarter ended September 30, 2019
- ROA of 0.78% and adjusted operating ROA of 0.82% for the quarter ended September 30, 2019
- Total deposits of \$5.6 billion underwritten to mid-teens or better returns for the quarter ended September 30, 2019
- Repurchased \$927 million of common stock from December 2018 through October 2019, including \$121 million in the third quarter and an additional \$283 million through November 5, 2019
- On October 28, 2019, Athene announced a transaction with its longstanding partner, Apollo Global Management, to strengthen the relationship and increase strategic alignment between the two companies. Per the terms of the transaction, Apollo will concede its super-voting rights to eliminate Athene's multi-class share structure and Apollo will buy an incremental 18% stake in Athene at a premium in exchange for a 7% equity stake in Apollo as well as cash consideration²
- Athene's Board of Directors increased the share repurchase authorization by \$600 million in connection with the recently announced strategic transaction with Apollo, bringing the total outstanding authorization to \$640 million
- Raised \$345 million of gross proceeds through successful perpetual preferred stock offering in September 2019, at an attractive cost of capital of 5.625%
- Through October 2019, Apollo/Athene Dedicated Investment Program ("ADIP"), the investment fund managed by Apollo that will help fund Athene Co-Invest Reinsurance Affiliate ("ACRA"), has raised \$3 billion of capital commitments
- Estimated ALRe RBC of 420%³ and U.S. RBC of 421% as of September 30, 2019

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

² For further information on the proposed transaction, please refer to the associated press release and investor presentation available on ir.athene.com.

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

"In the third quarter we delivered record organic growth underwritten to a blended unlevered return in excess of 20%, which drove our invested assets to new heights exceeding \$120 billion. Athene remains uniquely positioned with a multi-channel distribution model that generates sustainable and opportunistic growth at attractive ROEs," said Jim Belardi, CEO of Athene.

Mr. Belardi continued, "We are executing our business strategy and allocating capital to create value for shareholders. To enhance our operating model, we are focused on building an array of asset sourcing capabilities and the pending transaction with PK AirFinance is supportive of this effort. By sourcing a greater quantity of alpha-generating securities while maintaining underwriting discipline, we will reinforce our competitive advantage of generating attractive levels of net spread and profitability. In addition, we continue to opportunistically repurchase our shares at high-teens returns, repurchasing a total of \$927 million at an average price of less than 90% of adjusted book value per share. With our recent authorization increase of \$600 million, our Board has authorized nearly \$1.6 billion of share repurchases in less than twelve months. Finally, our recently announced strategic transaction with our longstanding partner, Apollo, will eliminate Athene's multi-class share structure, enhance our index inclusion eligibility, and increase the appeal of our stock to a broader set of active and passive investors."

Third Quarter 2019 Results

Net income available to AHL common shareholders for the third quarter 2019 was \$276 million, a decrease of \$347 million, or 56%, from the third quarter 2018. The decrease from the prior year quarter was primarily driven by an unfavorable change in FIA embedded derivatives due to the impact of unlocking, less favorable equity market performance and an unfavorable change in discount rates, as well as lower adjusted operating income.

Adjusted operating income available to common shareholders for the third quarter 2019 was \$243 million, a decrease of \$128 million, or 35%, from the third quarter 2018. The decrease from the prior year quarter was primarily driven by a higher cost of funds reflecting growth in the business including institutional, unfavorable unlocking of \$48 million, as well as less favorable equity market performance.

Unfavorable unlocking for the third quarter 2019 was driven by a reduction in the long-term interest rate assumption, partially offset by a favorable impact from actuarial experience, primarily driven by favorable experience in certain legacy blocks of business.

Adjusted operating income available to common shareholders, excluding notable items, was \$305 million, a decrease of \$43 million, or 12%, from the prior year. The decrease from the prior year quarter was primarily driven by a higher cost of funds reflecting growth in the business including institutional products.

Deposit Highlights

In the third quarter 2019, Athene generated record quarterly organic deposits of \$5.6 billion, an increase of 72% compared to the third quarter 2018, demonstrating the strength of its multi-channel distribution model. Notably, the liabilities supporting these deposits were underwritten to attractive mid-teens or better returns.

Retail: In the third quarter 2019, Athene generated \$1.9 billion of new deposits, unchanged quarter-over-quarter, while decreasing 13% from the prior year quarter, reflecting Athene's disciplined approach to pricing in a declining interest rate environment. Athene continues to expand distribution particularly through financial institutions, and newer products are building momentum.

Flow Reinsurance: In the third quarter 2019, Athene generated \$609 million of new deposits, in line with the prior year quarter though meaningfully lower than the strong activity in the second quarter. The quarter-over-quarter decline was driven by adjustments to quota share levels in response to lower interest rates as Athene maintained pricing discipline.

Institutional: In the third quarter 2019, Athene generated \$3.1 billion of new deposits from institutional products, including \$2.6 billion from the close of the previously announced Bristol-Meyers Squibb pension transaction. Athene also generated \$503 million of new deposits from one funding agreement and one FHLB agreement.

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

² For further information on the proposed transaction, please refer to the associated press release and investor presentation available on ir.athene.com.

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

Selected Results

	As of and for the three months ended September 30,	
	2018	2019
<i>(In millions, except percentages and per share data)</i>		
Book value per common share	\$ 45.51	\$ 74.20
Adjusted book value per common share	\$ 45.53	\$ 50.74
Common shares outstanding ¹	197.3	182.5
Adjusted operating common shares outstanding ²	197.2	181.4
Return on equity (ROE)	28.6%	8.5%
Adjusted operating ROE	17.2%	10.6%
Adjusted operating ROE – Retirement Services	23.2%	13.5%
Return on assets (ROA)	2.14%	0.78%
Adjusted operating ROA	1.49%	0.82%
Net investment spread – Retirement Services	1.78%	1.13%
Investments, including related parties	\$ 101,346	\$ 127,101
Invested assets	\$ 100,596	\$ 121,140
Debt to capital ratio	9.9%	6.8%
Adjusted debt to capital ratio	9.9%	8.7%
Total shareholders' equity	\$ 8,978	\$ 13,545
Adjusted common shareholders' equity	\$ 8,976	\$ 9,204
Organic deposits	\$ 3,286	\$ 5,637
Inorganic deposits	—	—
Total deposits	\$ 3,286	\$ 5,637

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

² Adjusted operating common shares outstanding assumes conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares outstanding on a one-for-one basis, the impacts of all Class M common shares outstanding net of the conversion price and any other stock-based awards outstanding, but excluding any awards for which the exercise or conversion price exceeds the market value of Class A common shares on the applicable measurement date. Our Class B common shares are economically equivalent to Class A common shares and can be converted to Class A common shares on a one-for-one basis at any time. Our Class M common shares are in the legal form of shares but economically function as options as they are convertible into Class A common shares after vesting and settlement of the conversion price. We believe this non-GAAP measure is an appropriate economic representation of our share counts for use in an economic view of book value metrics.

	Three months ended September 30,	
	2018	2019
<i>(In millions, except per share data)</i>		
Net income available to AHL common shareholders	\$ 623	\$ 276
Non-operating adjustments		
Investment gains (losses), net of offsets	(53)	166
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	376	(117)
Integration, restructuring and other non-operating expenses	(2)	(34)
Stock compensation expense	(3)	(3)
Income tax (expense) benefit – non-operating	(66)	21
Less: Total non-operating adjustments	252	33
Adjusted operating income available to common shareholders	\$ 371	\$ 243
Adjusted operating income available to common shareholders by segment		
Retirement Services	\$ 379	\$ 256
Corporate and Other	(8)	(13)
Adjusted operating income available to common shareholders	\$ 371	\$ 243
Earnings per common share – basic ¹	\$ 3.16	\$ 1.50
Earnings per common share – diluted Class A ²	\$ 3.15	\$ 1.50
Adjusted operating earnings per common share ³	\$ 1.90	\$ 1.34
Weighted average common shares outstanding – basic ¹	197.3	184.3
Weighted average common shares outstanding – diluted Class A ²	165.1	152.0
Weighted average common shares outstanding – adjusted operating ³	196.1	182.3

	Three months ended September 30,	
	2018	2019
<i>(In millions)</i>		
Notable items		
Retirement Services adjusted operating income available to common shareholders	\$ 379	\$ 256
Rider reserve and DAC equity market performance	(38)	5
Out-of-period actuarial adjustments	—	13
Unlocking	13	48
Tax impact of notable items	2	(4)
Retirement Services notable items	(23)	62
Retirement Services adjusted operating income available to common shareholders excluding notable items	356	318
Corporate and Other adjusted operating loss available to common shareholders	(8)	(13)
Consolidated adjusted operating income available to common shareholders excluding notable items	\$ 348	\$ 305
Adjusted operating earnings per common share excluding notables ³	\$ 1.77	\$ 1.67

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

² Diluted earnings per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. Such dilutive securities totaled 421,746 weighted average shares for the quarter. Diluted earnings per common share on a GAAP basis for Class A common shares are based on allocated net income available to AHL common shareholders of \$227 million (82% of net income available to AHL common shareholders) and \$519 million (83% of net income available to AHL common shareholders) for the three months ended September 30, 2019 and 2018, respectively.

³ Weighted average common shares outstanding – adjusted operating assumes conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares on a one-for-one basis, the impacts of all Class M common shares net of the conversion price and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of Class A common shares on the applicable measurement date. Our Class B common shares are economically equivalent to Class A common shares and can be converted to Class A common shares on a one-for-one basis at any time. Our Class M common shares are in the legal form of shares but economically function as options as they are convertible into Class A common shares after vesting and settlement of the conversion price. In calculating Class A diluted earnings per common share on a GAAP basis, we are required to apply sequencing rules to determine the dilutive impacts, if any, of our Class B common shares, Class M common shares and any other stock-based awards. To the extent our Class B common shares, Class M common shares and/or any other stock-based awards are not dilutive they are excluded. We believe this non-GAAP measure is an appropriate economic representation of our share counts for use in an economic view of adjusted operating earnings per common share.

Segment Results

Retirement Services

For the third quarter 2019, adjusted operating income available to common shareholders in Retirement Services was \$256 million, a decrease of \$123 million, or 32%, from the third quarter 2018, resulting in an adjusted operating ROE of 13.5%. The decrease in adjusted operating income available to common shareholders over the prior year quarter was primarily driven by a higher cost of funds due to growth in the block including institutional business, unfavorable equity market impacts and actuarial experience, adverse unlocking, as well as out of period actuarial adjustments.

Excluding notable items, adjusted operating income available to common shareholders in Retirement Services was \$318 million, resulting in an adjusted operating ROE of 16.7%.

The net investment spread, which measures net investment earnings less cost of funds, was 1.13% of average invested assets for the third quarter 2019, a decrease of 65 basis points from the third quarter 2018. The decrease from the prior year quarter was primarily driven by an increase in cost of funds, as well as a decrease in the fixed income and other net investment earned rate (NIER).

The NIER was 4.31% for the third quarter 2019, a decrease of 24 basis points from the prior year quarter, primarily driven by a lower fixed income and other NIER due to lower floating rate income, as well as lower-than-expected RMBS prepayments. The annualized return on alternative investments during the third quarter 2019 was 8.90%, compared to 10.65% in the prior year quarter.

Cost of funds, which is comprised of the total cost of crediting on deferred annuities and institutional products as well as other liability costs, was 3.18% for the third quarter 2019, an increase of 41 basis points from the third quarter 2018. Total cost of crediting was 1.96% for the third quarter 2019, an increase of 10 basis points from the prior year quarter, primarily driven by growth in the institutional business, which carries a higher cost of crediting compared to deferred annuities. Cost of crediting on deferred annuities was 1.98% and the cost of crediting on institutional business was 3.68%. Other liability costs were 1.22% for the third quarter 2019, an increase of 31 basis points from the prior year quarter primarily due to unfavorable equity market impacts and actuarial experience, adverse unlocking, and out of period actuarial adjustments.

Corporate & Other

In the third quarter 2019, the adjusted operating loss available to common shareholders was \$13 million in Corporate & Other, an increase of \$5 million from adjusted operating loss available to common shareholders of \$8 million in the third quarter 2018. The greater operating loss was driven by preferred stock dividends, partially offset by higher alternative net investment earnings and slightly lower operating expenses.

Share Repurchase Activity

From December 2018 through October 2019, Athene repurchased 22.4 million shares of its common stock for \$927 million under previously announced share repurchase programs. During this period, shares were purchased at an average cost of \$41.44 per share and an average price-to-adjusted book value multiple of 0.86x. This activity includes 2.9 million shares repurchased during the third quarter 2019 for \$121 million.

Athene's Board of Directors previously increased the share repurchase authorization by \$600 million in connection with the strategic transaction announced with Apollo on October 28th, 2019. As of November 5, 2019, outstanding share repurchase capacity totaled \$640 million.

Update on Strategic Capital Solution (ACRA)

In May 2019, Athene announced the formation of a strategic capital solution called Athene Co-Invest Reinsurance Affiliate ("ACRA"). This shareholder-friendly, strategic capital solution will allow Athene the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong balance sheet position. With this solution, Athene will be able to achieve various business objectives in a manner that is accretive to shareholders, minimizes the potential need for additional primary issuances in the future, and eliminates the impact

undeployed on-balance sheet capital has on key financial measures, such as ROE. To date, capital commitments raised for Apollo/Athene Dedicated Investment Program ("ADIP"), the investment fund managed by Apollo Global Management that will help capitalize ACRA, are at \$3 billion, and additional commitments are expected to close around year end 2019. Additional information on ACRA and ADIP can be found in a presentation previously posted on Athene's website at ir.athene.com.

Conference Call Information

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

- Live conference call: Toll-free at (866) 901-0811 (domestic) or +1 (346) 354-0810 (international)
- Conference call replay available through November 21, 2019 at (800) 585-8367 (domestic) or +1 (404) 537-3406 (international)
- Conference ID number: 5787514
- Live and archived webcast available at ir.athene.com

Investor Relations Contact:

Noah Gunn
+1 441-279-8534
+1 646-768-7309
ngunn@athene.com

Media Contact:

Karen Lynn
+1 441-279-8460
+1 515-342-3910
klynn@athene.com

About Athene Holding Ltd.

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

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

Athene had total assets of \$144.2 billion as of September 30, 2019. Athene's principal subsidiaries include Athene Annuity & Life Assurance Company, a Delaware-domiciled insurance company, Athene Annuity and Life Company, an Iowa-domiciled insurance company, Athene Annuity & Life Assurance Company of New York, a New York-domiciled insurance company and Athene Life Re Ltd., a Bermuda-domiciled reinsurer.

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

Non-GAAP Measures

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

Adjusted operating income available to common shareholders 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 available to common shareholders equals net income available to AHL common shareholders adjusted to eliminate the impact of the following (collectively, the “non-operating adjustments”):

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

We consider these non-operating adjustments to be meaningful adjustments to net income available to AHL common shareholders 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 available to AHL common shareholders, we believe adjusted operating income available to common shareholders provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income available to common shareholders should not be used as a substitute for net income available to AHL common shareholders.

Adjusted operating ROA is a non-GAAP measure used to evaluate our financial performance and profitability. Adjusted operating ROA is computed using our adjusted operating income available to common shareholders divided by average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. While we believe each of these metrics are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for ROA presented under GAAP.

Adjusted operating ROE is a non-GAAP measure used to evaluate our financial performance excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, in each case net of DAC, DSI, rider reserve and tax offsets. Adjusted common shareholders' equity is calculated as the ending shareholders' equity 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 available to common shareholders, divided by average adjusted common shareholders' equity. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our AFS securities. Except with respect to reinvestment activity relating to acquired blocks of businesses, we typically buy and hold AFS investments to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance. Accordingly, we believe using measures which exclude AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets are useful in analyzing trends in our operating results. To enhance the ability to analyze these measures across periods, interim periods are annualized. Adjusted operating ROE should not be used as a substitute for ROE. However, we believe the adjustments to equity are significant to gaining an understanding of our overall financial performance.

Adjusted operating earnings per common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common share are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the number of shares included in the corresponding GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe using these measures represents an economic view of our share counts and provides a simplified and consistent view of our outstanding shares. Adjusted operating earnings per common share is calculated as the adjusted operating income available to common shareholders, over the weighted average common shares outstanding – adjusted operating. Adjusted book value per common share is calculated as the adjusted common shareholders' equity divided by the adjusted operating common shares outstanding. Our Class B common shares are economically equivalent to Class A common shares and can be converted to Class A common shares on a one-for-one basis at any time. Our Class M common shares are in the legal form of shares but economically function as options as they are convertible into Class A shares after vesting and payment of the conversion price. In calculating Class A diluted earnings per share on a GAAP basis, we are required to apply sequencing rules to determine the dilutive impacts, if any, of our Class B common shares, Class M common shares and any other stock-based awards. To the extent our Class B

common shares, Class M common shares and/or any other stock-based awards are not dilutive, after considering the dilutive effects of the more dilutive securities in the sequence, they are excluded. Weighted average common shares outstanding – adjusted operating and adjusted operating common shares outstanding assume conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares on a one-for-one basis, the impacts of all Class M common shares net of the conversion price and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date. For certain historical periods, Class M shares were not included due to issuance restrictions which were contingent upon our IPO. Adjusted operating earnings per common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common share should not be used as a substitute for basic earnings per share – Class A common shares, basic weighted average common shares outstanding – Class A or book value per common share. However, we believe the adjustments to the shares and equity are significant to gaining an understanding of our overall results of operations and financial condition.

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

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

- Net investment earned rate is a non-GAAP measure we use to evaluate the performance of our invested assets that does not correspond to GAAP net investment income. Net investment earned rate is computed as the income from our invested assets divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. The adjustments to arrive at our net investment earned rate add alternative investment gains and losses, gains and losses related to trading securities for CLOs, net VIE impacts (revenues, expenses and noncontrolling interest) and the change in fair value of reinsurance assets. We include the income and assets supporting our change in fair value of reinsurance assets by evaluating the underlying investments of the funds withheld at interest receivables and we include the net investment income from those underlying investments which does not correspond to the GAAP presentation of change in fair value of reinsurance assets. We exclude the income and assets supporting business that we have exited through ceded reinsurance including funds withheld agreements. We believe the adjustments for reinsurance provide a net investment earned rate on the assets for which we have economic exposure.
- Cost of funds includes liability costs related to cost of crediting on both deferred annuities and institutional products as well as other liability costs. Cost of funds is computed as the total liability costs divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Cost of crediting includes the costs for both deferred annuities and institutional products. Cost of crediting on deferred annuities is the interest credited to the policyholders on our fixed strategies as well as the option costs on the indexed annuity strategies. With respect to FIAs, the cost of providing index credits includes the expenses incurred to fund the annual index credits, and where applicable, minimum guaranteed interest credited. Cost of crediting on institutional products is comprised of PRT costs including interest credited, benefit payments and other reserve changes, net of premiums received when issued, as well as funding agreement costs including the interest payments and other reserve changes. Cost of crediting is computed as the cost of crediting for deferred annuities and institutional products divided by the average invested assets for the relevant periods. Cost of crediting on deferred annuities is computed as the interest credited on fixed strategies and option costs on indexed annuity strategies divided by the average account value of our deferred annuities. Cost of crediting on institutional products is computed as the PRT and funding agreement costs divided by the average institutional reserve liabilities. Our average invested assets, account values

and institutional reserve liabilities are averaged over the number of quarters in the relevant period to obtain our associated cost of crediting for such period. To enhance the ability to analyze these measures across periods, interim periods are annualized.

- Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, premiums, product charges and other revenues. We believe a measure like other liability costs is useful in analyzing the trends of our core business operations and profitability. While we believe other liability costs is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total benefits and expenses presented under GAAP.

Net investment earned rate, cost of funds, net investment spread and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our business. We believe these metrics are useful in analyzing the trends of our business operations, profitability and pricing discipline. While we believe each of these metrics are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for net investment income, interest sensitive contract benefits or total benefits and expenses presented under GAAP.

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

In managing our business we analyze invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Invested assets represents the investments that directly back our reserve liabilities as well as surplus assets. Invested assets is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio.

Invested assets includes (a) total investments on the consolidated balance sheets with AFS securities at cost or amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) the consolidated VIE assets, liabilities and noncontrolling interest, (f) net investment payables and receivables and (g) policy loans ceded (which offset the direct policy loans in total investments).

Invested assets also excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). We include the underlying investments supporting our assumed funds withheld and modco agreements in our invested assets calculation in order to match the assets with the income received. We believe the adjustments for reinsurance provide a view of the assets for which we have economic exposure. Our invested assets are averaged over the number of quarters in the relevant period to compute our net investment earned rate for such period.

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

Safe Harbor for Forward-Looking Statements

This press release contains, and certain oral statements made by Athene's representatives from time to time may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in, or implied by, such statements. These statements are based on the beliefs and assumptions of Athene's management and the management of Athene's subsidiaries. Generally, forward-looking statements include actions, events, results, strategies and expectations and are often identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions. Forward-looking statements within this press release include, but are not limited to, discussions related to the issuance and exchange of common equity interests of Athene and Apollo and the results to be derived therefrom; amendments to the bye-laws of Athene to eliminate its multi-class share structure; potential inclusion of Athene's common shares in certain specified indices, the ACRA capital raise and the benefits to be derived therefrom, the future outcome of Athene's capital allocation determinations, and future financial performance. Factors that could cause actual results, events and developments to differ include, without limitation: Athene's and/or Apollo's failure to obtain approval of the transaction by its shareholders or regulators; Athene's failure to recognize the benefits expected to be derived from the transaction with Apollo; unexpected difficulties or expenditures related to the transaction with Apollo; disruption of Athene's current plans, operations and relationships with policyholders, reinsurance counterparties or other business partners caused by the announcement and pendency of the transaction with Apollo; legal proceedings, including those that may be instituted against Athene, Athene's board of directors, Athene's executive officers and others following announcement of the transaction with Apollo; failure to close the ACRA capital raise or failure to achieve the benefits expected to be derived therefrom; the accuracy of Athene's assumptions and estimates; Athene's ability to maintain or improve financial strength ratings; Athene's ability to manage its business in a highly regulated industry; regulatory changes or actions; the impact of Athene's reinsurers failing to meet their assumed obligations; the impact of interest rate fluctuations; changes in the federal income tax laws and regulations; the accuracy of Athene's interpretation of the Tax Cuts and Jobs Act, litigation (including class action litigation), enforcement investigations or regulatory scrutiny; the performance of third parties; the loss of key personnel; telecommunication, information technology and other operational systems failures; the continued availability of capital; new accounting rules or changes to existing accounting rules; general economic conditions; Athene's ability to protect our intellectual property; the ability to maintain or obtain approval of the Delaware Department of Insurance, the Iowa Insurance Division and other regulatory authorities as required for our operations; and other factors discussed from time to time in Athene's filings with the SEC, including its annual report on Form 10-K for the year ended December 31, 2018, its quarterly report on Form 10-Q for the quarterly period ended June 30, 2019 and its other SEC filings, which can be found at the SEC's website www.sec.gov.

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

###

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

	December 31, 2018	September 30, 2019
Assets		
Investments		
Available-for-sale securities, at fair value	\$ 59,265	\$ 70,903
Trading securities, at fair value	1,949	2,411
Equity securities, at fair value	216	359
Mortgage loans, net of allowances	10,340	13,465
Investment funds	703	712
Policy loans	488	466
Funds withheld at interest	15,023	15,280
Derivative assets	1,043	2,386
Short-term investments, at fair value	191	571
Other investments	122	130
Total investments	89,340	106,683
Cash and cash equivalents	2,911	3,833
Restricted cash	492	199
Investments in related parties		
Available-for-sale securities, at fair value	1,437	2,368
Trading securities, at fair value	249	306
Equity securities, at fair value	120	381
Mortgage loans	291	653
Investment funds	2,232	2,763
Funds withheld at interest	13,577	13,560
Other investments	386	387
Accrued investment income	682	781
Reinsurance recoverable	5,534	5,697
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	4,960
Other assets	1,635	970
Assets of consolidated variable interest entities		
Investments		
Trading securities, at fair value – related party	35	19
Equity securities, at fair value – related party	50	6
Investment funds	624	619
Cash and cash equivalents	2	3
Other assets	1	14
Total assets	\$ 125,505	\$ 144,202

(Continued)

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

	December 31, 2018	September 30, 2019
Liabilities		
Interest sensitive contract liabilities	\$ 96,610	\$ 101,666
Future policy benefits	16,704	22,909
Other policy claims and benefits	142	129
Dividends payable to policyholders	118	115
Long-term debt	991	992
Derivative liabilities	85	46
Payables for collateral on derivatives	969	2,323
Funds withheld liability	721	768
Other liabilities	888	1,708
Liabilities of consolidated variable interest entities	1	1
Total liabilities	117,229	130,657
Equity		
Preferred stock	—	—
Common stock	—	—
Additional paid-in capital	3,462	4,435
Retained earnings	5,286	6,668
Accumulated other comprehensive income	(472)	2,442
Total shareholders' equity	8,276	13,545
Total liabilities and equity	\$ 125,505	\$ 144,202

(Concluded)

Condensed Consolidated Statements of Income (unaudited, in millions)

	Three months ended September 30,	
	2018	2019
Revenue		
Premiums	\$ 526	\$ 2,605
Product charges	119	135
Net investment income	1,070	1,070
Investment related gains (losses)	816	688
OTTI investment losses		
OTTI losses	(7)	(34)
OTTI losses reclassified to (from) OCI	4	9
Net OTTI losses	(3)	(25)
Other revenues	10	6
Revenues of consolidated variable interest entities		
Net investment income	15	20
Investment related gains (losses)	23	2
Total revenues	2,576	4,501
Benefits and Expenses		
Interest sensitive contract benefits	742	801
Amortization of DSI	23	20
Future policy and other policy benefits	928	2,872
Amortization of DAC and VOBA	36	323
Dividends to policyholders	10	12
Policy and other operating expenses	158	194
Total benefits and expenses	1,897	4,222
Income before income taxes	679	279
Income tax expense	56	(14)
Net income	623	293
Less: Preferred stock dividends	—	17
Net income available to Athene Holding Ltd. common shareholders	\$ 623	\$ 276

Non-GAAP Measure Reconciliations

The reconciliation of net income available to Athene Holding Ltd. common shareholders to adjusted operating income available to common shareholders excluding notable items is as follows:

<i>(In millions)</i>	Three months ended September 30,	
	2018	2019
Net income available to Athene Holding Ltd. common shareholders	\$ 623	\$ 276
Less: Total non-operating adjustments	252	33
Adjusted operating income available to common shareholders	371	243
Notable items	(23)	62
Adjusted operating income available to common shareholders excluding notable items	\$ 348	\$ 305
Retirement Services adjusted operating income available to common shareholders	\$ 379	\$ 256
Rider reserve and DAC equity market performance	(38)	5
Out-of-period actuarial adjustments	—	13
Unlocking	13	48
Tax impact of notable items	2	(4)
Retirement Services notable items	(23)	62
Retirement Services adjusted operating income available to common shareholders excluding notable items	356	318
Corporate and Other adjusted operating loss available to common shareholders	(8)	(13)
Consolidated adjusted operating income available to common shareholders excluding notable items	\$ 348	\$ 305

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

	Three months ended September 30,	
	2018	2019
Basic earnings per share – Class A common shares	\$ 3.16	\$ 1.50
Non-operating adjustments		
Investment gains (losses), net of offsets	(0.29)	0.91
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	1.91	(0.65)
Integration, restructuring and other non-operating expenses	(0.02)	(0.18)
Stock compensation expense	(0.01)	(0.02)
Income tax (expense) benefit – non-operating	(0.34)	0.12
Less: Total non-operating adjustments	1.25	0.18
Less: Effect of items convertible to or settled in Class A common shares	0.01	(0.02)
Adjusted operating earnings per common share	\$ 1.90	\$ 1.34

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

<i>(In millions)</i>	Three months ended September 30,	
	2018	2019
Basic weighted average common shares outstanding – Class A	164.5	151.6
Conversion of Class B common shares to Class A common shares	25.5	25.4
Conversion of Class M common shares to Class A common shares	5.6	4.9
Effect of other stock compensation plans	0.5	0.4
Weighted average common shares outstanding – adjusted operating	196.1	182.3

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

<i>(In millions)</i>	September 30,	
	2018	2019
Total shareholders' equity	\$ 8,978	\$ 13,545
Less: Preferred stock	—	1,172
Total common shareholders' equity	8,978	12,373
Less: AOCI	33	2,442
Less: Accumulated change in fair value of reinsurance assets	(31)	727
Total adjusted common shareholders' equity	\$ 8,976	\$ 9,204
Retirement Services	\$ 7,024	\$ 7,494
Corporate and Other	1,952	1,710
Total adjusted common shareholders' equity	\$ 8,976	\$ 9,204

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

<i>(In millions)</i>	Three months ended September 30,	
	2018	2019
Average shareholders' equity	\$ 8,720	\$ 12,955
Less: Average preferred stock	—	1,006
Less: Average AOCI	90	2,101
Less: Average accumulated change in fair value of reinsurance assets	(10)	683
Average adjusted common shareholders' equity	\$ 8,640	\$ 9,165
Retirement Services	\$ 6,537	\$ 7,598
Corporate and Other	2,103	1,567
Average adjusted common shareholders' equity	\$ 8,640	\$ 9,165

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

<i>(In millions)</i>	September 30,	
	2018	2019
Class A common shares outstanding	164.6	149.8
Conversion of Class B common shares to Class A common shares	25.5	25.4
Conversion of Class M common shares to Class A common shares	6.0	5.1
Effect of other stock compensation plans	1.1	1.1
Adjusted operating common shares outstanding	197.2	181.4

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

	September 30,	
	2018	2019
Book value per common share	\$ 45.51	\$ 74.20
Preferred stock	—	(6.42)
AOCI	(0.17)	(13.38)
Accumulated change in fair value of reinsurance assets	0.16	(3.98)
Effect of items convertible to or settled in Class A common shares	0.03	0.32
Adjusted book value per common share	\$ 45.53	\$ 50.74

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

<i>(In millions)</i>	September 30,	
	2018	2019
Total debt	\$ 991	\$ 992
Total shareholders' equity	8,978	13,545
Total capitalization	9,969	14,537
Less: AOCI	33	2,442
Less: Accumulated change in fair value of reinsurance assets	(31)	727
Total adjusted capitalization	\$ 9,967	\$ 11,368
Debt to capital ratio	9.9%	6.8%
AOCI	—%	1.5%
Accumulated change in fair value of reinsurance assets	—%	0.4%
Adjusted debt to capital ratio	9.9%	8.7%

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

<i>(In millions)</i>	Three months ended September 30,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
GAAP net investment income	\$ 1,070	4.30 %	\$ 1,070	3.60 %
Change in fair value of reinsurance assets	52	0.20 %	199	0.67 %
Net VIE earnings	39	0.16 %	23	0.08 %
Alternative income gain (loss)	(14)	(0.06)%	6	0.02 %
Held for trading amortization and other	(21)	(0.08)%	(6)	(0.02)%
Total adjustments to arrive at net investment earnings/earned rate	56	0.22 %	222	0.75 %
Total net investment earnings/earned rate	\$ 1,126	4.52 %	\$ 1,292	4.35 %
Retirement Services	\$ 1,108	4.55 %	\$ 1,264	4.31 %
Corporate and Other	18	3.51 %	28	7.28 %
Total net investment earnings/earned rate	\$ 1,126	4.52 %	\$ 1,292	4.35 %
Retirement Services average invested assets	\$ 97,500		\$ 117,338	
Corporate and Other average invested assets	2,103		1,567	
Average invested assets	\$ 99,603		\$ 118,905	

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

<i>(In millions)</i>	Three months ended September 30,			
	2018		2019	
	Dollar	Rate	Dollar	Rate
GAAP interest sensitive contract benefits	\$ 742	3.04 %	\$ 801	2.73 %
Interest credited other than deferred annuities and institutional products	14	0.06 %	63	0.21 %
FIA option costs	231	0.95 %	282	0.96 %
Product charges (strategy fees)	(25)	(0.10)%	(31)	(0.10)%
Reinsurance embedded derivative impacts	29	0.12 %	14	0.05 %
Change in fair values of embedded derivatives – FIAs	(546)	(2.24)%	(560)	(1.91)%
Negative VOBA amortization	5	0.02 %	9	0.03 %
Other changes in interest sensitive contract liabilities	3	0.01 %	(2)	(0.01)%
Total adjustments to arrive at cost of crediting	(289)	(1.18)%	(225)	(0.77)%
Retirement Services cost of crediting	\$ 453	1.86 %	\$ 576	1.96 %
Retirement Services cost of crediting on deferred annuities	\$ 395	1.98 %	\$ 453	1.98 %
Retirement Services cost of crediting on institutional products	58	3.54 %	123	3.68 %
Retirement Services cost of crediting	\$ 453	1.86 %	\$ 576	1.96 %
Retirement Services average invested assets	\$ 97,500		\$ 117,338	
Average account value on deferred annuities	79,673		91,467	
Average institutional reserve liabilities	6,608		13,320	

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

<i>(In millions)</i>	Three months ended September 30,	
	2018	2019
	GAAP benefits and expenses	\$ 1,897
Premiums	(526)	(2,605)
Product charges	(119)	(135)
Other revenues	(10)	(6)
Cost of crediting	(193)	(280)
Change in fair value of embedded derivatives – FIA, net of offsets	(768)	(497)
DAC, DSI and VOBA amortization related to investment gains and losses	28	(151)
Rider reserves	1	(9)
Policy and other operating expenses, excluding policy acquisition expenses	(98)	(130)
AmerUs closed block fair value liability	8	(46)
Other	1	(5)
Total adjustments to arrive at other liability costs	(1,676)	(3,864)
Other liability costs	\$ 221	\$ 358
Retirement Services	\$ 221	\$ 358
Corporate and Other	—	—
Consolidated other liability costs	\$ 221	\$ 358

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

<i>(In millions)</i>	Three months ended September 30,	
	2018	2019
Policy and other operating expenses	\$ 158	\$ 194
Interest expense	(15)	(15)
Policy acquisition expenses, net of deferrals	(60)	(63)
Integration, restructuring and other non-operating expenses	(2)	(34)
Stock compensation expenses	(3)	(3)
Total adjustments to arrive at operating expenses	(80)	(115)
Operating expenses	\$ 78	\$ 79
Retirement Services	\$ 63	\$ 67
Corporate and Other	15	12
Consolidated operating expenses	\$ 78	\$ 79

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

<i>(In millions)</i>	September 30,	
	2018	2019
Total investments, including related parties	\$ 101,346	\$ 127,101
Derivative assets	(2,515)	(2,386)
Cash and cash equivalents (including restricted cash)	3,941	4,032
Accrued investment income	686	781
Payables for collateral on derivatives	(2,315)	(2,323)
Reinsurance funds withheld and modified coinsurance	(123)	(1,698)
VIE and VOE assets, liabilities and noncontrolling interest	835	669
Unrealized (gains) losses	(186)	(4,243)
Ceded policy loans	(285)	(277)
Net investment receivables (payables)	(788)	(516)
Total adjustments to arrive at invested assets	(750)	(5,961)
Total invested assets	\$ 100,596	\$ 121,140



Athene Holding Ltd.
3Q'19 Financial Supplement



Table of Contents



FINANCIAL RESULTS

Financial Highlights	3
Condensed Consolidated Statements of Income (GAAP view)	4
Segment Results of Operations (Management view)	5
Reconciliation of Earnings Measures	6
Retirement Services Segment Highlights	7
Condensed Consolidated Balance Sheets	8

ASSETS

Investments (GAAP view)	10
Invested Assets (Management view)	11
Investment Funds (GAAP view)	12
Alternative Investments (Management view)	13
Funds Withheld at Interest (GAAP view)	14
Net Investment Earned Rates	15
Credit Quality of Securities & Invested Assets	17

LIABILITIES

Reserve Liabilities & Rollforwards	20
Deferred Annuity Liability Characteristics	21

CAPITAL

Capitalization & Regulatory Capital Ratios	22
Financial Strength, Credit Ratings & Share Data	23

ADDITIONAL INFORMATION

Notes to the Financial Supplement	24
Non-GAAP Reconciliations	26

Financial Highlights

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



	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
SELECTED INCOME STATEMENT DATA										
Net income (loss) available to AHL common shareholders	\$ 623	\$ (104)	\$ 708	\$ 720	\$ 276	(62)%	(56)%	\$ 1,157	\$ 1,704	47 %
Adjusted operating income available to common shareholders	371	240	287	370	243	(34)%	(35)%	900	900	— %
FINANCIAL RATIOS										
Return on assets (ROA)	2.14%	(0.34)%	2.19%	2.12%	0.78%	(134)bps	(136)bps	1.44%	1.68%	24bps
Adjusted operating ROA	1.49%	0.88 %	1.02%	1.28%	0.82%	(46)bps	(67)bps	1.37%	1.04%	(33)bps
Net investment spread – Retirement Services	1.78%	1.43 %	1.36%	1.68%	1.13%	(55)bps	(65)bps	1.82%	1.38%	(44)bps
Return on equity (ROE)	28.6%	(4.8)%	30.8%	25.6%	8.5%	NM	NM	17.0%	20.8%	380bps
Adjusted operating ROE	17.2%	10.8 %	12.8%	16.2%	10.6%	NM	NM	14.5%	13.3%	(120)bps
Adjusted operating ROE – Retirement Services	23.2%	16.0 %	14.4%	18.9%	13.5%	NM	NM	19.7%	16.0%	(370)bps
EARNINGS AND BOOK VALUE PER COMMON SHARE										
Earnings per common share – basic ¹	\$ 3.16	\$ (0.53)	\$ 3.65	\$ 3.76	\$ 1.50	(60)%	(53)%	\$ 5.86	\$ 8.97	53 %
Earnings per common share – diluted class A ²	3.15	(0.53)	3.64	3.75	1.50	(60)%	(52)%	5.85	8.95	53 %
Adjusted operating earnings per common share ³	1.90	1.23	1.50	1.95	1.34	(31)%	(29)%	4.59	4.79	4 %
Book value per common share	45.51	42.45	52.12	66.69	74.20	11 %	63 %	45.51	74.20	63 %
Adjusted book value per common share ³	45.53	45.59	47.30	49.50	50.74	3 %	11 %	45.53	50.74	11 %
SELECTED BALANCE SHEET DATA										
Total assets	\$ 118,250	\$ 125,505	\$ 132,857	\$ 138,980	\$ 144,202	4 %	22 %	\$ 118,250	\$ 144,202	22 %
Invested assets	100,596	111,034	113,771	116,671	121,140	4 %	20 %	100,596	121,140	20 %
Total liabilities	109,272	117,229	122,740	126,615	130,657	3 %	20 %	109,272	130,657	20 %
Reserve liabilities	98,553	107,732	111,791	114,680	118,825	4 %	21 %	98,553	118,825	21 %
Debt	991	991	991	991	992	— %	— %	991	992	— %
Total shareholders' equity	8,978	8,276	10,117	12,365	13,545	10 %	51 %	8,978	13,545	51 %
Adjusted common shareholders' equity	8,976	8,823	9,102	9,127	9,204	1 %	3 %	8,976	9,204	3 %
DEPOSITS										
Retail	\$ 2,200	\$ 2,018	\$ 1,816	\$ 1,909	\$ 1,921	1 %	(13)%	\$ 5,524	\$ 5,646	2 %
Flow reinsurance	610	1,136	1,020	1,125	609	(46)%	— %	1,287	2,754	114 %
Funding agreements	—	225	—	299	503	68 %	100 %	425	802	89 %
Pension risk transfer	476	1,785	1,923	706	2,604	269 %	NM	796	5,233	NM
Total organic deposits	3,286	5,164	4,759	4,039	5,637	40 %	72 %	8,032	14,435	80 %
Inorganic deposits	—	7,878	—	—	—	— %	— %	19,104	—	(100)%
Total deposits	\$ 3,286	\$ 13,042	\$ 4,759	\$ 4,039	\$ 5,637	40 %	72 %	\$ 27,136	\$ 14,435	(47)%

Note: "NM" represents changes that are not meaningful. Please refer to Notes to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on adjusted operating income available to common shareholders, adjusted operating ROE, adjusted operating ROA, net investment spread, adjusted book value per common share, invested assets, reserve liabilities, and adjusted common shareholders' equity. ¹ Basic earnings per common share, including basic weighted average common shares outstanding, includes all classes eligible to participate in dividends for each period presented. ² Diluted earnings per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. ³ Represents Class A common shares outstanding or weighted average common shares outstanding assuming conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares, Class M common shares and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date.

Condensed Consolidated Statements of Income (GAAP view)

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
REVENUE										
Premiums	\$ 526	\$ 1,833	\$ 1,966	\$ 733	\$ 2,605	255 %	NM	\$ 1,535	\$ 5,304	246 %
Product charges	119	128	125	132	135	2 %	13 %	321	392	22 %
Net investment income	1,070	1,121	1,066	1,161	1,070	(8)%	— %	2,883	3,297	14 %
Investment related gains (losses)	816	(1,902)	1,772	1,316	688	(48)%	(16)%	578	3,776	NM
Other-than-temporary impairment investment losses										
Other-than-temporary impairment losses	(7)	(14)	(2)	(7)	(34)	NM	NM	(10)	(43)	NM
Other-than-temporary impairment losses reclassified to (from) other comprehensive income	4	2	1	1	9	NM	125 %	4	11	175 %
Net other-than-temporary impairment losses	(3)	(12)	(1)	(6)	(25)	NM	NM	(6)	(32)	NM
Other revenues	10	4	12	9	6	(33)%	(40)%	22	27	23 %
Revenues related to consolidated variable interest entities										
Net investment income	15	17	16	21	20	(5)%	33 %	39	57	46 %
Investment related gains (losses)	23	(35)	5	3	2	(33)%	(91)%	17	10	(41)%
Total revenues	\$ 2,576	\$ 1,154	\$ 4,961	\$ 3,369	\$ 4,501	34 %	75 %	\$ 5,389	\$ 12,831	138 %
BENEFITS AND EXPENSES										
Interest sensitive contract benefits	\$ 742	\$ (825)	\$ 1,516	\$ 1,094	\$ 801	(27)%	8 %	\$ 1,115	\$ 3,411	206 %
Amortization of deferred sales inducements	23	(12)	5	13	20	54 %	(13)%	66	38	(42)%
Future policy and other policy benefits	928	1,994	2,295	1,057	2,872	172 %	209 %	2,193	6,224	184 %
Amortization of deferred acquisition costs and value of business acquired	36	(33)	231	261	323	24 %	NM	207	815	294 %
Dividends to policyholders	10	5	9	9	12	33 %	20 %	32	30	(6)%
Policy and other operating expenses	158	172	165	185	194	5 %	23 %	454	544	20 %
Total benefits and expenses	1,897	1,301	4,221	2,619	4,222	61 %	123 %	4,067	11,062	172 %
Income (loss) before income taxes	679	(147)	740	750	279	(63)%	(59)%	1,322	1,769	34 %
Income tax expense (benefit)	56	(43)	32	30	(14)	(147)%	(125)%	165	48	(71)%
Net income (loss)	623	(104)	708	720	293	(59)%	(53)%	1,157	1,721	49 %
Less: Preferred stock dividends	—	—	—	—	17	100 %	100 %	—	17	100 %
Net income (loss) available to Athene Holding Ltd. common shareholders	\$ 623	\$ (104)	\$ 708	\$ 720	\$ 276	(62)%	(56)%	\$ 1,157	\$ 1,704	47 %

Segment Results of Operations (Management view)

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



	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
CONSOLIDATED										
Fixed income and other investment income	\$ 1,036	\$ 1,142	\$ 1,154	\$ 1,175	\$ 1,168	(1)%	13 %	\$ 2,755	\$ 3,497	27 %
Alternative investment income	90	62	49	170	124	(27)%	38 %	273	343	26 %
Net investment earnings	1,126	1,204	1,203	1,345	1,292	(4)%	15 %	3,028	3,840	27 %
Cost of crediting	(453)	(516)	(535)	(547)	(576)	(5)%	(27)%	(1,143)	(1,658)	(45)%
Other liability costs ¹	(221)	(332)	(260)	(295)	(358)	(21)%	(62)%	(649)	(913)	(41)%
Cost of funds	(674)	(848)	(795)	(842)	(934)	(11)%	(39)%	(1,792)	(2,571)	(43)%
Operating expenses	(78)	(82)	(82)	(87)	(79)	9 %	(1)%	(221)	(248)	(12)%
Interest expense	(13)	(12)	(13)	(12)	(12)	— %	8 %	(37)	(37)	— %
Pre-tax adjusted operating income	361	262	313	404	267	(34)%	(26)%	978	984	1 %
Income tax (expense) benefit – operating	10	(22)	(26)	(34)	(7)	79 %	(170)%	(78)	(67)	14 %
Adjusted operating income	371	240	287	370	260	(30)%	(30)%	900	917	2 %
Preferred stock dividends	—	—	—	—	(17)	(100)%	(100)%	—	(17)	(100)%
Adjusted operating income available to common shareholders	\$ 371	\$ 240	\$ 287	\$ 370	\$ 243	(34)%	(35)%	\$ 900	\$ 900	— %
Adjusted operating earnings per common share	\$ 1.90	\$ 1.23	\$ 1.50	\$ 1.95	\$ 1.34	(31)%	(29)%	\$ 4.59	\$ 4.79	4 %
RETIREMENT SERVICES										
Fixed income and other investment income	\$ 1,021	\$ 1,132	\$ 1,151	\$ 1,170	\$ 1,159	(1)%	14 %	\$ 2,693	\$ 3,480	29 %
Alternative investment income	87	99	20	151	105	(30)%	21 %	264	276	5 %
Net investment earnings	1,108	1,231	1,171	1,321	1,264	(4)%	14 %	2,957	3,756	27 %
Cost of crediting	(453)	(516)	(535)	(547)	(576)	(5)%	(27)%	(1,143)	(1,658)	(45)%
Other liability costs ¹	(221)	(332)	(260)	(295)	(358)	(21)%	(62)%	(649)	(913)	(41)%
Cost of funds	(674)	(848)	(795)	(842)	(934)	(11)%	(39)%	(1,792)	(2,571)	(43)%
Operating expenses	(63)	(65)	(62)	(68)	(67)	1 %	(6)%	(177)	(197)	(11)%
Interest expense	(2)	—	(2)	(1)	—	100 %	100 %	(5)	(3)	40 %
Pre-tax adjusted operating income	369	318	312	410	263	(36)%	(29)%	983	985	— %
Income tax (expense) benefit – operating	10	(22)	(26)	(34)	(7)	79 %	(170)%	(78)	(67)	14 %
Adjusted operating income available to common shareholders	\$ 379	\$ 296	\$ 286	\$ 376	\$ 256	(32)%	(32)%	\$ 905	\$ 918	1 %
CORPORATE & OTHER										
Fixed income and other investment income	\$ 15	\$ 10	\$ 3	\$ 5	\$ 9	80 %	(40)%	\$ 62	\$ 17	(73)%
Alternative investment income	3	(37)	29	19	19	— %	NM	9	67	NM
Net investment earnings	18	(27)	32	24	28	17 %	56 %	71	84	18 %
Operating expenses	(15)	(17)	(20)	(19)	(12)	37 %	20 %	(44)	(51)	(16)%
Interest expense	(11)	(12)	(11)	(11)	(12)	(9)%	(9)%	(32)	(34)	(6)%
Pre-tax adjusted operating income (loss)	(8)	(56)	1	(6)	4	167 %	150 %	(5)	(1)	80 %
Income tax (expense) benefit – operating	—	—	—	—	—	— %	— %	—	—	— %
Adjusted operating income (loss)	(8)	(56)	1	(6)	4	167 %	150 %	(5)	(1)	80 %
Preferred stock dividends	—	—	—	—	(17)	(100)%	(100)%	—	(17)	(100)%
Adjusted operating income (loss) available to common shareholders	\$ (8)	\$ (56)	\$ 1	\$ (6)	\$ (13)	(117)%	(63)%	\$ (5)	\$ (18)	(260)%

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

Reconciliation of Earnings Measures

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



	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
RECONCILIATION OF NET INCOME (LOSS) AVAILABLE TO ATHENE HOLDING LTD. COMMON SHAREHOLDERS TO ADJUSTED OPERATING INCOME AVAILABLE TO COMMON SHAREHOLDERS										
Net income (loss) available to Athene Holding Ltd. common shareholders	\$ 623	\$ (104)	\$ 708	\$ 720	\$ 276	(62)%	(56)%	\$ 1,157	\$ 1,704	47 %
Non-operating adjustments										
Realized gains (losses) on sale of AFS securities	5	(20)	12	41	46	12 %	NM	33	99	200 %
Unrealized, impairments and other investment gains (losses)	6	(40)	29	10	(31)	NM	NM	22	8	(64)%
Change in fair value of reinsurance assets	(95)	(100)	616	570	314	(45)%	NM	(302)	1,500	NM
Offsets to investment gains (losses)	31	46	(199)	(204)	(163)	20 %	NM	87	(566)	NM
Investment gains (losses), net of offsets	(53)	(114)	458	417	166	(60)%	NM	(160)	1,041	NM
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	376	(288)	(27)	(57)	(117)	(105)%	(131)%	530	(201)	(138)%
Integration, restructuring and other non-operating expenses	(2)	(4)	(1)	(11)	(34)	(209)%	NM	(18)	(46)	(156)%
Stock compensation expense	(3)	(3)	(3)	(3)	(3)	— %	— %	(8)	(9)	(13)%
Income tax (expense) benefit – non-operating	(66)	65	(6)	4	21	NM	132 %	(87)	19	122 %
Less: Total non-operating adjustments	252	(344)	421	350	33	(91)%	(87)%	257	804	213 %
Adjusted operating income available to common shareholders	\$ 371	\$ 240	\$ 287	\$ 370	\$ 243	(34)%	(35)%	\$ 900	\$ 900	— %

RECONCILIATION OF BASIC EARNINGS PER CLASS A COMMON SHARES TO ADJUSTED OPERATING EARNINGS PER COMMON SHARE

Basic earnings per share – Class A common shares	\$ 3.16	\$ (0.53)	\$ 3.65	\$ 3.76	\$ 1.50	(60)%	(53)%	\$ 5.86	\$ 8.97	53 %
Non-operating adjustments										
Realized gains (losses) on sale of AFS securities	0.02	(0.11)	0.06	0.21	0.25	19 %	NM	0.17	0.52	206 %
Unrealized, impairments and other investment gains (losses)	0.03	(0.20)	0.16	0.05	(0.17)	NM	NM	0.11	0.04	(64)%
Change in fair value of reinsurance assets	(0.49)	(0.51)	3.20	3.01	1.72	(43)%	NM	(1.54)	7.97	NM
Offsets to investment gains (losses)	0.15	0.23	(1.04)	(1.07)	(0.89)	17 %	NM	0.45	(3.01)	NM
Investment gains (losses), net of offsets	(0.29)	(0.59)	2.38	2.20	0.91	(59)%	NM	(0.81)	5.52	NM
Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets	1.91	(1.47)	(0.14)	(0.30)	(0.65)	(117)%	(134)%	2.71	(1.07)	(139)%
Integration, restructuring and other non-operating expenses	(0.02)	(0.02)	(0.01)	(0.06)	(0.18)	(200)%	NM	(0.10)	(0.24)	(140)%
Stock compensation expense	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	— %	(100)%	(0.04)	(0.05)	(25)%
Income tax (expense) benefit – non-operating	(0.34)	0.33	(0.03)	0.02	0.12	NM	135 %	(0.44)	0.10	123 %
Less: Total non-operating adjustments	1.25	(1.76)	2.19	1.84	0.18	(90)%	(86)%	1.32	4.26	223 %
Effect of items convertible to or settled in Class A common shares	0.01	—	(0.04)	(0.03)	(0.02)	33 %	(300)%	(0.05)	(0.08)	(60)%
Adjusted operating earnings per common share	\$ 1.90	\$ 1.23	\$ 1.50	\$ 1.95	\$ 1.34	(31)%	(29)%	\$ 4.59	\$ 4.79	4 %

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

Retirement Services Segment Highlights

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NET INVESTMENT SPREAD – RETIREMENT SERVICES										
Net investment earned rate	4.55%	4.57%	4.21%	4.63%	4.31%	(32)bps	(24)bps	4.63%	4.38%	(25)bps
Cost of crediting	1.86%	1.91%	1.92%	1.92%	1.96%	4bps	10bps	1.79%	1.93%	14bps
Other liability costs	0.91%	1.23%	0.93%	1.03%	1.22%	19bps	31bps	1.02%	1.07%	5bps
Cost of funds	2.77%	3.14%	2.85%	2.95%	3.18%	23bps	41bps	2.81%	3.00%	19bps
Net investment spread	1.78%	1.43%	1.36%	1.68%	1.13%	(55)bps	(65)bps	1.82%	1.38%	(44)bps
Average invested assets	\$ 97,500	\$ 107,939	\$ 111,443	\$ 114,059	\$ 117,338	3 %	20 %	\$ 85,163	\$ 114,391	34 %
COST OF CREDITING – RETIREMENT SERVICES										
FIA option costs	\$ 235	\$ 261	\$ 265	\$ 265	\$ 265	— %	13 %	\$ 576	\$ 795	38 %
Fixed interest credited to policyholders	160	182	179	183	188	3 %	18 %	412	550	33 %
Cost of crediting on deferred annuities	395	443	444	448	453	1 %	15 %	988	1,345	36 %
Average account value on deferred annuities	79,673	88,874	89,809	90,675	91,467	1 %	15 %	68,421	90,638	32 %
Cost of crediting on deferred annuities rate	1.98%	2.00%	1.98%	1.98%	1.98%	0bps	0bps	1.93%	1.98%	5bps
Cost of crediting on institutional products	\$ 58	\$ 73	\$ 91	\$ 99	\$ 123	24 %	112 %	\$ 155	\$ 313	102 %
Average institutional reserve liabilities	6,608	7,827	9,809	10,470	13,320	27 %	102 %	6,301	11,200	78 %
Cost of crediting on institutional products rate	3.54%	3.74%	3.69%	3.76%	3.68%	(8)bps	14bps	3.29%	3.71%	42bps
Cost of crediting	\$ 453	\$ 516	\$ 535	\$ 547	\$ 576	5 %	27 %	\$ 1,143	\$ 1,658	45 %
OTHER LIABILITY COSTS – RETIREMENT SERVICES										
Change in rider reserve	\$ 248	\$ 173	\$ 154	\$ 138	\$ 114	(17)%	(54)%	\$ 442	\$ 406	(8)%
DAC, DSI and VOBA amortization	(44)	130	91	125	226	81 %	NM	142	442	211 %
Other ¹	17	29	15	32	18	(44)%	6 %	65	65	— %
Other liability costs	\$ 221	\$ 332	\$ 260	\$ 295	\$ 358	21 %	62 %	\$ 649	\$ 913	41 %
INVESTMENT MARGIN ON DEFERRED ANNUITIES – RETIREMENT SERVICES										
Net investment earned rate	4.55%	4.57%	4.21%	4.63%	4.31%	(32)bps	(24)bps	4.63%	4.38%	(25)bps
Cost of crediting on deferred annuities	1.98%	2.00%	1.98%	1.98%	1.98%	0bps	0bps	1.93%	1.98%	5bps
Investment margin on deferred annuities	2.57%	2.57%	2.23%	2.65%	2.33%	(32)bps	(24)bps	2.70%	2.40%	(30)bps

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

Condensed Consolidated Balance Sheets

Unaudited (in millions, except percentages)



	December 31, 2018	September 30, 2019	Δ
ASSETS			
Investments			
Available-for-sale securities, at fair value	\$ 59,265	\$ 70,903	20 %
Trading securities, at fair value	1,949	2,411	24 %
Equity securities, at fair value	216	359	66 %
Mortgage loans, net of allowances	10,340	13,465	30 %
Investment funds	703	712	1 %
Policy loans	488	466	(5)%
Funds withheld at interest	15,023	15,280	2 %
Derivative assets	1,043	2,386	129 %
Short-term investments, at fair value	191	571	199 %
Other investments	122	130	7 %
Total investments	89,340	106,683	19 %
Cash and cash equivalents	2,911	3,833	32 %
Restricted cash	492	199	(60)%
Investments in related parties			
Available-for-sale securities, at fair value	1,437	2,368	65 %
Trading securities, at fair value	249	306	23 %
Equity securities, at fair value	120	381	218 %
Mortgage loans	291	653	124 %
Investment funds	2,232	2,763	24 %
Funds withheld at interest	13,577	13,560	— %
Other investments	386	387	— %
Accrued investment income	682	781	15 %
Reinsurance recoverable	5,534	5,697	3 %
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,907	4,960	(16)%
Other assets	1,635	970	(41)%
Assets of consolidated variable interest entities			
Investments			
Trading securities, at fair value	35	19	(46)%
Equity securities, at fair value – related party	50	6	(88)%
Investment funds	624	619	(1)%
Cash and cash equivalents	2	3	50 %
Other assets	1	14	NM
Total assets	\$ 125,505	\$ 144,202	15 %

Condensed Consolidated Balance Sheets, continued

Unaudited (in millions, except percentages)



	December 31, 2018	September 30, 2019	Δ
LIABILITIES			
Interest sensitive contract liabilities	\$ 96,610	\$ 101,666	5 %
Future policy benefits	16,704	22,909	37 %
Other policy claims and benefits	142	129	(9)%
Dividends payable to policyholders	118	115	(3)%
Long-term debt	991	992	— %
Derivative liabilities	85	46	(46)%
Payables for collateral on derivatives	969	2,323	140 %
Funds withheld liability	721	768	7 %
Other liabilities	888	1,708	92 %
Liabilities of consolidated variable interest entities	1	1	— %
Total liabilities	\$ 117,229	\$ 130,657	11 %
EQUITY			
Preferred stock	\$ —	\$ —	— %
Common stock	—	—	— %
Additional paid-in-capital	3,462	4,435	28 %
Retained earnings	5,286	6,668	26 %
Accumulated other comprehensive income (loss)	(472)	2,442	NM
Total shareholders' equity	8,276	13,545	64 %
Total liabilities and equity	\$ 125,505	\$ 144,202	15 %

Investments (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
INVESTMENTS AND INVESTMENTS IN RELATED PARTIES SUMMARY				
Investments				
Available-for-sale securities, at fair value				
U.S. government and agencies	\$ 57	0.1%	\$ 37	0.0%
U.S. state, municipal and political subdivisions	1,293	1.2%	1,492	1.2%
Foreign governments	161	0.1%	328	0.3%
Corporate	37,097	34.4%	47,045	37.0%
CLO	5,361	5.0%	6,871	5.4%
ABS	4,920	4.6%	5,111	4.0%
CMBS	2,357	2.2%	2,765	2.2%
RMBS	8,019	7.5%	7,254	5.7%
Total available-for-sale securities, at fair value	59,265	55.1%	70,903	55.8%
Trading securities, at fair value	1,949	1.8%	2,411	1.9%
Equity securities, at fair value	216	0.2%	359	0.3%
Mortgage loans, net of allowances	10,340	9.6%	13,465	10.6%
Investment funds	703	0.6%	712	0.5%
Policy loans	488	0.4%	466	0.4%
Funds withheld at interest	15,023	14.0%	15,280	12.0%
Derivative assets	1,043	1.0%	2,386	1.9%
Short-term investments, at fair value	191	0.2%	571	0.4%
Other investments	122	0.1%	130	0.1%
Total investments	89,340	83.0%	106,683	83.9%
Investment in related parties				
Available-for-sale securities, at fair value	1,437	1.3%	2,368	1.9%
Trading securities, at fair value	249	0.2%	306	0.2%
Equity securities, at fair value	120	0.1%	381	0.3%
Mortgage loans	291	0.3%	653	0.5%
Investment funds	2,232	2.1%	2,763	2.2%
Funds withheld at interest	13,577	12.6%	13,560	10.7%
Other investments	386	0.4%	387	0.3%
Total investments in related parties	18,292	17.0%	20,418	16.1%
Total investments including related parties	\$ 107,632	100.0%	\$ 127,101	100.0%

Invested Assets (Management view)

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Invested Asset Value ¹	Percent of Total	Invested Asset Value ¹	Percent of Total
INVESTED ASSETS				
Corporate	\$ 55,772	50.2%	\$ 59,310	49.0%
CLO	8,275	7.5%	10,234	8.4%
Credit	64,047	57.7%	69,544	57.4%
RMBS	9,814	8.9%	8,537	7.0%
Mortgage loans	14,423	13.0%	18,514	15.3%
CMBS	3,018	2.7%	3,383	2.8%
Real estate	27,255	24.6%	30,434	25.1%
ABS	7,706	6.9%	8,935	7.4%
Alternative investments	4,492	4.1%	5,522	4.6%
State, municipal, political subdivisions and foreign government	2,122	1.9%	2,267	1.9%
Equity securities	467	0.4%	515	0.4%
Short-term investments	765	0.7%	623	0.5%
U.S. government and agencies	134	0.1%	53	0.0%
Other investments	15,686	14.1%	17,915	14.8%
Cash and equivalents	2,881	2.6%	2,041	1.7%
Policy loans and other	1,165	1.0%	1,206	1.0%
Total invested assets	\$ 111,034	100.0%	\$ 121,140	100.0%

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

Investment Funds (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
INVESTMENT FUNDS INCLUDING RELATED PARTIES¹				
Investment funds				
Real estate	\$ 215	6.0%	\$ 254	6.2%
Credit funds	172	4.8%	161	3.9%
Private equity	253	7.1%	231	5.7%
Real assets	56	1.6%	65	1.6%
Natural resources	4	0.1%	1	0.0%
Other	3	0.1%	—	—%
Total investment funds	703	19.7%	712	17.4%
Investment funds – related parties				
Differentiated investments				
AmeriHome	463	13.0%	469	11.5%
Catalina	233	6.5%	270	6.6%
Athora	105	3.0%	127	3.1%
Venerable	92	2.6%	94	2.3%
Other	196	5.5%	218	5.3%
Total differentiated investments	1,089	30.6%	1,178	28.8%
Real estate	497	14.0%	721	17.6%
Credit funds	316	8.9%	378	9.2%
Private equity	18	0.5%	69	1.7%
Real assets	145	4.1%	155	3.8%
Natural resources	104	2.9%	162	4.0%
Public equities	63	1.8%	100	2.4%
Total investment funds – related parties	2,232	62.8%	2,763	67.5%
Investment funds – assets of consolidated VIEs				
MidCap	553	15.5%	556	13.6%
Real estate	30	0.8%	44	1.1%
Real assets	41	1.2%	19	0.4%
Total investment funds – assets of consolidated VIEs	624	17.5%	619	15.1%
Total investment funds including related parties and funds owned by consolidated VIEs	\$ 3,559	100.0%	\$ 4,094	100.0%

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

Alternative Investments (Management view)

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Invested Asset Value ¹	Percent of Total	Invested Asset Value ¹	Percent of Total
ALTERNATIVE INVESTMENTS				
Retirement Services				
Differentiated investments				
AmeriHome	\$ 568	12.6%	\$ 574	10.4%
MidCap	553	12.3%	556	10.1%
Catalina	232	5.2%	270	4.9%
Venerable	92	2.1%	94	1.7%
Other	229	5.1%	210	3.8%
Total differentiated investments	1,674	37.3%	1,704	30.9%
Real estate	1,015	22.6%	1,311	23.7%
Credit	537	11.9%	1,118	20.3%
Private equity	279	6.2%	326	5.9%
Real assets	276	6.2%	311	5.6%
Natural resources	55	1.2%	62	1.1%
Other	4	0.1%	47	0.9%
Total Retirement Services	3,840	85.5%	4,879	88.4%
Corporate & Other				
Athora	130	2.9%	138	2.5%
Credit	203	4.5%	138	2.5%
Natural resources	213	4.8%	266	4.8%
Public equities ²	100	2.2%	101	1.8%
Other	6	0.1%	—	—%
Total Corporate & Other	652	14.5%	643	11.6%
Total alternative investments ¹	\$ 4,492	100.0%	\$ 5,522	100.0%

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

² Public Equities include: OneMain Financial (OMF) - 2.8 million and 2.8 million of shares, respectively, as of September 30, 2019 and December 31, 2018; Caesars Entertainment (Ticker: CZR) - 0.0 million and 5.5 million of shares as of September 30, 2019 and December 31, 2018.

Funds Withheld at Interest (GAAP view)

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
FUNDS WITHHELD AT INTEREST INCLUDING RELATED PARTIES				
Fixed maturity securities				
U.S. government and agencies	\$ 77	0.3 %	\$ 17	0.1 %
U.S. state, municipal and political subdivisions	563	2.0 %	488	1.7 %
Foreign governments	145	0.5 %	179	0.6 %
Corporate	16,267	56.9 %	15,143	52.5 %
CLO	1,990	7.0 %	2,470	8.6 %
ABS	1,601	5.6 %	2,142	7.4 %
CMBS	575	2.0 %	749	2.6 %
RMBS	1,876	6.6 %	1,619	5.6 %
Total fixed maturity securities	23,094	80.9 %	22,807	79.1 %
Equity securities	66	0.2 %	230	0.8 %
Mortgage loans	3,815	13.3 %	4,508	15.6 %
Investment funds	660	2.3 %	745	2.6 %
Derivative assets	77	0.3 %	188	0.6 %
Short-term investments	641	2.2 %	107	0.4 %
Cash and cash equivalents	455	1.6 %	405	1.4 %
Other assets and liabilities	(208)	(0.8)%	(150)	(0.5)%
Total funds withheld at interest including related parties ¹	\$ 28,600	100.0 %	\$ 28,840	100.0 %

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

Net Investment Earned Rates (NIER)

Unaudited (In millions, except percentages)



	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
NIER – CONSOLIDATED										
Fixed income and other investments	4.33%	4.35 %	4.28%	4.26%	4.11%	(15)bps	(22)bps	4.38%	4.21%	(17)bps
Alternative investments	9.13%	5.81 %	4.36%	14.13%	9.26%	(487)bps	13bps	9.57%	9.30%	(27)bps
Total net investment earned rate	<u>4.52%</u>	<u>4.40 %</u>	<u>4.28%</u>	<u>4.67%</u>	<u>4.35%</u>	<u>(32)bps</u>	<u>(17)bps</u>	<u>4.61%</u>	<u>4.43%</u>	<u>(18)bps</u>
NIER SUMMARY – RETIREMENT SERVICES										
Fixed income and other investments	4.33%	4.35 %	4.28%	4.26%	4.11%	(15)bps	(22)bps	4.38%	4.21%	(17)bps
Alternative investments	10.65%	11.00 %	2.13%	14.46%	8.90%	(556)bps	(175)bps	11.30%	8.63%	(267)bps
Total net investment earned rate	<u>4.55%</u>	<u>4.57 %</u>	<u>4.21%</u>	<u>4.63%</u>	<u>4.31%</u>	<u>(32)bps</u>	<u>(24)bps</u>	<u>4.63%</u>	<u>4.38%</u>	<u>(25)bps</u>
Fixed income and other investment income	\$ 1,021	\$ 1,132	\$ 1,151	\$ 1,170	\$ 1,159	(1)%	14 %	\$ 2,693	\$ 3,480	29 %
Alternatives investment income	87	99	20	151	105	(30)%	21 %	264	276	5 %
Total net investment earnings	<u>\$ 1,108</u>	<u>\$ 1,231</u>	<u>\$ 1,171</u>	<u>\$ 1,321</u>	<u>\$ 1,264</u>	<u>(4)%</u>	<u>14 %</u>	<u>\$ 2,957</u>	<u>\$ 3,756</u>	<u>27 %</u>
Fixed income and other investments	\$ 94,227	\$ 104,342	\$ 107,641	\$ 109,888	\$ 112,611	2 %	20 %	\$ 82,050	\$ 110,126	34 %
Alternatives investments	3,273	3,597	3,802	4,171	4,727	13 %	44 %	3,113	4,265	37 %
Total average invested assets	<u>\$ 97,500</u>	<u>\$ 107,939</u>	<u>\$ 111,443</u>	<u>\$ 114,059</u>	<u>\$ 117,338</u>	<u>3 %</u>	<u>20 %</u>	<u>\$ 85,163</u>	<u>\$ 114,391</u>	<u>34 %</u>
NIER SUMMARY – CORPORATE & OTHER										
Fixed income and other investments	4.33%	4.34 %	4.28%	4.26%	4.12%	(14)bps	(21)bps	4.68%	3.99%	(69)bps
Alternative investments	1.81%	(22.46)%	17.66%	11.96%	11.95%	(1)bps	1,014bps	1.74%	13.79%	1,205bps
Total net investment earned rate	<u>3.51%</u>	<u>(7.57)%</u>	<u>13.19%</u>	<u>8.39%</u>	<u>7.28%</u>	<u>(111)bps</u>	<u>377bps</u>	<u>3.86%</u>	<u>8.92%</u>	<u>506bps</u>
Fixed income and other investment income	\$ 15	\$ 10	\$ 3	\$ 5	\$ 9	80 %	(40)%	\$ 62	\$ 17	(73)%
Alternatives investment income	3	(37)	29	19	19	— %	NM	9	67	NM
Total net investment earnings	<u>\$ 18</u>	<u>\$ (27)</u>	<u>\$ 32</u>	<u>\$ 24</u>	<u>\$ 28</u>	<u>17 %</u>	<u>56 %</u>	<u>\$ 71</u>	<u>\$ 84</u>	<u>18 %</u>
Fixed income and other investments	\$ 1,422	\$ 824	\$ 320	\$ 539	\$ 935	73 %	(34)%	\$ 1,785	\$ 627	(65)%
Alternatives investments	681	660	639	623	632	1 %	(7)%	688	635	(8)%
Total average invested assets	<u>\$ 2,103</u>	<u>\$ 1,484</u>	<u>\$ 959</u>	<u>\$ 1,162</u>	<u>\$ 1,567</u>	<u>35 %</u>	<u>(25)%</u>	<u>\$ 2,473</u>	<u>\$ 1,262</u>	<u>(49)%</u>

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

Net Investment Earned Rates (NIER), continued

Unaudited (in millions, except percentages)



NIER BY ASSET CLASS	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19 ¹	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
Corporate securities	3.88%	3.99%	3.93%	4.12%	3.94%	(18)bps	6bps	3.93%	3.99%	6bps
Structured securities										
RMBS	6.04%	6.03%	6.03%	5.07%	4.39%	(68)bps	(165)bps	5.78%	5.21%	(57)bps
CLO	4.95%	4.69%	4.76%	4.73%	4.57%	(16)bps	(38)bps	5.03%	4.69%	(34)bps
ABS	4.59%	4.55%	3.95%	4.34%	4.14%	(20)bps	(45)bps	4.58%	4.15%	(43)bps
CMBS	4.24%	4.18%	4.16%	3.93%	3.96%	3bps	(28)bps	4.33%	4.02%	(31)bps
Total structured securities	5.19%	5.07%	4.90%	4.64%	4.33%	(31)bps	(86)bps	5.15%	4.63%	(52)bps
State, municipal, political subdivisions and U.S. and foreign government	4.02%	4.19%	4.27%	3.80%	3.88%	8bps	(14)bps	4.40%	4.00%	(40)bps
Mortgage loans	4.97%	4.99%	4.91%	4.54%	4.66%	12bps	(31)bps	5.24%	4.67%	(57)bps
Alternative investments	9.13%	5.81%	4.36%	14.13%	9.26%	(487)bps	13bps	9.57%	9.30%	(27)bps
Other U.S. and Bermuda invested assets	2.55%	2.45%	2.70%	2.84%	2.94%	10bps	39bps	2.31%	2.85%	54bps
Consolidated net investment earned rate	4.52%	4.40%	4.28%	4.67%	4.35%	(32)bps	(17)bps	4.61%	4.43%	(18)bps

Note: Please refer to Notes to the Financial Supplement section and the Non-GAAP Measure Reconciliations for discussion on net investment earned rate. The investment results above are presented net of investment management fees. ¹ In the second quarter of 2019, we implemented a new management fee structure which changed the allocation of fees by asset class. Although the implementation of the new management fee structure had impacts on the allocation of fees by asset class, on a consolidated basis the impact was immaterial.

Credit Quality of Securities

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Fair Value	Percent of Total	Fair Value	Percent of Total
CREDIT QUALITY OF AFS SECURITIES (GAAP VIEW)				
NAIC designation				
1	\$ 31,311	51.6%	\$ 37,451	51.1%
2	25,871	42.6%	32,125	43.8%
Total investment grade	57,182	94.2%	69,576	94.9%
3	2,746	4.5%	2,845	3.9%
4	533	0.9%	709	1.0%
5	232	0.4%	124	0.2%
6	9	0.0%	17	0.0%
Total below investment grade	3,520	5.8%	3,695	5.1%
Total AFS securities including related parties	\$ 60,702	100.0%	\$ 73,271	100.0%
NRSRO designation				
AAA/AA/A	\$ 19,690	32.4%	\$ 26,726	36.5%
BBB	23,326	38.4%	28,818	39.3%
Non-rated ¹	9,624	15.9%	9,898	13.5%
Total investment grade ²	52,640	86.7%	65,442	89.3%
BB	2,670	4.4%	3,126	4.3%
B	875	1.4%	887	1.2%
CCC	2,340	3.9%	2,083	2.8%
CC and lower	1,296	2.1%	1,171	1.6%
Non-rated ¹	881	1.5%	562	0.8%
Total below investment grade	8,062	13.3%	7,829	10.7%
Total AFS securities including related parties	\$ 60,702	100.0%	\$ 73,271	100.0%
	Invested Asset Value³	% NAIC 1 or 2	Invested Asset Value³	% NAIC 1 or 2
SUMMARY OF NAIC 1 & 2 DESIGNATIONS BY ASSET CLASS (MANAGEMENT VIEW)				
Corporate securities	\$ 52,496	93.8%	\$ 55,512	93.6%
RMBS	9,410	96.0%	8,161	95.6%
CLO	7,823	94.5%	10,061	98.3%
ABS	7,146	92.8%	8,160	91.3%
CMBS	2,797	92.7%	3,253	96.2%
Total structured securities	27,176	94.3%	29,635	95.3%
State, municipal, political subdivisions and U.S. and foreign government	2,233	99.0%	2,302	99.2%
Short-term investments	775	100.0%	593	95.2%
Total NAIC 1 & 2 Designations	\$ 82,680		\$ 88,042	

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

Credit Quality of Invested Assets (Management view)

Unaudited (In millions, except percentages)



	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF INVESTED ASSETS				
NAIC designation				
1	\$ 45,287	51.7%	\$ 46,916	50.2%
2	37,393	42.7%	41,126	44.1%
Non-rated ³	—	—%	—	—%
Total investment grade	82,680	94.4%	88,042	94.3%
3	3,659	4.2%	3,818	4.1%
4	930	1.1%	1,133	1.2%
5	315	0.3%	315	0.4%
6	22	0.0%	34	0.0%
Non-rated ³	—	—%	—	—%
Total below investment grade	4,926	5.6%	5,300	5.7%
Total NAIC designated assets ²	87,606	100.0%	93,342	100.0%
Assets without NAIC designation				
Commercial mortgage loans				
CM1	4,276	39.3%	4,061	29.1%
CM2	4,184	38.4%	5,844	41.8%
CM3	1,894	17.4%	3,633	26.0%
CM4	393	3.6%	393	2.8%
CM5	138	1.3%	40	0.3%
CM6	—	—%	—	—%
CM7	—	—%	—	—%
Total CMLs	10,885	100.0%	13,971	100.0%
Residential mortgage loans				
In good standing	3,490	98.7%	4,479	98.6%
90 days late	33	0.9%	34	0.7%
In foreclosure	15	0.4%	30	0.7%
Total RMLs	3,538	100.0%	4,543	100.0%
Alternative investments	4,492		5,522	
Cash and equivalents	2,881		2,041	
Equity securities	467		515	
Other ⁴	1,165		1,206	
Total invested assets	\$ 111,034		\$ 121,140	

	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF INVESTED ASSETS				
NRSRO designation				
AAA/AA/A	\$ 30,630	35.0%	\$ 34,080	36.5%
BBB	33,289	38.0%	36,347	38.9%
Non-rated ³	13,522	15.4%	13,040	14.0%
Total investment grade	77,441	88.4%	83,467	89.4%
BB	3,587	4.1%	3,934	4.2%
B	1,316	1.5%	1,365	1.5%
CCC	2,610	3.0%	2,317	2.5%
CC and lower	1,412	1.6%	1,251	1.3%
Non-rated ³	1,240	1.4%	1,008	1.1%
Total below investment grade	10,165	11.6%	9,875	10.6%
Total NRSRO designated assets ²	87,606	100.0%	93,342	100.0%
Assets without NRSRO designation				
Commercial mortgage loans				
CM1	4,276	39.3%	4,061	29.1%
CM2	4,184	38.4%	5,844	41.8%
CM3	1,894	17.4%	3,633	26.0%
CM4	393	3.6%	393	2.8%
CM5	138	1.3%	40	0.3%
CM6	—	—%	—	—%
CM7	—	—%	—	—%
Total CMLs	10,885	100.0%	13,971	100.0%
Residential mortgage loans				
In good standing	3,490	98.7%	4,479	98.6%
90 days late	33	0.9%	34	0.7%
In foreclosure	15	0.4%	30	0.7%
Total RMLs	3,538	100.0%	4,543	100.0%
Alternative investments	4,492		5,522	
Cash and equivalents	2,881		2,041	
Equity securities	467		515	
Other ⁴	1,165		1,206	
Total invested assets	\$ 111,034		\$ 121,140	

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

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

Unaudited (In millions, except percentages)



	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF RMBS – NAIC DESIGNATION				
1	\$ 9,097	92.8%	\$ 7,813	91.5%
2	313	3.2%	348	4.1%
Non-rated ²	—	—%	—	—%
Total investment grade	9,410	96.0%	8,161	95.6%
3	248	2.5%	190	2.2%
4	112	1.1%	146	1.7%
5	28	0.3%	24	0.3%
6	16	0.1%	16	0.2%
Non-rated ²	—	—%	—	—%
Total below investment grade	404	4.0%	376	4.4%
Total invested assets RMBS	\$ 9,814	100.0%	\$ 8,537	100.0%

	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF CLOs – NAIC DESIGNATION				
1	\$ 4,666	56.4%	\$ 5,761	56.3%
2	3,157	38.1%	4,300	42.0%
Non-rated ²	—	—%	—	—%
Total investment grade	7,823	94.5%	10,061	98.3%
3	423	5.1%	144	1.4%
4	22	0.3%	22	0.2%
5	7	0.1%	7	0.1%
6	—	—%	—	—%
Total below investment grade	452	5.5%	173	1.7%
Total invested assets CLOs	\$ 8,275	100.0%	\$ 10,234	100.0%

	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF ABS – NAIC DESIGNATION				
1	\$ 4,720	61.3%	\$ 5,280	59.1%
2	2,426	31.5%	2,880	32.2%
Non-rated ²	—	—%	—	—%
Total investment grade	7,146	92.8%	8,160	91.3%
3	369	4.8%	499	5.6%
4	43	0.5%	133	1.5%
5	148	1.9%	143	1.6%
6	—	—%	—	—%
Non-rated ²	—	—%	—	—%
Total below investment grade	560	7.2%	775	8.7%
Total invested assets ABS	\$ 7,706	100.0%	\$ 8,935	100.0%

	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF RMBS – NRSRO DESIGNATION				
AAA/AA/A	\$ 1,129	11.5%	\$ 829	9.7%
BBB	314	3.2%	442	5.2%
Non-rated ²	3,337	34.0%	2,983	34.9%
Total investment grade	4,780	48.7%	4,254	49.8%
BB	507	5.1%	343	4.0%
B	372	3.8%	295	3.5%
CCC	2,521	25.7%	2,221	26.0%
CC and lower	1,410	14.4%	1,236	14.5%
Non-rated ²	224	2.3%	188	2.2%
Total below investment grade	5,034	51.3%	4,283	50.2%
Total invested assets RMBS	\$ 9,814	100.0%	\$ 8,537	100.0%

	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF CLOs – NRSRO DESIGNATION				
AAA/AA/A	\$ 4,530	54.7%	\$ 5,695	55.7%
BBB	3,555	43.0%	4,312	42.1%
Non-rated ²	—	—%	54	0.5%
Total investment grade	8,085	97.7%	10,061	98.3%
BB	161	1.9%	144	1.4%
B	29	0.4%	22	0.2%
CCC	—	—%	7	0.1%
CC and lower	—	—%	—	—%
Total below investment grade	190	2.3%	173	1.7%
Total invested assets CLOs	\$ 8,275	100.0%	\$ 10,234	100.0%

	December 31, 2018		September 30, 2019	
	Inv. Asset Value ¹	% of Total	Inv. Asset Value ¹	% of Total
CREDIT QUALITY OF ABS – NRSRO DESIGNATION				
AAA/AA/A	\$ 3,319	43.1%	\$ 4,265	47.7%
BBB	1,948	25.3%	2,165	24.2%
Non-rated ²	1,661	21.5%	1,729	19.4%
Total investment grade	6,928	89.9%	8,159	91.3%
BB	436	5.7%	475	5.3%
B	89	1.1%	102	1.2%
CCC	—	—%	—	—%
CC and lower	—	—%	—	—%
Non-rated ²	253	3.3%	199	2.2%
Total below investment grade	778	10.1%	776	8.7%
Total invested assets ABS	\$ 7,706	100.0%	\$ 8,935	100.0%

¹ Please refer to Notes to the Financial Supplement section for discussion on invested assets and Non-GAAP Measure Reconciliations section for the reconciliation of total investments including related parties to invested assets. ² Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security's respective NAIC designation. With respect to loan-backed and structured securities, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology.

Reserve Liabilities & Rollforwards

Unaudited (in millions, except percentages)



	December 31, 2018		September 30, 2019	
	Dollars	Percent of Total	Dollars	Percent of Total
RESERVE LIABILITIES				
Fixed indexed annuities	\$ 73,224	68.0%	\$ 77,065	64.8%
Fixed rate annuities	17,802	16.5%	18,960	16.0%
Total deferred annuities	91,026	84.5%	96,025	80.8%
Pension risk transfer annuities	4,710	4.4%	9,755	8.2%
Payout annuities	6,009	5.6%	6,217	5.2%
Funding agreements	3,826	3.5%	4,616	3.9%
Life and other	2,161	2.0%	2,212	1.9%
Total reserve liabilities	\$ 107,732	100.0%	\$ 118,825	100.0%

	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
RESERVE LIABILITY ROLLFORWARD										
Reserve liabilities – beginning	\$ 96,248	\$ 98,553	\$ 107,732	\$ 111,791	\$ 114,680	3 %	19 %	\$ 75,447	\$ 107,732	43 %
Deposits ¹	3,407	5,269	4,860	4,153	5,759	39 %	69 %	8,336	14,772	77 %
Acquisition and block reinsurance ²	—	7,878	—	—	—	— %	— %	19,104	—	(100)%
Withdrawals	(2,167)	(3,125)	(2,780)	(2,907)	(2,807)	3 %	(30)%	(5,734)	(8,494)	(48)%
Other reserve changes	1,065	(843)	1,979	1,643	1,193	(27)%	12 %	1,400	4,815	244 %
Reserve liabilities – ending	\$ 98,553	\$ 107,732	\$ 111,791	\$ 114,680	\$ 118,825	4 %	21 %	\$ 98,553	\$ 118,825	21 %

DEFERRED ANNUITY ACCOUNT VALUE ROLLFORWARD³

Account value – beginning	\$ 78,848	\$ 80,499	\$ 89,435	\$ 90,184	\$ 91,165	1 %	16 %	\$ 58,539	\$ 89,435	53 %
Deposits ¹	2,783	3,110	2,800	2,976	2,483	(17)%	(11)%	6,828	8,259	21 %
Acquisition and block reinsurance ²	—	7,815	—	—	—	— %	— %	17,721	—	(100)%
Premium and interest bonuses	77	68	58	68	55	(19)%	(29)%	197	181	(8)%
Fixed and index credits to policyholders	754	559	423	591	560	(5)%	(26)%	2,085	1,574	(25)%
Surrenders and benefits paid	(1,867)	(2,513)	(2,431)	(2,548)	(2,382)	7 %	(28)%	(4,616)	(7,361)	(59)%
Fee and product charges	(96)	(103)	(101)	(106)	(113)	(7)%	(18)%	(255)	(320)	(25)%
Account value – ending	\$ 80,499	\$ 89,435	\$ 90,184	\$ 91,165	\$ 91,768	1 %	14 %	\$ 80,499	\$ 91,768	14 %

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

Reserve liabilities – beginning	\$ 6,426	\$ 6,862	\$ 8,536	\$ 10,404	\$ 11,354	9 %	77 %	\$ 6,038	\$ 8,536	41 %
Deposits	472	2,010	1,922	1,008	3,106	208 %	NM	1,222	6,036	NM
Withdrawals	(93)	(405)	(143)	(158)	(205)	(30)%	(120)%	(541)	(506)	6 %
Other reserve changes	57	69	89	100	116	16 %	104 %	143	305	113 %
Reserve liabilities – ending	\$ 6,862	\$ 8,536	\$ 10,404	\$ 11,354	\$ 14,371	27 %	109 %	\$ 6,862	\$ 14,371	109 %

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

Deferred Annuity Liability Characteristics

Unaudited (in millions, except percentages)



	Surrender charge (gross)	Percent of total	Surrender charge (net of MVA)	Percent of total
SURRENDER CHARGE PERCENTAGES ON DEFERRED ANNUITIES ACCOUNT VALUE				
No Surrender Charge	\$ 20,728	22.6%	\$ 20,728	22.6%
0.0% < 2.0%	888	1.0%	2,692	2.9%
2.0% < 4.0%	3,418	3.7%	7,644	8.3%
4.0% < 6.0%	8,885	9.7%	15,161	16.5%
6.0% or greater	57,849	63.0%	45,543	49.7%
	<u>\$ 91,768</u>	<u>100.0%</u>	<u>\$ 91,768</u>	<u>100.0%</u>

	Surrender charge (gross)	MVA benefit	Surrender charge (net)
Aggregate surrender charge protection	6.2%	(0.6)%	5.6%

	Deferred annuities	Percent of total	Average surrender charge (gross)
YEARS OF SURRENDER CHARGE REMAINING ON DEFERRED ANNUITIES ACCOUNT VALUE			
No Surrender Charge	\$ 20,728	22.6%	—%
Less than 2	15,988	17.4%	5.2%
2 to less than 4	17,051	18.6%	6.7%
4 to less than 6	12,409	13.5%	8.2%
6 to less than 8	10,680	11.6%	9.5%
8 to less than 10	11,188	12.2%	10.4%
10 or greater	3,724	4.1%	14.2%
	<u>\$ 91,768</u>	<u>100.0%</u>	

	At minimum guarantees	Total account value	Percent of total account value at minimum guarantees
MINIMUM GUARANTEES ON DEFERRED ANNUITIES			
Fixed indexed annuities	\$ 16,447	\$ 73,092	23%
Fixed rate annuities	7,642	18,676	41%
Total deferred annuities	<u>\$ 24,089</u>	<u>\$ 91,768</u>	<u>26%</u>

	September 30, 2019
Distance to guarantees ¹	100 – 110

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

	December 31, 2018	September 30, 2019	Δ
DEFERRED ANNUITY RIDER RESERVE SUMMARY			
Rider reserve	\$ 3,025	\$ 3,989	32%
Account value with rider reserves	36,445	37,366	3%
Rider reserve as a percentage of account value with rider reserves	8.3%	10.7%	240bps

Capitalization & Regulatory Capital Ratios

Unaudited (in millions, except percentages)



	Quarterly Trends					Δ	
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y
CAPITALIZATION							
Total debt	\$ 991	\$ 991	\$ 991	\$ 991	\$ 992	— %	— %
Total shareholders' equity	8,978	8,276	10,117	12,365	13,545	10 %	51 %
Total capitalization	9,969	9,267	11,108	13,356	14,537	9 %	46 %
Less: Accumulated other comprehensive income (loss) (AOCI)	33	(472)	706	1,760	2,442	39 %	NM
Less: Accumulated change in fair value of reinsurance assets	(31)	(75)	309	639	727	14 %	NM
Total adjusted capitalization	<u>\$ 9,967</u>	<u>\$ 9,814</u>	<u>\$ 10,093</u>	<u>\$ 10,957</u>	<u>\$ 11,368</u>	4 %	14 %
EQUITY							
Total shareholders' equity	\$ 8,978	\$ 8,276	\$ 10,117	\$ 12,365	\$ 13,545	10 %	51 %
Less: Preferred stock	—	—	—	839	1,172	40 %	100 %
Total common shareholders' equity	8,978	8,276	10,117	11,526	12,373	7 %	38 %
Less: AOCI	33	(472)	706	1,760	2,442	39 %	NM
Less: Accumulated change in fair value of reinsurance assets	(31)	(75)	309	639	727	14 %	NM
Total adjusted common shareholders' equity	<u>\$ 8,976</u>	<u>\$ 8,823</u>	<u>\$ 9,102</u>	<u>\$ 9,127</u>	<u>\$ 9,204</u>	1 %	3 %
EQUITY BY SEGMENT							
Retirement Services	\$ 7,024	\$ 7,807	\$ 8,201	\$ 7,704	\$ 7,494	(3)%	7 %
Corporate and Other	1,952	1,016	901	1,423	1,710	20 %	(12)%
Total adjusted common shareholders' equity	<u>\$ 8,976</u>	<u>\$ 8,823</u>	<u>\$ 9,102</u>	<u>\$ 9,127</u>	<u>\$ 9,204</u>	1 %	3 %
FINANCIAL LEVERAGE							
Debt to capital ratio	9.9%	10.7 %	8.9%	7.4%	6.8%	(60)bps	(310)bps
AOCI	0.0%	(0.5)%	0.6%	1.2%	1.5%	30bps	150bps
Accumulated change in fair value of reinsurance assets	0.0%	(0.1)%	0.3%	0.4%	0.4%	0bps	40bps
Adjusted debt to capital ratio	<u>9.9%</u>	<u>10.1 %</u>	<u>9.8%</u>	<u>9.0%</u>	<u>8.7%</u>	(30)bps	(120)bps
REGULATORY CAPITAL RATIOS							
U.S. RBC ratio – Athene Annuity & Life Assurance Company			490%		421%		(6,900)bps
BSCR – Athene Life Re Ltd.			354%		340%		(1,400)bps
Athene Life Re Ltd. RBC ratio ¹			562%		405%		(15,700)bps

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

Financial Strength, Credit Ratings & Share Data

Unaudited (in millions, except percentages)



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

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

	Quarterly Trends					Δ		Year-to-Date		Δ
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	Q/Q	Y/Y	2018	2019	Y/Y
SHARE DATA										
Weighted average common shares outstanding – basic ¹	197.3	197.1	194.0	191.2	184.3	(4)%	(7)%	197.2	189.9	(4)%
Weighted average shares outstanding – diluted – Class A common shares ²	165.1	164.2	161.7	158.8	152.0	(4)%	(8)%	159.8	157.6	(1)%
Weighted average common shares outstanding – adjusted operating ³	196.1	195.5	192.2	189.4	182.3	(4)%	(7)%	196.0	188.1	(4)%
Common shares outstanding ⁴	197.3	195.0	194.1	185.4	182.5	(2)%	(8)%	197.3	182.5	(8)%
Adjusted operating common shares outstanding ³	197.2	193.5	192.4	184.4	181.4	(2)%	(8)%	197.2	181.4	(8)%

¹ Basic earnings per common share, including basic weighted average common shares outstanding, includes all classes eligible to participate in dividends for each period presented. ² Diluted earnings per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common shares outstanding, includes the dilutive impacts, if any, of Class B common shares, Class M common shares and any other stock-based awards. ³ Represents Class A common shares outstanding or weighted average common shares outstanding assuming conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares, Class M common shares and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date. ⁴ Represents common shares vested and outstanding for all classes eligible to participate in dividends for each period presented.

KEY OPERATING AND NON-GAAP MEASURES

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

ADJUSTED OPERATING INCOME AVAILABLE TO COMMON SHAREHOLDERS AND ADJUSTED OPERATING RETURN ON ASSETS (ROA)

Adjusted operating income available to common shareholders 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 available to common shareholders equals net income available to AHL common shareholders 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 VOBAs amortization and changes to guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) reserves (together, GLWB and GMDB reserves represent rider reserves) as well as the MVAs associated with surrenders or terminations of contracts.
- **Change in Fair Values of Derivatives and Embedded Derivatives – FIAs, Net of Offsets**—Impacts related to the fair value accounting for derivatives hedging the FIA index credits and the related embedded derivative liability fluctuations from period to period. The index reserve is measured at fair value for the current period and all periods beyond the current policyholder index term. However, the FIA hedging derivatives are purchased to hedge only the current index period. Upon policyholder renewal at the end of the period, new FIA hedging derivatives are purchased to align with the new term. The difference in duration between the FIA hedging derivatives and the index credit reserves creates a timing difference in earnings. This timing difference of the FIA hedging derivatives and index credit reserves is included as a non-operating adjustment, net of offsets related to DAC, DSI, and VOBAs 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 available to AHL common shareholders 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 available to AHL common shareholders 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 available to AHL common shareholders, we believe adjusted operating income available to common shareholders provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income available to common shareholders should not be used as a substitute for net income available to AHL common shareholders.

Adjusted operating ROA is a non-GAAP measure used to evaluate our financial performance and profitability. Adjusted operating ROA is computed using our adjusted operating income available to common shareholders divided by average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. While we believe each of these metrics are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for ROA presented under GAAP.

ADJUSTED OPERATING ROE

Adjusted operating ROE is a non-GAAP measure used to evaluate our financial performance excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, in each case net of DAC, DSI, rider reserve and tax offsets. Adjusted common shareholders' equity is calculated as the ending shareholders' equity 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 available to common shareholders, divided by average adjusted common shareholders' equity. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our AFS securities. Except with respect to reinvestment activity relating to acquired blocks of businesses, we typically buy and hold AFS investments to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance. Accordingly, we believe using measures which exclude AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets are useful in analyzing trends in our operating results. To enhance the ability to analyze these measures across periods, interim periods are annualized. Adjusted operating ROE should not be used as a substitute for ROE. However, we believe the adjustments to equity are significant to gaining an understanding of our overall financial performance.

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

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

ADJUSTED DEBT TO CAPITAL RATIO

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

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

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

- Net investment earned rate is a non-GAAP measure we use to evaluate the performance of our invested assets that does not correspond to GAAP net investment income. Net investment earned rate is computed as the income from our invested assets divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. The adjustments to arrive at our net investment earned rate add alternative investment gains and losses, gains and losses related to trading securities for CLOs, net VIE impacts (revenues, expenses and noncontrolling interest) and the change in fair value of reinsurance assets. We include the income and assets supporting our change in fair value of reinsurance assets by evaluating the underlying investments of the funds withheld at interest receivables and we include the net investment income from those underlying investments which does not correspond to the GAAP presentation of change in fair value of reinsurance assets. We exclude the income and assets supporting business that we have exited through ceded reinsurance including funds withheld agreements. We believe the adjustments for reinsurance provide a net investment earned rate on the assets for which we have economic exposure.
- Cost of funds includes liability costs related to cost of crediting on both deferred annuities and institutional products as well as other liability costs. Cost of funds is computed as the total liability costs divided by the average invested assets for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Cost of crediting includes the costs for both deferred annuities and institutional products. Cost of crediting on deferred annuities is the interest credited to the policyholders on our fixed strategies as well as the option costs on the indexed annuity strategies. With respect to FIAs, the cost of providing index credits includes the expenses incurred to fund the annual index credits, and where applicable, minimum guaranteed interest credited. Cost of crediting on institutional products is comprised of PRT costs including interest credited, benefit payments and other reserve changes, net of premiums received when issued, as well as funding agreement costs including the interest payments and other reserve changes. Cost of crediting is computed as the cost of crediting for deferred annuities and institutional products divided by the average invested assets for the relevant periods. Cost of crediting on deferred annuities is computed as the interest credited on fixed strategies and option costs on indexed annuity strategies divided by the average account value of our deferred annuities. Cost of crediting on institutional products is computed as the PRT and funding agreement costs divided by the average institutional reserve liabilities. Our average invested assets, account values and institutional reserve liabilities are averaged over the number of quarters in the relevant period to obtain our associated cost of crediting for such period. To enhance the ability to analyze these measures across periods, interim periods are annualized.
 - Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, premiums, product charges and other revenues. We believe a measure like other liability costs is useful in analyzing the trends of our core business operations and profitability. While we believe other liability costs is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total benefits and expenses presented under GAAP.
- Net investment earned rate, cost of funds, net investment spread and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our business. We believe these metrics are useful in analyzing the trends of our business operations, profitability and pricing discipline. While we believe each of these metrics are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for net investment income, interest sensitive contract benefits or total benefits and expenses presented under GAAP.
- Operating expenses excludes integration, restructuring and other non-operating expenses, stock compensation expense, interest expense and policy acquisition expenses. We believe a measure like operating expenses is useful in analyzing the trends of our core business operations and profitability. While we believe operating expenses is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for policy and other operating expenses presented under GAAP.

INVESTED ASSETS

In managing our business we analyze invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Invested assets represents the investments that directly back our reserve liabilities as well as surplus assets. Invested assets is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Invested assets includes (a) total investments on the consolidated balance sheets with AFS securities at cost or amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) the consolidated VIE assets, liabilities and noncontrolling interest, (f) net investment payables and receivables and (g) policy loans ceded (which offset the direct policy loans in total investments). Invested assets also excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). We include the underlying investments supporting our assumed funds withheld and modco agreements in our invested assets calculation in order to match the assets with the income received. We believe the adjustments for reinsurance provide a view of the assets for which we have economic exposure. Our invested assets are averaged over the number of quarters in the relevant period to compute our net investment earned rate for such period.

RESERVE LIABILITIES

In managing our business we also analyze reserve liabilities, which does not correspond to total liabilities as disclosed in our consolidated financial statements and notes thereto. Reserve liabilities represents our policyholder liability obligations net of reinsurance and is used to analyze the costs of our liabilities. Reserve liabilities includes (a) the interest sensitive contract liabilities, (b) future policy benefits, (c) dividends payable to policyholders, and (d) other policy claims and benefits, offset by reinsurance recoverable, excluding policy loans ceded. Reserve liabilities is net of the ceded liabilities to third-party reinsurers as the costs of the liabilities are passed to such reinsurers and, therefore, we have no net economic exposure to such liabilities, assuming our reinsurance counterparties perform under our agreements. The majority of our ceded reinsurance is a result of reinsuring large blocks of life business following acquisitions. For such transactions, GAAP requires the ceded liabilities and related reinsurance recoverables to continue to be recorded in our consolidated financial statements despite the transfer of economic risk to the counterparty in connection with the reinsurance transaction.

SALES

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

Non-GAAP Reconciliations

Unaudited (in millions, except per share data)



	Quarterly Trends					Year-to-Date	
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	2018	2019
RECONCILIATION OF BOOK VALUE PER COMMON SHARE TO ADJUSTED BOOK VALUE PER COMMON SHARE							
Book value per common share	\$ 45.51	\$ 42.45	\$ 52.12	\$ 66.69	\$ 74.20		
Preferred stock	—	—	—	(4.53)	(6.42)		
AOCI	(0.17)	2.42	(3.64)	(9.49)	(13.38)		
Accumulated change in fair value of reinsurance assets	0.16	0.39	(1.59)	(3.45)	(3.98)		
Effect of items convertible to or settled in Class A common shares	0.03	0.33	0.41	0.28	0.32		
Adjusted book value per common share	<u>\$ 45.53</u>	<u>\$ 45.59</u>	<u>\$ 47.30</u>	<u>\$ 49.50</u>	<u>\$ 50.74</u>		
RECONCILIATION OF AVERAGE SHAREHOLDERS' EQUITY TO AVERAGE ADJUSTED COMMON SHAREHOLDERS' EQUITY							
Average shareholders' equity	\$ 8,720	\$ 8,627	\$ 9,197	\$ 11,241	\$ 12,955	\$ 9,077	\$ 10,911
Less: Average preferred stock	—	—	—	420	1,006	—	586
Less: Average AOCI	90	(220)	117	1,233	2,101	741	985
Less: Average accumulated change in fair value of reinsurance assets	(10)	(53)	117	474	683	65	326
Average adjusted common shareholders' equity	<u>\$ 8,640</u>	<u>\$ 8,900</u>	<u>\$ 8,963</u>	<u>\$ 9,114</u>	<u>\$ 9,165</u>	<u>\$ 8,271</u>	<u>\$ 9,014</u>
Retirement Services	\$ 6,537	\$ 7,416	\$ 8,004	\$ 7,952	\$ 7,598	\$ 6,130	\$ 7,651
Corporate and Other	2,103	1,484	959	1,162	1,567	2,141	1,363
Average adjusted common shareholders' equity	<u>\$ 8,640</u>	<u>\$ 8,900</u>	<u>\$ 8,963</u>	<u>\$ 9,114</u>	<u>\$ 9,165</u>	<u>\$ 8,271</u>	<u>\$ 9,014</u>
RECONCILIATION OF BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – CLASS A TO WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – ADJUSTED OPERATING							
Basic weighted average common shares outstanding – Class A	164.5	164.2	161.3	158.5	151.6	159.3	157.2
Conversion of Class B shares to Class A shares	25.5	25.5	25.4	25.4	25.4	30.6	25.4
Conversion of Class M shares to Class A shares	5.6	5.2	5.1	5.1	4.9	5.6	5.1
Effect of other stock compensation plans	0.5	0.6	0.4	0.4	0.4	0.5	0.4
Weighted average common shares outstanding – adjusted operating	<u>196.1</u>	<u>195.5</u>	<u>192.2</u>	<u>189.4</u>	<u>182.3</u>	<u>196.0</u>	<u>188.1</u>
RECONCILIATION OF CLASS A COMMON SHARES OUTSTANDING TO ADJUSTED OPERATING COMMON SHARES OUTSTANDING							
Class A common shares outstanding	164.6	162.2	161.3	152.6	149.8		
Conversion of Class B common shares to Class A common shares	25.5	25.4	25.4	25.4	25.4		
Conversion of Class M common shares to Class A common shares	6.0	4.9	5.0	5.3	5.1		
Effect of other stock compensation plans	1.1	1.0	0.7	1.1	1.1		
Adjusted operating common shares outstanding	<u>197.2</u>	<u>193.5</u>	<u>192.4</u>	<u>184.4</u>	<u>181.4</u>		

Non-GAAP Reconciliations

Unaudited (in millions, except percentages)



	Quarterly Trends					Year-to-Date	
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	2018	2019
RECONCILIATION OF NET INVESTMENT INCOME TO NET INVESTMENT EARNINGS							
GAAP net investment income	\$ 1,070	\$ 1,121	\$ 1,066	\$ 1,161	\$ 1,070	\$ 2,883	\$ 3,297
Change in fair value of reinsurance assets	52	132	132	161	199	169	492
Net VIE earnings	39	(18)	21	24	23	55	68
Alternative income gain (loss)	(14)	(20)	(5)	12	6	(14)	13
Held for trading amortization and other	(21)	(11)	(11)	(13)	(6)	(65)	(30)
Total adjustments to arrive at net investment earnings	56	83	137	184	222	145	543
Total net investment earnings	\$ 1,126	\$ 1,204	\$ 1,203	\$ 1,345	\$ 1,292	\$ 3,028	\$ 3,840
Retirement Services	\$ 1,108	\$ 1,231	\$ 1,171	\$ 1,321	\$ 1,264	\$ 2,957	\$ 3,756
Corporate and Other	18	(27)	32	24	28	71	84
Total net investment earnings	\$ 1,126	\$ 1,204	\$ 1,203	\$ 1,345	\$ 1,292	\$ 3,028	\$ 3,840
RECONCILIATION OF NET INVESTMENT INCOME RATE TO NET INVESTMENT EARNED RATE							
GAAP net investment income rate	4.30 %	4.10 %	3.79 %	4.03 %	3.60 %	4.39 %	3.80 %
Change in fair value of reinsurance assets	0.20 %	0.48 %	0.47 %	0.56 %	0.67 %	0.26 %	0.57 %
Net VIE earnings	0.16 %	(0.07)%	0.08 %	0.09 %	0.08 %	0.08 %	0.08 %
Alternative income gain (loss)	(0.06)%	(0.07)%	(0.02)%	0.04 %	0.02 %	(0.02)%	0.01 %
Held for trading amortization and other	(0.08)%	(0.04)%	(0.04)%	(0.05)%	(0.02)%	(0.10)%	(0.03)%
Total adjustments to arrive at net investment earned rate	0.22 %	0.30 %	0.49 %	0.64 %	0.75 %	0.22 %	0.63 %
Consolidated net investment earned rate	4.52 %	4.40 %	4.28 %	4.67 %	4.35 %	4.61 %	4.43 %
Retirement Services	4.55 %	4.57 %	4.21 %	4.63 %	4.31 %	4.63 %	4.38 %
Corporate and Other	3.51 %	(7.57)%	13.19 %	8.39 %	7.28 %	3.86 %	8.92 %
Consolidated net investment earned rate	4.52 %	4.40 %	4.28 %	4.67 %	4.35 %	4.61 %	4.43 %
Retirement Services	\$ 97,500	\$ 107,939	\$ 111,443	\$ 114,059	\$ 117,338	\$ 85,163	\$ 114,391
Corporate and Other	2,103	1,484	959	1,162	1,567	2,473	1,262
Consolidated average invested assets	\$ 99,603	\$ 109,423	\$ 112,402	\$ 115,221	\$ 118,905	\$ 87,636	\$ 115,653

Non-GAAP Reconciliations

Unaudited (in millions, except percentages)



	Quarterly Trends					Year-to-Date	
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	2018	2019
RECONCILIATION OF INTEREST SENSITIVE CONTRACT BENEFITS TO COST OF CREDITING							
GAAP interest sensitive contract benefits	\$ 742	\$ (825)	\$ 1,516	\$ 1,094	\$ 801	\$ 1,115	\$ 3,411
Interest credited other than deferred annuities and institutional products	14	35	55	50	63	30	168
FIA option costs	231	275	278	280	282	611	840
Product charges (strategy fees)	(25)	(28)	(28)	(29)	(31)	(70)	(88)
Reinsurance embedded derivative impacts	29	14	15	14	14	35	43
Change in fair values of embedded derivatives – FIAs	(546)	1,039	(1,311)	(868)	(560)	(603)	(2,739)
Negative VOBA amortization	5	9	12	7	9	22	28
Other changes in interest sensitive contract liabilities	3	(3)	(2)	(1)	(2)	3	(5)
Total adjustments to arrive at cost of crediting	(289)	1,341	(981)	(547)	(225)	28	(1,753)
Retirement Services cost of crediting	\$ 453	\$ 516	\$ 535	\$ 547	\$ 576	\$ 1,143	\$ 1,658
GAAP interest sensitive contract benefits	3.04 %	(3.06)%	5.44 %	3.84 %	2.73 %	1.75 %	3.98 %
Interest credited other than deferred annuities and institutional products	0.06 %	0.13 %	0.20 %	0.18 %	0.21 %	0.05 %	0.19 %
FIA option costs	0.95 %	1.02 %	1.00 %	0.98 %	0.96 %	0.96 %	0.98 %
Product charges (strategy fees)	(0.10)%	(0.10)%	(0.10)%	(0.10)%	(0.10)%	(0.11)%	(0.10)%
Reinsurance embedded derivative impacts	0.12 %	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %
Change in fair values of embedded derivatives – FIAs	(2.24)%	3.85 %	(4.70)%	(3.05)%	(1.91)%	(0.94)%	(3.19)%
Negative VOBA amortization	0.02 %	0.03 %	0.04 %	0.02 %	0.03 %	0.03 %	0.03 %
Other changes in interest sensitive contract liabilities	0.01 %	(0.01)%	(0.01)%	0.00 %	(0.01)%	0.00 %	(0.01)%
Total adjustments to arrive at cost of crediting	(1.18)%	4.97 %	(3.52)%	(1.92)%	(0.77)%	0.04 %	(2.05)%
Retirement Services cost of crediting	1.86 %	1.91 %	1.92 %	1.92 %	1.96 %	1.79 %	1.93 %
Retirement Services cost of crediting on deferred annuities	1.98 %	2.00 %	1.98 %	1.98 %	1.98 %	1.93 %	1.98 %
Retirement Services cost of crediting on institutional products	3.54 %	3.74 %	3.69 %	3.76 %	3.68 %	3.29 %	3.71 %
Retirement Services cost of crediting	1.86 %	1.91 %	1.92 %	1.92 %	1.96 %	1.79 %	1.93 %
Retirement Services average invested assets	\$ 97,500	\$ 107,939	\$ 111,443	\$ 114,059	\$ 117,338	\$ 85,163	\$ 114,391
Average account value on deferred annuities	79,673	88,874	89,809	90,675	91,467	68,421	90,638
Average institutional reserve liabilities	6,608	7,827	9,809	10,470	13,320	6,301	11,200

Non-GAAP Reconciliations

Unaudited (in millions)



	Quarterly Trends					Year-to-Date	
	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	2018	2019
RECONCILIATION OF BENEFITS AND EXPENSES TO OTHER LIABILITY COSTS							
GAAP benefits and expenses	\$ 1,897	\$ 1,301	\$ 4,221	\$ 2,619	\$ 4,222	\$ 4,067	\$ 11,062
Premiums	(526)	(1,833)	(1,966)	(733)	(2,605)	(1,535)	(5,304)
Product charges	(119)	(128)	(125)	(132)	(135)	(321)	(392)
Other revenues	(10)	(4)	(12)	(9)	(6)	(22)	(27)
Cost of crediting	(193)	(227)	(242)	(253)	(280)	(497)	(775)
Change in fair value of embedded derivatives - FIA, net of offsets	(768)	1,266	(1,260)	(817)	(497)	(939)	(2,574)
DAC, DSI and VOBA amortization related to investment gains and losses	28	36	(173)	(181)	(151)	74	(505)
Rider reserves	1	8	(28)	(24)	(9)	8	(61)
Policy and other operating expenses, excluding policy acquisition expenses	(98)	(102)	(103)	(117)	(130)	(293)	(350)
AmerUs closed block fair value liability	8	14	(53)	(59)	(46)	98	(158)
Other	1	1	1	1	(5)	9	(3)
Total adjustments to arrive at other liability costs	(1,676)	(969)	(3,961)	(2,324)	(3,864)	(3,418)	(10,149)
Other liability costs	\$ 221	\$ 332	\$ 260	\$ 295	\$ 358	\$ 649	\$ 913
Retirement Services	\$ 221	\$ 332	\$ 260	\$ 295	\$ 358	\$ 649	\$ 913
Corporate and Other	—	—	—	—	—	—	—
Consolidated other liability costs	\$ 221	\$ 332	\$ 260	\$ 295	\$ 358	\$ 649	\$ 913
RECONCILIATION OF POLICY AND OTHER OPERATING EXPENSES TO OPERATING EXPENSES							
Policy and other operating expenses	\$ 158	\$ 172	\$ 165	\$ 185	\$ 194	\$ 454	\$ 544
Interest expense	(15)	(13)	(17)	(15)	(15)	(44)	(47)
Policy acquisition expenses, net of deferrals	(60)	(70)	(62)	(69)	(63)	(163)	(194)
Integration, restructuring and other non-operating expenses	(2)	(4)	(1)	(11)	(34)	(18)	(46)
Stock compensation expenses	(3)	(3)	(3)	(3)	(3)	(8)	(9)
Total adjustments to arrive at operating expenses	(80)	(90)	(83)	(98)	(115)	(233)	(296)
Operating expenses	\$ 78	\$ 82	\$ 82	\$ 87	\$ 79	\$ 221	\$ 248
Retirement Services	\$ 63	\$ 65	\$ 62	\$ 68	\$ 67	\$ 177	\$ 197
Corporate and Other	15	17	20	19	12	44	51
Consolidated operating expenses	\$ 78	\$ 82	\$ 82	\$ 87	\$ 79	\$ 221	\$ 248

Non-GAAP Reconciliations

Unaudited (in millions)



	December 31, 2018	September 30, 2019
RECONCILIATION OF TOTAL INVESTMENTS INCLUDING RELATED PARTIES TO INVESTED ASSETS		
Total investments including related parties	\$ 107,632	\$ 127,101
Derivative assets	(1,043)	(2,386)
Cash and cash equivalents (including restricted cash)	3,403	4,032
Accrued investment income	682	781
Payables for collateral on derivatives	(969)	(2,323)
Reinsurance funds withheld and modified coinsurance	223	(1,698)
VIE and VOE assets, liabilities and noncontrolling interest	718	669
Unrealized (gains) losses	808	(4,243)
Ceded policy loans	(281)	(277)
Net investment receivables (payables)	(139)	(516)
Total adjustments to arrive at invested assets	3,402	(5,961)
Total invested assets	<u>\$ 111,034</u>	<u>\$ 121,140</u>
RECONCILIATION OF INVESTMENT FUNDS INCLUDING RELATED PARTIES AND VIES TO ALTERNATIVE INVESTMENTS		
Investment funds including related parties and VIEs	\$ 3,559	\$ 4,094
Nonredeemable preferred stock included in equity securities	—	506
CLO equities included in trading securities	125	101
Investment funds within funds withheld at interest	660	745
Royalties and other assets included in other investments	71	67
Net assets of the VIE, excluding investment funds	50	(2)
Unrealized (gains) losses and other adjustments	27	11
Total adjustments to arrive at alternative investments	933	1,428
Alternative investments	<u>\$ 4,492</u>	<u>\$ 5,522</u>
RECONCILIATION OF TOTAL LIABILITIES TO RESERVE LIABILITIES		
Total liabilities	\$ 117,229	\$ 130,657
Long-term debt	(991)	(992)
Derivative liabilities	(85)	(46)
Payables for collateral on derivatives	(969)	(2,323)
Funds withheld liability	(721)	(768)
Other liabilities	(888)	(1,708)
Liabilities of consolidated VIEs	(1)	(1)
Reinsurance ceded receivables	(5,534)	(5,697)
Policy loans ceded	(281)	(277)
Other	(27)	(20)
Total adjustments to arrive at reserve liabilities	(9,497)	(11,832)
Total reserve liabilities	<u>\$ 107,732</u>	<u>\$ 118,825</u>