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- Life Insurance Industry Overview

Industry Overview

Main Products

2 categories of life insurance products

- Protection policies (term life insurance)
- Investment policies
 - Whole life
 - Universal life
 - Variable life
 - Retirement services: variable and fixed annuities

Major Players



Prudential



Business Model

- Primary source of cash flow: premiums from policyholders
- Net investment income: difference between income earned from invested funds and the interest credited to customers
- Fee income



Competitive Factors

Based on Athene's products

Product or Service	Competitive Factor
Life insurance companies in general	<ul style="list-style-type: none">• Investment management• Size of investment portfolio and excess capital• Credit or financial strength ratings
Fixed annuities	<ul style="list-style-type: none">• Crediting rates• Product features
Pension risk transfers	<ul style="list-style-type: none">• Price, underwriting, and investment capabilities
Funding agreements	<ul style="list-style-type: none">• Perceived financial strength• Interest rates• Term
Block reinsurance	<ul style="list-style-type: none">• Perceived financial strength• Brand recognition and reputation• Pricing

How does Athene fit into the picture?

Retail

Customers: consumers nearing retirement or mid-career planning for retirement

- Fixed index annuities
- Fixed rate annuities
- Payout annuities

Competitors:

- Allianz Life
- American Equity Investment Life Insurance
- Brighthouse Financial
- Lincoln Financial Group

Market Share:

Total fixed annuity market: **4.9%**

Fixed index annuities: **8.9%**

Institutional

Customers: large companies or institutions

- Pension risk transfers (PRTs)
Reduce or eliminate institutions' pension plans' assets and liabilities
- Funding agreements

Competitors:

- MetLife
- AIG

Flow Reinsurance & Block Reinsurance

Customers: other life and annuity companies

- Flow reinsurance
Reinsurance of future premiums (organic deposits)
- Block reinsurance
Reinsurance of existing businesses (inorganic deposits)

Competitors:

- Reinsurance Group of America
- Global Atlantic



- Thesis I: Financial Performance & Balance Sheet

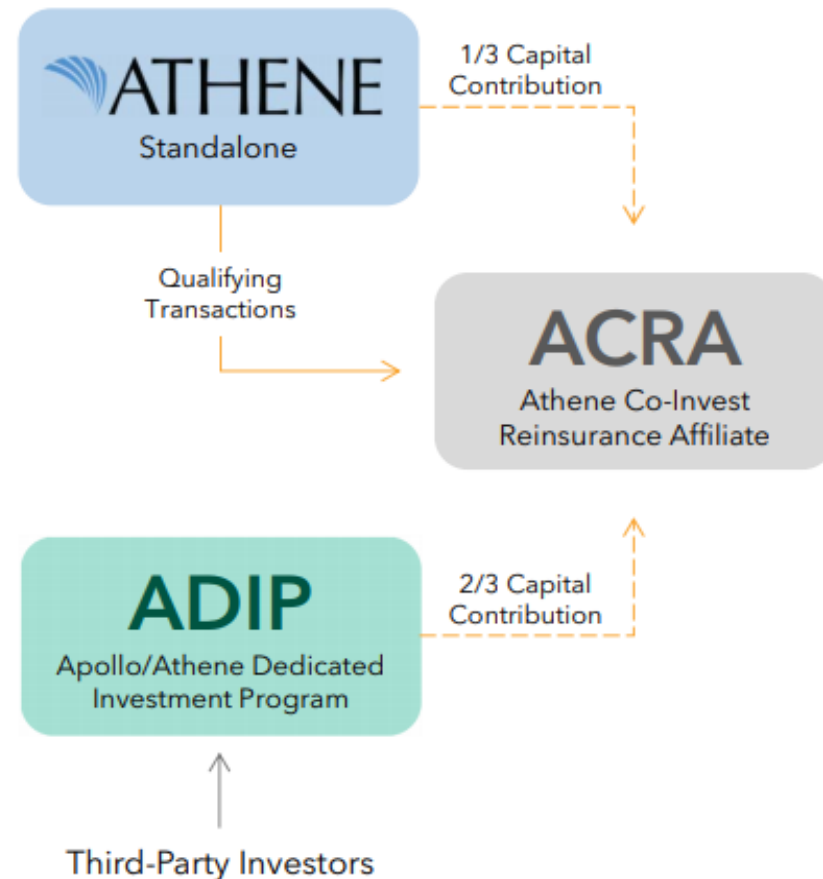
Athene Co-Invest Reinsurance Affiliate (ACRA)

Capital Need:

- Capitalize on industry restructuring as a solutions provider; \$100Bn+ inorganic opportunity
- Opportunistic share repurchases
- Support annual organic growth
- Pursue ratings upgrades
- Retain opportunistic capacity

ACRA Benefits:

- Targeted On-Demand Capital: \$4Bn
- Provides On-Demand, direct equity capital without dilution to shareholders

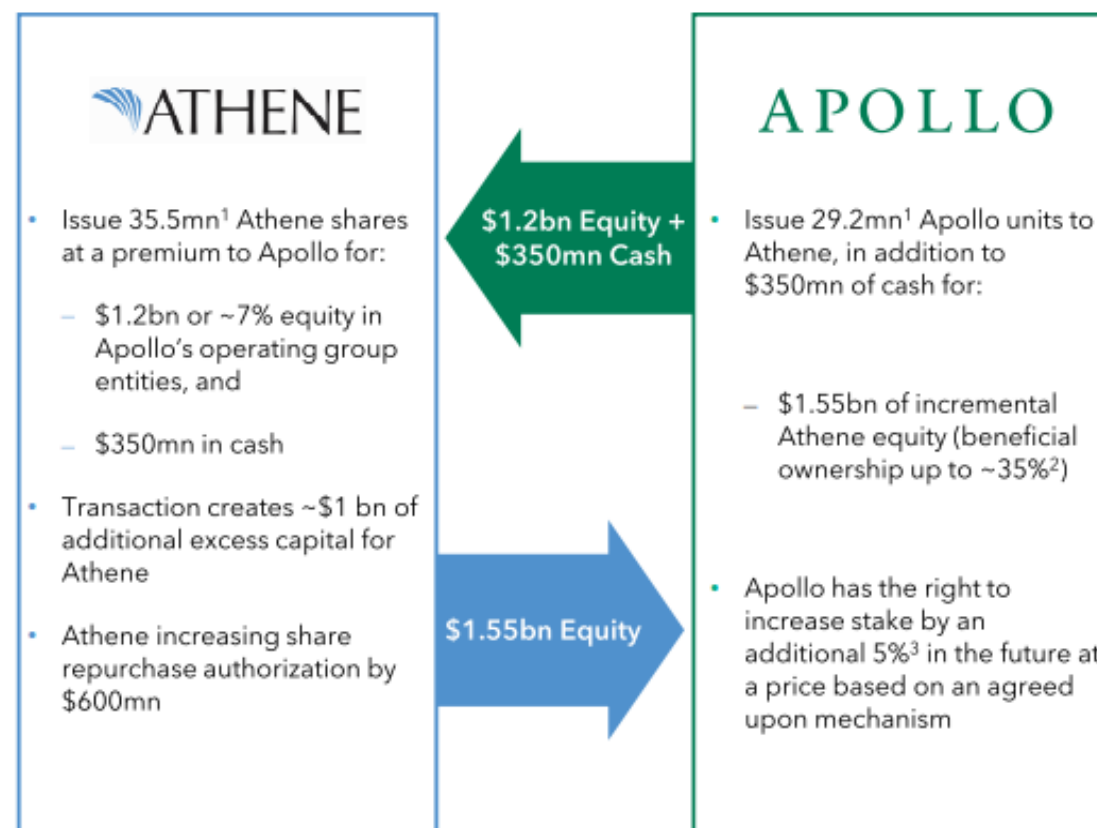


Apollo's Stake in ATH

Enhanced Liquidity:

- Potential S&P inclusion would significantly increase ATH's exposure to investors
- Expansion of ATH's passive and active investor universe may lead to re-rating of valuation multiples to be more in line with ATH's operating performance

Transaction





Financial Highlights

Share Repurchase Program:

- Authorization of \$600M of additional share repurchase activity (total of \$640 M)
- Intends to use \$350M of cash proceeds from Apollo towards this authorization

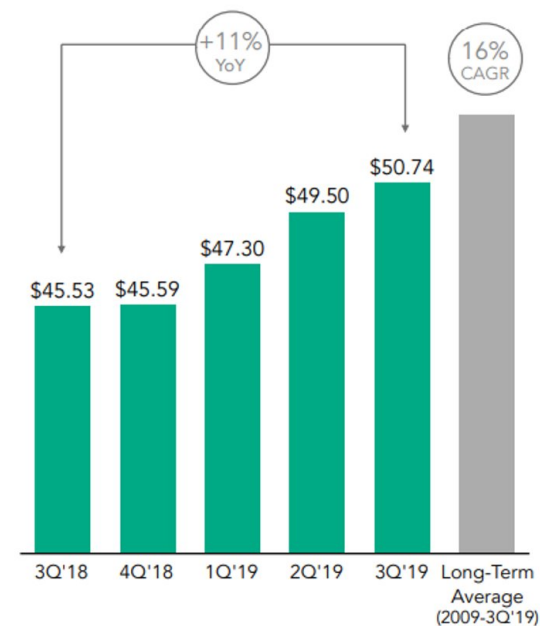
Financial Results Highlights:

- Assets: Total invested assets of \$121 Bn (up 20% YoY)
- Liabilities: Quarterly organic deposits of \$5.6 Bn (up 72% YoY)
- Capital: Available capital of \$4.3 Bn; \$1.8 Bn excess capital; \$2.5 Bn untapped debt capacity

Financial Metrics

Metric	ATH (Current)	Industry (Current)	ATH (Historical)
P/E	5.9x	8.9x	6.7x
P/B	0.59x	0.78x	1.0x
ROE	10.44%	8.57%	
ROA	0.91%	0.75%	

Adjusted Book Value Per Common Share



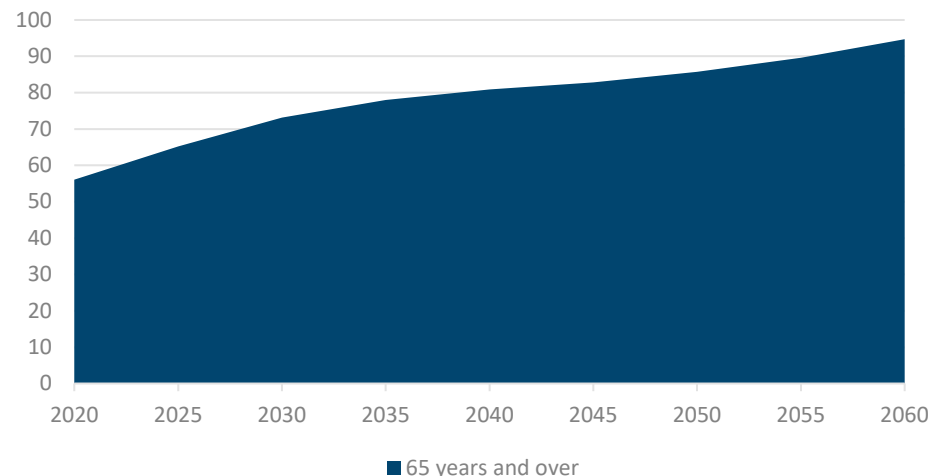


- Thesis II: Aging Population Tailwinds

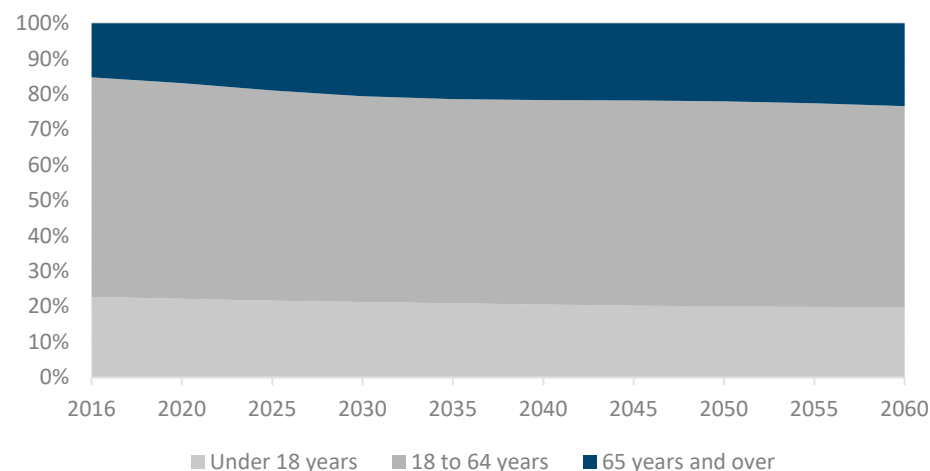
Aging Population

- Over the next 10 years, the population of individuals over the age of 65 is expected to grow by 17mm to 73mm, an increase of 30%
- Senior citizens will also increase as a portion of the population, growing 4 percentage points, or 22%. By 2030, 1 in every 5 U.S. individuals will be over the age of 65
- This is a crucial demographic for annuity products – according to a 2013 Gallup survey, the median age at which individuals purchase an annuity is 52

U.S. Population, Age 65 Years and Over (MM)

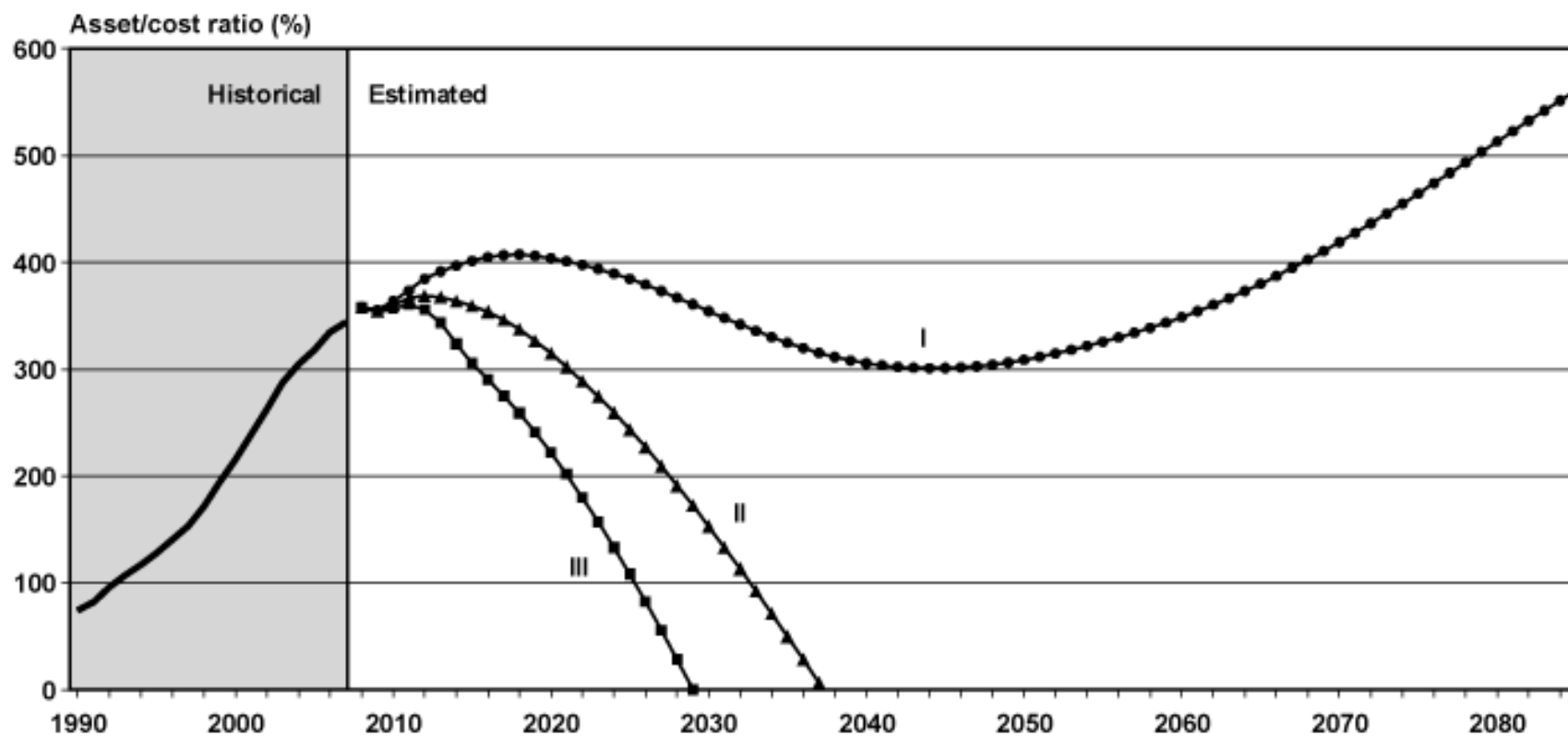


Total U.S. Population Projections (%)



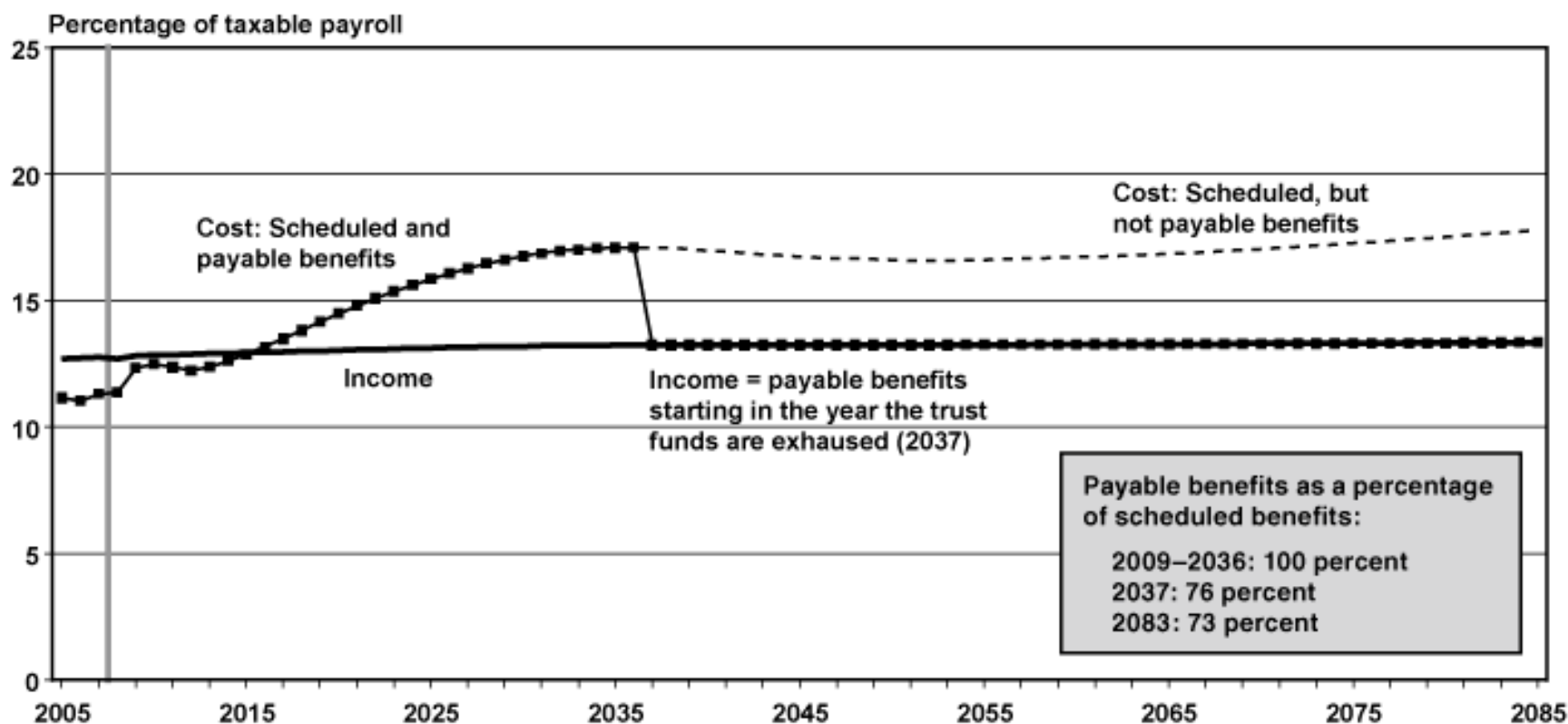
Social Security Funding

- According to data from SSA, as early as 2035 the U.S. Social Security Program will be fully depleted of assets



Social Security Funding

- At this time, payable benefits will equal program inflows, causing an immediate 14% drop in benefits paid to individuals receiving Social Security, which will continue to decrease over time
- The current significant aging Boomer population will increasingly need to seek other forms of fixed income in retirement (annuities)



Pension Assets

- Unlike Social Security, pensions have been doing well. Over the past 10 years, pension financial assets have grown at a CAGR of 9.6%
- A more substantial pension market will provide significant opportunities for Athene to continually source and execute Pension Risk Transfers, providing further means to grow book value and total assets

US Pension Fund Total Financial Assets (\$Tn)





- Thesis III: Best-in-Class Portfolio Management

Portfolio Management

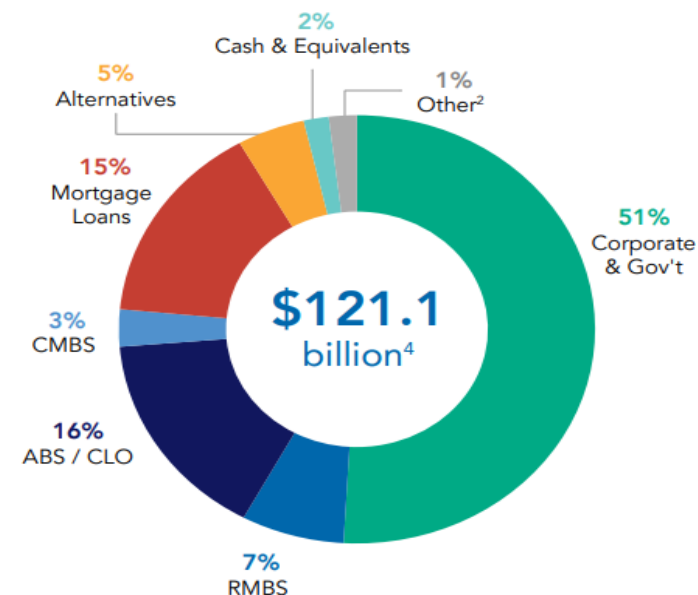
1. Experienced Portfolio Management Team

- Jim Belardi, CEO, CIO, Co-Founder
- Previously President of SunAmerica Life Insurance and EVP and CIO of AIG Retirement Services (invested \$250 Bil portfolio)

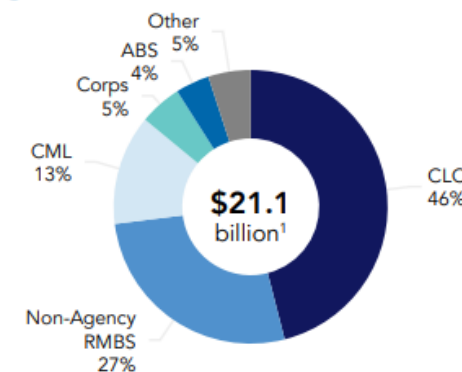
2. Strong Investment Portfolio Management

- Asset management differentiation via allocation and not credit risk
- Quality fixed income investments
 - Fixed rate portfolio makes up 78% of total invested assets
 - 95% are NAIC 1 or 2 (highest credit or high-quality credit securities respectively)
 - Net investment yield from fixed income is 40 bps above peers
- Floating rate portfolio
 - Generally bought below par
 - Produce +/- \$30-\$35 mil of adj. operating income per year for every 25 bps change in rates
 - Management is actively seeking opportunities to generate attractive yields in declining interest rate environment
 - In some cases via direct origination from Apollo's platform

Investment Portfolio Composition



- Floating Rate Portfolio (17%¹ of total invested assets)



Portfolio Management

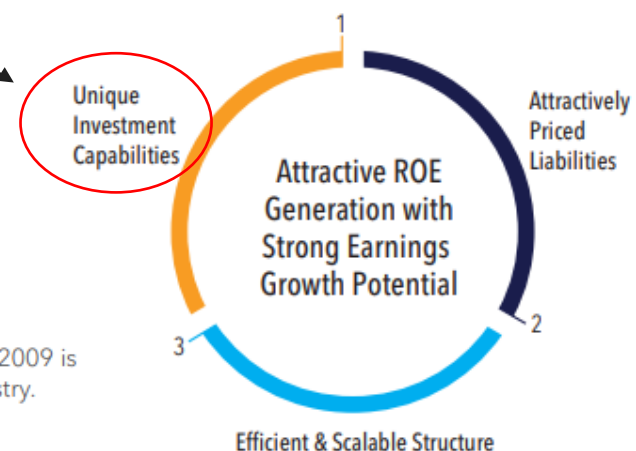
3. Connection to Apollo

- Unique investment capabilities
- Offers better approach to asset allocation
 - Apollo is actively investing in long-term capabilities to directly originate a diverse selection of senior secured assets to support expanding asset portfolio

4. Favorable Approach to Market Volatility

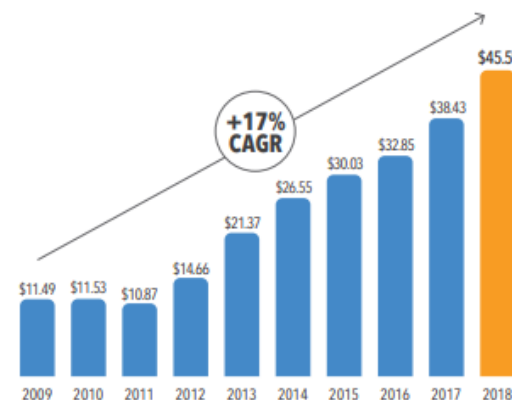
- Management maintains capital, liquidity and portfolio positioning for opportunistic investing
- Ex. Purchased more than \$350 mil in investment grade corporates in December of 2018 at a yield premium to other credit ATH saw during the year

5. Continuing to Deploy Capital and Grow Book Value



Our 17% compound annual growth since 2009 is more than four times better than the industry.

Significant Growth in Adjusted Book Value Per Share Reflects Desire for Long-Term Accretion





- Risks: Interest Rate Exposure

Falling Interest Rates

Effects

- Greater claim costs as customers opt not to take withdrawals from life insurance and annuity products
- Reinvestment of cash into high-yield instruments to keep returns up will yield higher risk
- Floating rate investment income would decrease
- Lower yields for currently held assets and new purchases

“investment portfolio includes \$20.6 billion of floating rate investments, or 17% of our total invested assets as of September 30, 2019” – ATH Q3 2019 10Q



Falling Interest Rates – Risk Mitigation

Interest Rate Swaps

What are they?

- *Agreements to exchange the difference between fixed-rate and floating-rate interest amounts tied to an agreed-upon notional principal amount at specified intervals*

<i>(In millions)</i>	September 30, 2019		
	Notional Amount	Fair Value	
		Assets	Liabilities
Derivatives designated as hedges			
Foreign currency swaps	2,811	\$ 216	\$ 17
Foreign currency forwards	1,130	9	5
Total derivatives designated as hedges		225	22
Derivatives not designated as hedges			
Equity options	49,288	2,123	8
Futures	8	7	1
Total return swaps	70	—	1
Foreign currency swaps	38	3	—
Interest rate swaps	310	—	2
Credit default swaps	10	—	4
Foreign currency forwards	1,718	28	8
Embedded derivatives			
Funds withheld including related party	—	1,459	35
Interest sensitive contract liabilities	—	—	10,273
Total derivatives not designated as hedges		3,620	10,332
Total derivatives		\$ 3,845	\$ 10,354



Risks – Honorable Mentions

- Apollo may terminate its investment management agreements with ATH at any time
- ATH could fail to obtain or maintain approval of insurance regulators and other regulatory authorities as required for its insurance subsidiaries
- Amount of statutory capital that insurance subsidiaries have or are required to hold can vary significantly from time to time and is sensitive to a number of factors outside of our control



- Valuation



Comparable Companies

Relative Valuation for Athene Holdings

Company Information				Market Valuation					Valuation Metrics (Blended Forward)						Beta Calculation			
Ticker	Country	Identifier	Firm	Share price	Shares Outstanding	Market Cap	Net Debt	Preferred Equity & NCI	Enterprise Value	P/B	P/E	ROE	Op. Income / Net Prem	Debt / Assets	New Prem. Growth	Raw Beta	Tax rate	Unlevered Beta
U.S. Independent																		
ATH	US	ATH US EQUITY	Athene Holding Ltd	\$43.89	197.1	\$8,650.7	(\$1,920.0)	\$0.0	\$6,730.7	0.6x	6.1x	14.2%	35%	1%	395.25%	1.10	10.38%	1.38
LNC	US	LNC US EQUITY	Lincoln National Corp	\$58.76	205.9	\$12,096.5	\$3,494.0	\$0.0	\$15,590.5	0.6x	6.0x	4.8%	47%	2%	0.15%	1.55	12.94%	1.24
PRU	US	PRU US EQUITY	Prudential Financial Inc	\$93.65	410.7	\$38,463.2	\$14,426.0	\$414.0	\$53,303.2	0.6x	7.7x	6.9%	17%	4%	-21.26%	1.40	17.00%	1.07
MET	US	MET US EQUITY	MetLife Inc	\$49.27	958.6	\$47,230.9	\$1,483.0	\$3,622.0	\$52,335.9	0.7x	8.4x	12.6%	17%	3%	5.26%	1.32	18.69%	1.29
MFC	CN	MFC CN EQUITY	Manulife Financial Corp	\$19.89	1,971.0	\$39,211.3	\$12,456.0	\$3,607.6	\$55,274.9	1.1x	8.4x	11.1%	28%	4%	83.00%	1.31	11.45%	1.02
Top Quartile																		
Mean																		
Median																		
Bottom Quartile																		

Model



Reserve Liabilities

**in millions of USD*

	Historical Period				Estimation Period								
	Q4 2018 12/31/2018	Q1 2019 03/31/2019	Q2 2019 06/30/2019	Q3 2019 9/30/2019	Q4 2019E 12/31/2019	Q1 2020E 3/31/2020	Q2 2020E 6/30/2020	Q3 2020E 9/30/2020	Q4 2020E 12/31/2020	Q1 2021E 3/31/2021	Q2 2021E 6/30/2021	Q3 2021E 9/30/2021	Q4 2021E 9/30/2021
Reserve Liabilities Calculation													
Fixed Indexed Annuities	73,224	74,950	76,327	77,065	77,559	78,056	78,557	79,060	79,567	80,077	80,591	81,107	81,627
Fixed Rate Annuities	17,802	18,267	18,669	18,960	19,110	19,261	19,413	19,567	19,722	19,878	20,035	20,193	20,353
Total Deferred Annuities	91,026	93,217	94,996	96,025	96,669	97,970	99,288	100,624	101,978	103,350	104,741	106,150	107,578
Pension Risk Transfer Annuities	4,710	5,976	7,229	9,755	10,243	10,755	11,293	11,857	12,450	13,073	13,726	14,413	15,133
Payout Annuities	6,009	6,589	5,938	6,217	6,188	6,188	6,188	6,188	6,188	6,188	6,188	6,188	6,188
Funding Agreements	3,826	3,815	4,125	4,616	4,838	5,070	5,314	5,569	5,837	6,117	6,411	6,719	7,042
Life & Other	2,161	2,194	2,392	2,212	2,225	2,238	2,251	2,264	2,277	2,291	2,304	2,318	2,331
German Products	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Reserve Liabilities	107,732	111,791	114,680	118,825	120,163	122,221	124,334	126,503	128,730	131,019	133,370	135,788	138,273
<i>Q/Q Change</i>					<i>1,338</i>	<i>2,058</i>	<i>2,113</i>	<i>2,169</i>	<i>2,228</i>	<i>2,288</i>	<i>2,352</i>	<i>2,417</i>	<i>2,485</i>
Reconciliation of Reserve Liabilities to Liabilities													
Total Reserve Liabilities	107,732	111,791	114,680	118,825	120,163	122,221	124,334	126,503	128,730	131,019	133,370	135,788	138,273
Long-term Debt	991	991	991	992	992	992	992	992	992	992	992	992	992
Short-term Debt	-	-	-	-	300	300	-	-	-	-	-	-	-
Derivative liabilities	85	85	80	46	39	34	29	25	21	18	16	13	12
Payables for collateral on derivatives	969	1,781	2,183	2,323	2,420	2,522	2,627	2,737	2,852	2,971	3,095	3,225	3,360
Funds withheld liability	721	724	759	768	814	864	916	971	1,030	1,092	1,158	1,228	1,302
Other liabilities	888	1,410	1,958	1,708	1,491	1,491	1,491	1,491	1,491	1,491	1,491	1,491	1,491
Liabilities of consolidated VIEs	1	1	1	1	1	1	1	1	1	1	1	1	1
Resinsurance ceded receivables	5,534	5,647	5,678	5,697	5,761	5,860	5,961	6,065	6,172	6,282	6,394	6,510	6,629
Policy loans ceded	281	283	280	277	280	285	290	295	300	305	311	317	322
Other liabilities	27	27	5	20	20	21	21	21	22	22	22	23	23
Total Adjustments	9,497	10,949	11,935	11,832	12,120	12,368	12,328	12,598	12,880	13,174	13,481	13,800	14,132
Total Liabilities	117,229	122,740	126,615	130,657	132,282	134,589	136,661	139,101	141,611	144,193	146,851	149,587	152,405



Model

Net Investment Earned Rates

TTM Average NIER to Project Asset base increase

By Asset Class	Q4 2018 12/31/2018	Q1 2019 03/31/2019	Q2 2019 06/30/2019	Q3 2019 9/30/2019	Average	Quarterly
Corporate Securities	3.99%	3.93%	4.12%	3.94%	4.00%	0.98%
Structured Securities						
RMBS	6.03%	6.03%	5.07%	4.39%	5.38%	1.32%
CLO	4.69%	4.76%	4.73%	4.57%	4.69%	1.15%
ABS	4.55%	3.95%	4.34%	4.14%	4.25%	1.04%
CMBS	4.18%	4.16%	3.93%	3.96%	4.06%	1.00%
Total Structured Sec.	5.07%	4.90%	4.64%	4.33%	4.74%	1.16%
State, Muni, & Foreign	4.19%	4.27%	3.80%	3.88%	4.04%	0.99%
Mortgage Loans	4.99%	4.91%	4.54%	4.66%	4.78%	1.17%
Alternative Investments	5.81%	4.36%	14.13%	9.26%	8.39%	2.03%
Consolidated NIER	4.40%	4.28%	4.67%	4.35%	4.43%	1.09%



Model

	Q4 2019E 12/31/2019	Q1 2020E 3/31/2020	Q2 2020E 6/30/2020	Q3 2020E 9/30/2020	Q4 2020E 12/31/2020	Q1 2021E 3/31/2021	Q2 2021E 6/30/2021	Q3 2021E 9/30/2021	Q4 2021E 9/30/2021
Management View	Estimation								
Corporate	59,894	60,811	61,913	63,039	64,191	65,368	66,571	67,802	69,061
CLO	10,352	10,528	10,736	10,949	11,166	11,389	11,617	11,850	12,089
Credit	70,246	71,338	72,649	73,988	75,357	76,757	78,188	79,652	81,150
RMBS	8,650	8,811	8,999	9,193	9,390	9,593	9,800	10,012	10,229
Mortgage Loans	18,731	19,053	19,434	19,823	20,222	20,629	21,046	21,472	21,909
CMBS	3,417	3,470	3,533	3,598	3,664	3,732	3,801	3,872	3,944
Real Estate for Investment	-	-	-	-	-	-	-	-	-
Real Estate	30,798	31,333	31,966	32,614	33,276	33,953	34,647	35,356	36,082
ABS	9,028	9,172	9,344	9,519	9,699	9,882	10,070	10,262	10,458
Alternatives	5,634	5,779	5,944	6,113	6,287	6,466	6,649	6,838	7,032
Municipal & Foreign Governments	2,290	2,325	2,367	2,410	2,455	2,500	2,546	2,594	2,642
Unit Linked Assets	-	-	-	-	-	-	-	-	-
Equity Securities	515	531	548	566	585	604	624	644	665
Short-term Investments	623	676	734	798	867	941	1,021	1,108	1,202
US Government & Agencies	53	53	53	53	53	53	53	53	53
Other Investments	18,143	18,535	18,990	19,460	19,944	20,445	20,963	21,498	22,052
Cash & Equivalents	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552
Policy Loans & Other	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196	1,196
Total Invested Assets	122,934	124,955	127,353	129,809	132,326	134,904	137,546	140,255	143,032
+ <i>New capital from liability increase</i>	1,338	2,058	2,113	2,169	2,228	2,288	2,352	2,417	2,485
(-) <i>Burn rate</i>	50%	50%	50%	50%	50%	50%	50%	50%	50%
= <i>New capital into investments</i>	669	1,029	1,056	1,085	1,114	1,144	1,176	1,209	1,243
Total Invested Asset Base	123,603	125,984	128,410	130,894	133,439	136,048	138,722	141,463	144,275



Reconciliation of Total Invested Assets to Total Investments including Related Parties

From Management View to GAAP View

	Q4 2018 12/31/2018	Q1 2019 03/31/2019	Q2 2019 06/30/2019	Q3 2019 9/30/2019
Total Invested Assets	111,034	113,771	116,671	121,140
Derivative Assets	1,043	1,920	2,299	2,386
Cash & Equivalents	(3,403)	(3,518)	(5,238)	(4,032)
Accrued Investment Income	(682)	(751)	(758)	(781)
Payables for collateral on derivatives	969	1,781	2,183	2,323
Reinsurance funds withheld	(223)	578	1,236	1,698
VIE & VOE	(718)	(676)	(656)	(669)
Unrealized (gains) losses	(808)	1,254	3,084	4,243
Ceded policy loans	281	283	280	277
Net investment receivables	139	1,045	1,005	516
Total Adjustments	(3,402)	1,916	3,435	5,961
Total investments including RP	107,632	115,687	120,106	127,101

Estimation Period

	Q4 2019E 12/31/2019	Q1 2020E 3/31/2020	Q2 2020E 6/30/2020	Q3 2020E 9/30/2020	Q4 2020E 12/31/2020	Q1 2021E 3/31/2021	Q2 2021E 6/30/2021	Q3 2021E 9/30/2021	Q4 2021E 9/30/2021
	123,603	125,984	128,410	130,894	133,439	136,048	138,722	141,463	144,275
	2,392	2,454	2,501	2,549	2,599	2,649	2,701	2,755	2,810
	(4,140)	(4,183)	(4,227)	(4,271)	(4,316)	(4,361)	(4,407)	(4,453)	(4,500)
	(803)	(828)	(855)	(882)	(910)	(938)	(968)	(999)	(1,030)
	2,420	2,522	2,627	2,737	2,852	2,971	3,095	3,225	3,360
TTM Average	822	822	822	822	822	822	822	822	822
	(680)	(680)	(680)	(680)	(680)	(680)	(680)	(680)	(680)
	2,860	3,664	3,664	3,664	3,664	3,664	3,664	3,664	3,664
	280	280	280	280	280	280	280	280	280
	676	676	676	676	676	676	676	676	676
	3,829	4,726	4,809	4,896	4,987	5,083	5,184	5,291	5,402
	127,432	130,710	133,218	135,790	138,427	141,131	143,906	146,754	149,677



Valuation

Current Pricing Data

	Q3 2019 9/30/2019	Current 11/17/2019
Book Value of Equity	13,545,000,000	13,545,000,000
Shares Outstanding		180,583,031
Current Price		\$ 43.89
Price/Book Value		0.59

Share Repurchase Program

Remaining on 11/5/2019		640,000,000
Current Price	\$	43.89
Total shares available		14,581,909

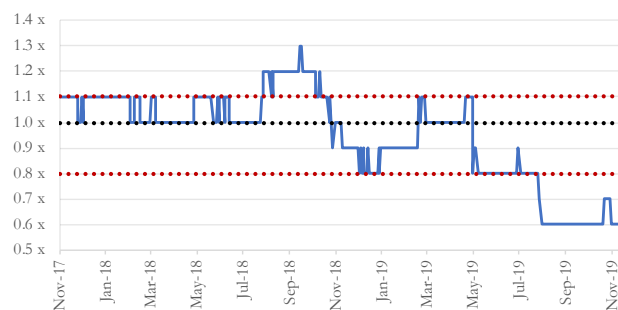
Projected Book Value per Share

	Current 11/17/2019	Q4 2019E 12/31/2019	Q1 2020E 3/31/2020	Q2 2020E 6/30/2020	Q3 2020E 9/30/2020	Q4 2020E 12/31/2020	Q1 2021E 3/31/2021	Q2 2021E 6/30/2021	Q3 2021E 9/30/2021
Book Value of Equity	13,545,000,000	12,671,721,263	14,052,874,584	14,913,847,219	15,486,257,536	16,070,331,703	16,666,315,764	17,274,474,325	17,895,090,009
Share Repurchase	-	(320,000,000)	(320,000,000)	-	-	-	-	-	-
Adj. BV	13,545,000,000	12,351,721,263	13,732,874,584	14,913,847,219	15,486,257,536	16,070,331,703	16,666,315,764	17,274,474,325	17,895,090,009
Shares Outstanding	180,583,031	180,583,031	173,292,076	166,001,122	166,001,122	166,001,122	166,001,122	166,001,122	166,001,122
Share Repurchase	-	(7,290,955)	(7,290,955)	-	-	-	-	-	-
Adj. Shares Out.	180,583,031	173,292,076	166,001,122	166,001,122	166,001,122	166,001,122	166,001,122	166,001,122	166,001,122
Book Value per Share	75.01	71.28	82.73	89.84	93.29	96.81	100.40	104.06	107.80

Price target if:

	Current 11/17/2019	Q4 2019E 12/31/2019	Q1 2020E 3/31/2020	Q2 2020E 6/30/2020	Q3 2020E 9/30/2020	Q4 2020E 12/31/2020	Q1 2021E 3/31/2021	Q2 2021E 6/30/2021	Q3 2021E 9/30/2021
+1 Standard Deviation	\$82.51	\$78.40	\$91.00	\$98.83	\$102.62	\$106.49	\$110.44	\$114.47	\$118.58
Average P/B	\$75.01	\$71.28	\$82.73	\$89.84	\$93.29	\$96.81	\$100.40	\$104.06	\$107.80
-1 Standard Deviation	\$60.01	\$57.02	\$66.18	\$71.87	\$74.63	\$77.45	\$80.32	\$83.25	\$86.24
Current P/B	\$43.89	\$41.71	\$48.41	\$52.57	\$54.59	\$56.65	\$58.75	\$60.89	\$63.08
<i>Upside:</i>									
+1 S.D.	88.0%	78.6%	107.3%	125.2%	133.8%	142.6%	151.6%	160.8%	170.2%
Average P/B	70.9%	62.4%	88.5%	104.7%	112.6%	120.6%	128.8%	137.1%	145.6%
-1 S.D.	36.7%	29.9%	50.8%	63.8%	70.0%	76.5%	83.0%	89.7%	96.5%
Current P/B	0.0%	-5.0%	10.3%	19.8%	24.4%	29.1%	33.9%	38.7%	43.7%

Historical Price-to-book vs. Self





- Conclusion

Checklist

Do we understand the business?

Not entirely – life insurance is a complex industry, and ATH's interwoven nature with Apollo makes it a business that is difficult to fully grasp



Is it cheap?

Yes – compared to peers and itself, ATH is trading at a significant discount in the market

Is it overlooked?

Not particularly – it is covered by many sell-side analysts and is a major player in annuities and retirement services



Is it safe?

Yes – a significantly compressed P/B multiple (.59x) provides limited downside and a strong margin of safety for ATH



Is it good?

Yes – ATH is a well-managed firm that has been able to consistently grow and manage their assets, with the close support of Apollo, for the past decade



- Questions?