Athene Life Re Ltd. Financial Condition Report

For the twelve (12) month period ending December 31, 2019

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This Report contains information from the Athene Holding Ltd. Form 10-K filed with the Securities and Exchange Commission in accordance with the Securities Exchange Act of 1934, as amended, the definitive proxy statement for the 2020 Annual General Meeting of Shareholders and references to the Athene Life Re Ltd. Financial Statements and other information as posted on its website. In the event that any information contained herein conflicts with the Form 10-K or any other publicly disclosed documents, such conflict is unintended, and the publicly disclosed documents shall control.

1. EXECUTIVE SUMMARY

This financial condition report (“**FCR**”) for Athene Life Re Ltd. (“**ALRe**”, the “**Company**”, “**we**”, “**our**” or "**us**"), is produced in accordance with the Bermuda Insurance Act 1978, as amended (the “**Act**”) and the Insurance (Public Disclosure) Rules 2015 (the “**Rules**”). This report outlines the financial condition of ALRe as at December 31, 2019. The FCR contains qualitative and quantitative information of our business and performance, governance structure, risk profile, solvency valuation and capital management.

2. DECLARATION

Declaration on the Financial Condition Report

We, the undersigned, declare that to the best of our knowledge and belief, the FCR fairly represents the financial condition of the Company in all material respects as at December 31, 2019.

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Natasha Scotland Courcy
SVP, General Counsel
Co-Chief Operating Officer
Chief Compliance Officer
Secretary
Athene Life Re Ltd.

____
Adam Laing
Chief Financial Officer
Co-Chief Operating Officer
Principal Representative
Athene Life Re Ltd.

____
Bradley Molitor
Chief Risk Officer
Chief Actuary
Athene Life Re Ltd.

3. COMPANY BACKGROUND INFORMATION

ALRe, a Bermuda exempted company, together with its subsidiaries, is a leading retirement services company. We conduct business primarily through the following consolidated subsidiaries:

- Our non-U.S. reinsurance subsidiaries, to which ALRe's other insurance subsidiaries and third-party ceding companies directly and indirectly reinsure a portion of their liabilities, including ALRe; and
- Athene USA Corporation, an Iowa corporation (together with its subsidiaries, Athene USA) which primarily issues retirement savings products.

The Company was registered as a Class E long-term insurer effective July 26, 2011 under the Act.

4. BUSINESS AND PERFORMANCE

a. Name of Insurer

Athene Life Re Ltd.

b. Supervisor

The Insurance Supervisor for the Company is:

The Bermuda Monetary Authority ("**BMA**")
BMA House
43 Victoria Street, Hamilton
Bermuda
(441) 295-2758

c. Approved Auditor

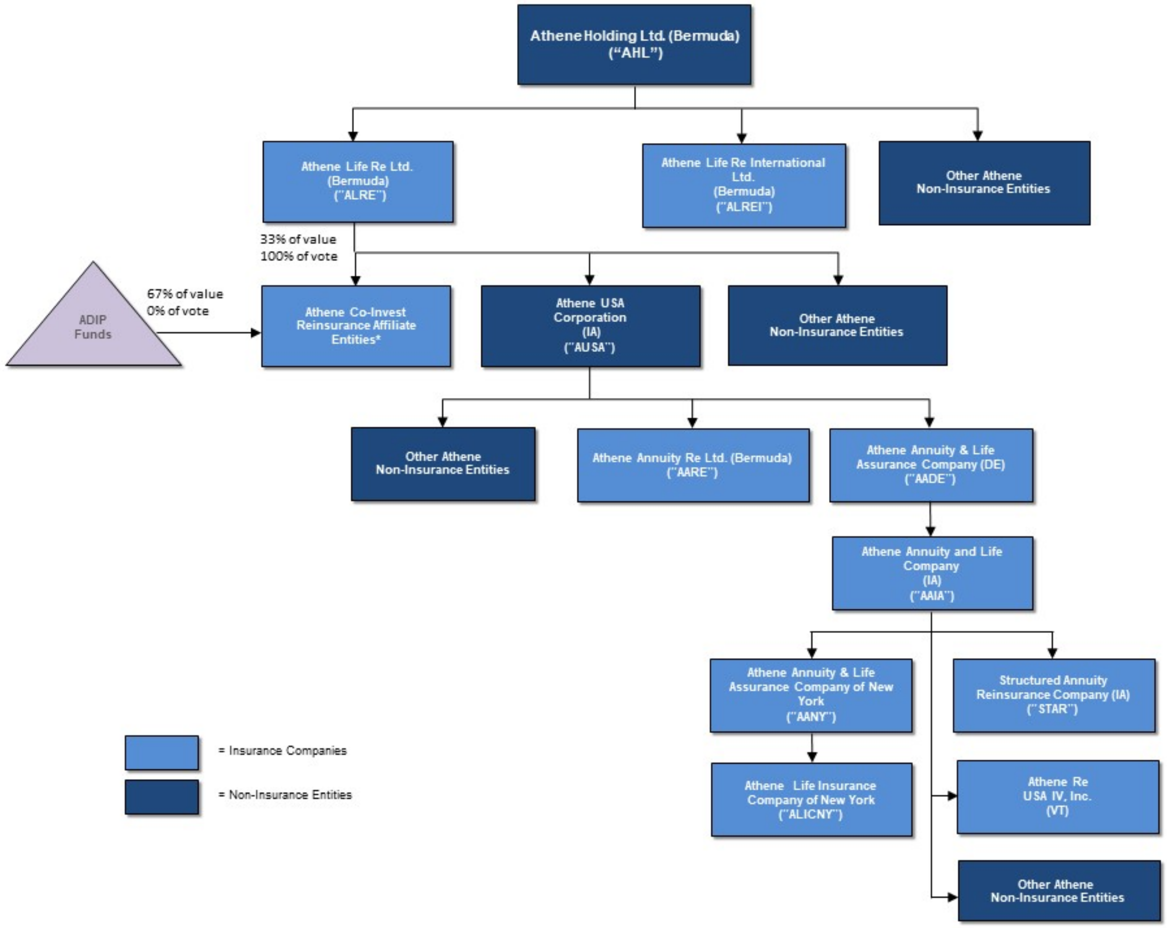
PricewaterhouseCoopers Ltd.
4th Floor, Washington House
16 Church Street
Hamilton, HM 11
Bermuda

d. Ownership Details

The Company is wholly owned by Athene Holding Ltd. ("**AHL**"), a Bermuda exempted company, whose Class A common shares are listed on the New York Stock Exchange (symbol: ATH). A group structure chart detailing ownership is illustrated in section 4(e).

e. Group Structure[1]

Unless otherwise indicated, each entity listed below is owned 100% directly or indirectly by AHL.



Notes:

* Certain funds managed by Apollo Global Management, Inc ("**AGM**"), referred to collectively as the Apollo/Athene Dedicated Investment Program ("**ADIP**") own 67% of the economic interests in Athene Co-Invest Reinsurance Affiliate entities ("**ACRA**"). The shares held by ADIP are non-voting and the shares held by ALRe represent 100% of the voting power and 33% of the economic interests in ACRA.[2]

f. Insurance Business Written by Business Segment and Geographical Region

i. Gross Premium Written by Business Segment for the Reporting Period

Consistent with our parent company AHL, ALRe has just one reportable re/insurance business segment 'Retirement Services' and all product types are written in this segment.

ii. Gross Premium Written by Geographical Region for the Reporting Period

ALRe reinsures retirement savings products that originate in all 50 U.S. states and the District of Columbia.

[1] As of 31 December 2019.
[2] Effective April 1, 2020 ALRe owns 36.55% value, 100% vote, and ADIP owns 63.45% value, 0% vote of ACRA.

g. Performance of Investments, by Asset Class and Details on Material Income and Expenses Incurred for the Reporting Period

i. Performance

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

	Year ended December 31,		
(In millions)	**2019**	**2018**	**2017**
Available-for-sale securities	$ 3,086	$ 2,840	$ 2,497
Trading securities	189	200	200
Equity securities	16	12	9
Mortgage loans, net of allowances	670	457	369
Investment funds	301	234	206
Funds withheld at interest	529	492	148
Total Other	156	109	62
Investment revenue	4,947	4,344	3,491
Investment expenses	(436)	(356)	(320)
Net investment income	$ 4,511	$ 3,988	$ 3,171

ii. Material Income & Expenses for the Reporting Period

(In millions)	Years ended December 31, 2019	2018	2017
Revenues			
Premiums (related party: 2019 – $243, 2018 – $679 and 2017 – $0)	$ 6,382	$ 3,462	$ 2,347
Product charges (related party: 2019 – $54, 2018 – $34 and 2017 – $0)	524	449	340
Net investment income (related party investment income: 2019 – $446, 2018 – $542 and 2017 – $217; and related party investment expense: 2019 – $427, 2018 – $350 and 2017 – $315)	4,511	3,988	3,171
Investment related gains (losses) (related party: 2019 – $1,266, 2018 – $(23) and 2017 – $(16))	4,712	(1,338)	2,442
Other-than-temporary impairment investment losses			
Other-than-temporary impairment losses	(44)	(24)	(20)
Other-than-temporary impairment losses reclassified to (from) other comprehensive income	6	6	(4)
Net other-than-temporary impairment losses	(38)	(18)	(24)
Other revenues	37	21	29
Revenues of consolidated variable interest entities			
Net investment income (related party: 2019 – $0, 2018 – $55 and 2017 – $42)	74	56	42
Investment related gains (losses) (related party: 2019 – $0, 2018 – ($21) and 2017 – $35)	5	(18)	35
Total revenues	16,207	6,602	8,382
Benefits and expenses			
Interest sensitive contract benefits (related party: 2019 – $511, 2018 – $63 and 2017 – $0)	4,557	290	2,842
Amortization of deferred sales inducements	74	54	63
Future policy and other policy benefits (related party: 2019 – $365, 2018 – $707 and 2017 – $0)	7,587	4,281	3,014
Amortization of deferred acquisition costs and value of business acquired	958	174	344
Dividends to policyholders	36	37	51
Policy and other operating expenses (related party: 2019 – $28, 2018 – $35 and 2017 – $6)	604	519	446
Total benefits and expenses	13,816	5,355	6,760
Income before income taxes	2,391	1,247	1,622
Income tax expense	117	122	105
Net income	2,274	1,125	1,517
Less: Net income attributable to noncontrolling interests	(8)	—	—
Net income attributable to Athene Life Re Ltd. shareholders	$ 2,282	$ 1,125	$ 1,517

h. Any other Material Information

None.

5. GOVERNANCE STRUCTURE

The Company has established a corporate governance framework designed to support its core values of transparency, accountability and integrity.

a. Board and Senior Executive

i. Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities

Board and Senior Executive Structure

The business and affairs of the Company are overseen by the Company's Board of Directors ("**Board**"). The Board is comprised of six directors, of which three are executive directors, two are non-executive directors and one is an AGM executive. Their roles and responsibilities are outlined in the Company's Board Governance Guidelines and bye-laws.

Role and Responsibilities

The Board maintains responsibility for the management, strategic direction and long-term performance of the Company.

The Board is responsible for overseeing that the Company's strategy and policy are executed in accordance with both its strategic plan and the longer-term strategy established at the AHL level for AHL and its subsidiaries ("**Global Group**"). Together, the Board and the AHL Board of Directors (the "**AHL Board**") guide and monitor the business affairs of the Company.

Segregation of Responsibilities

Executive, Audit, Nominating and Corporate Governance, Risk, Legal and Regulatory, Compensation and Conflicts Committees have been constituted at the AHL level, each of which have been delegated certain responsibilities for subsidiary oversight as set forth in their respective charters.

The Company has established a Strategic Transactions Committee consisting of members of the Company's Board and is responsible for reviewing and approving specific transactions, as stated in its Charter. The Company has also constituted a Reinsurance and Operations Committee ("**AROC**") comprised of executive and senior management. Pursuant to the terms of its Charter, AROC is responsible for reviewing and monitoring the Company's reinsurance transactions, operational and other business matters, subject to the level of delegated authority and mandate established by the Board. Although certain authorities are delegated to AROC, the Global Group governance structure provides mechanisms for each subsidiary's board to maintain ultimate oversight.

Each committee has clearly defined duties, roles and responsibilities outlined in their respective charters.

i. Remuneration Policy

The Company's remuneration policy is intended to attract, retain and motivate high-performing employees with the skills, knowledge and expertise to fulfill their allocated responsibilities, reward outstanding performance, align executive compensation elements with both short-term and long-term company performance, align the interests of our executives with those of our stakeholders and provide for staff to be compensated in a manner that encourages sound risk management in accordance with our core purpose and values. Our remuneration policy follows the AHL level remuneration policy.

ii. Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Company provides all employees, including executive and senior management with pension benefits through a defined contribution pension scheme, administered by a third party. We provide matching contributions consistent with the employee's level of contribution up to a pre-determined amount. Funds are invested in investment portfolios as selected by the employee. The Company does not have an early retirement scheme nor does it provide pension benefits to its members or Directors.

iii. Any material transactions with shareholder controllers, persons who exercise significant influence, the Parent Board or senior executives

We have a strategic relationship with AGM which allows us to leverage the scale of its asset management platform. In addition to co-founding the Company, AGM assists us in identifying and capitalizing on acquisition opportunities that have been critical to our ability to significantly grow our business. James R. Belardi, the AHL Chief Executive Officer and a member of the AHL Board, is also an employee of Apollo Insurance Solutions Group LP ("**ISG**", formerly known as Athene Asset management, LLC), our investment manager and a subsidiary of ISG, and receives remuneration from acting as Chief Executive Officer of ISG. Additionally, six of the fifteen members of AHL's Board are employees of or consultants to AGM (including Mr. Belardi). In order to protect against potential conflicts of interest resulting from transactions into which we have entered and will continue to enter into with AGM, AHL's bye-laws require a conflicts committee comprised solely of directors who are not officers or employees of any member of the Apollo Group[3]. The conflicts committee reviews and approves material transactions between the Global Group and AGM, subject to certain exceptions.

For a further description of material transactions with shareholder controllers, persons who exercise significant influence, the Parent Board or senior executives please refer to our website at: https://ir.athene.com/Docs for the AHL definitive proxy statement for its 2020 Annual General Meeting of Shareholders - Certain Relationships and Related Transactions section.

b. Fitness and Propriety Requirements

i. Fit and Proper process in assessing the Board and Senior Executive

The Company maintains a hiring and vetting process including recruitment and interviewing requirements, to confirm fitness and propriety for the relevant role. Board Governance Guidelines document and outline our processes and procedures for assessing fitness and propriety of Board members, including individual qualifications and review of board composition. Director qualifications,

[3] Apollo Group means (1) AGM together with its subsidiaries ("**Apollo**"), (2) AAA Guarantor-Athene LP, (3) any investment fund or other collective investment vehicle whose general partner or managing member is owned, directly or indirectly, by Apollo or one or more of Apollo's subsidiaries, (4) BRH Holdings GP, Ltd. and its shareholders, (5) any executive officer or employee of Apollo (6) any shareholder that has granted to AGM or any of its affiliates a valid proxy with respect to all of such shareholder's Class A Common Shares pursuant to AHL's bye-laws and (7) any affiliate of a person described in (1)-(6) above; provided none of the Global Group shall be deemed to be a member of the Apollo Group.

skills and experience and the interplay of those factors with the skills, qualifications and experience of incumbent directors are the type of factors that might be considered. Qualifications and credentials are documented by résumés and due diligence (including OFAC checks). Inquiries are made as deemed necessary.

Chief and executive level officer appointments are reviewed and approved by the Board (or its parent in accordance with the Delegation of Authority Policy).

Other senior level management positions are approved by the Company's Chief Operating Officers ("**COO**"). Senior management qualifications and credentials are documented by résumés. Sufficiency of management resources are reviewed periodically by our COOs and where appropriate the Board as part of long-term planning. Additional resources are retained as deemed necessary. The Company has also adopted the AHL Code of Business Conduct and Ethics, which all Directors and senior executives are expected to comply with as part of continuing fitness and propriety.

ii. Board and Senior Executives professional qualifications, skills and expertise

Board

Frank (Chip) Gillis - Director & Chief Executive Officer[4]

Mr. Gillis served as a director of the Company from 2009 until December 31, 2019. Prior to co-founding Athene, Mr. Gillis was a Senior Managing Director of Bear Stearns & Company (BSC) and was Head of the Bear Stearns' Insurance Solutions Group. In this position, he led BSC's entry into the funding agreement-backed note business and created the turn-key Premium Asset Trust Series program. Prior to joining BSC, Mr. Gillis spent over three years at GenRe Financial Products providing ALM hedging solutions to U.S. life companies. Mr. Gillis serves on the boards of Bermuda International Long Term Insurers and Reinsurers Association[5], the Association of Bermuda International Companies and the Bermuda College.

Mr. Gillis received his Bachelor of Arts degree in English from the University of Richmond.

Gernot Lohr - Director

Gernot Lohr has served as a director of our Company since 2009. Mr. Lohr is a Senior Partner at Apollo, which he joined in May 2007. Prior to joining Apollo, Mr. Lohr was a founding partner at Infinity Point LLC, Apollo's joint venture partner for the financial services industry since 2005. Before that time, Mr. Lohr spent eight years in financial services investment banking at Goldman, Sachs & Co. in New York and also worked at McKinsey & Company and B. Metzler Corporate Finance in Frankfurt. Currently, Mr. Lohr serves on the board of directors of the general partner of AP Alternative Assets, AAA MIP Limited, Amissima Assicurazioni (formerly Carige Assicurazioni), Bremer Kreditbank Aktiengesellschaft, Catalina Holdings, Nova Kreditna Banka Maribor and Tranquilidade.

Mr. Lohr has a joint Master's Degree in economics and engineering from the University of Karlsruhe, Germany, and received a Master of Business Administration from the MIT Sloan School of Management.

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[4] Frank Gillis retired as a director and Chief Executive Officer on 31 December 2019.
[5] Frank Gillis retired as a director on 31 December 2019.

William (Bill) Wheeler - Director

William J. Wheeler (Bill) has served as a director of our Company since 2016. He is also President of our parent Athene Holding Ltd. (AHL). Prior to joining AHL, Mr. Wheeler was President of the Americas group for MetLife Inc. (MetLife) where he oversaw the insurance and retirement business in the United States and Latin America. During his seventeen-year tenure at MetLife, Mr. Wheeler assumed various executive positions, including Executive Vice President and Chief Financial Officer. In addition, Mr. Wheeler served as Treasurer for MetLife, playing a key role in preparing MetLife to become a public company. Prior to joining MetLife, Mr. Wheeler was an investment banker at Donaldson, Lufkin & Jenrette.

Mr. Wheeler has a Bachelor of Arts degree in English from Wabash College and a Master of Business Administration from Harvard Business School. He currently serves on the board of Evercore Partners Inc.

Hope Taitz - Director

Hope Schefler Taitz has served as a director of our company since 2011 Ms. Taitz is also a director of Athene Holding Ltd. (AHL), Athene Annuity Re Ltd. and a number of our US subsidiaries. Ms. Taitz also serves on the risk, legal and regulatory, and conflicts committees for AHL. Ms. Taitz has served as the CEO of ELY Capital since 2014. Now acting as an investor and advisor with expertise in media, technology and the consumer, she helps innovative enterprises grow through financial leadership and connections to established corporations. Ms. Taitz, a strong advocate of women on boards, currently serves on the board of MidCap Finco Holdings Limited and Summit Hotel Properties, Inc. She has previously served on the boards of Greenlight Capital Re, Ltd., Apollo Residential Mortgage, Inc., Diamond International Resorts, Inc., as well as Lumenis Ltd. From 1995 to 2003, Ms. Taitz was Managing Partner of Catalyst Partners, L.P., a money management firm. From 1990 to 1992, Ms. Taitz was a Vice President at The Argosy Group (now part of the Canadian Imperial Bank of Commerce (NYSE: CM)) specializing in financial restructuring before becoming a Managing Director at Crystal Asset Management, from 1992 to 1995. From 1986 to 1990, Ms. Taitz was at Drexel Burnham Lambert, first as a mergers and acquisitions analyst and then as an associate in the leveraged buyout group.

On the not for profit side, Ms. Taitz focuses on education and is an advocate for STEM. She is a founding executive member of YRF Darca, an emeritus board member of Pencils of Promise, a member of the undergraduate executive board of The Wharton School at the University of Pennsylvania and a member of the Center for Social Innovation. Ms. Taitz is a former board member of Girls Who Code and is now a board member of the New York City Foundation for Computer Science.

Ms. Taitz graduated with honors from the University of Pennsylvania with a Bachelor of Arts degree in economics.

James Belardi - Director

James Belardi has served as a director since 2009. In addition, Mr. Belardi is the founder, Chairman, Chief Executive Officer and Chief Investment Officer of ISG, our investment manager. Prior to founding Athene and ISG, Mr. Belardi was President of SunAmerica Life Insurance Company and was also Executive Vice President and Chief Investment Officer of AIG Retirement Services, Inc., where he had responsibility for an invested-asset portfolio of $250 billion. Mr. Belardi currently serves on the board of directors of ISG, Paulist Productions, where he chairs the investment committee, Aris Mortgage

Holding Company LLC (Aris Holdco), which is the parent company of AmeriHome Mortgage Company, LLC (AmeriHome), and Southern California Aquatics.

Mr. Belardi has a Bachelor of Arts degree in economics from Stanford University and a Master of Business Administration from the University of California, Los Angeles.

Robert Borden - Director

Robert Borden has served as a director of our Company since 2010. Mr. Borden is a Founding Partner and has served as both Chief Executive Officer and Chief Investment Officer of Delegate Advisors, LLC. From April 2006 to January 2012, Mr. Borden served as the Chief Executive Officer and Chief Investment Officer of the South Carolina Retirement System Investment Commission (SCRSIC), which is responsible for investing and managing all assets of the South Carolina Retirement Systems. Prior to his role at SCRSIC, Mr. Borden served as the Executive Director and Chief Investment Officer of the Louisiana State Employees Retirement System, where he was responsible for investment management, benefits administration, finance and operations. Mr. Borden has also served as Vice Chairman and Chairman of the Fund Evaluation Committee for the Louisiana Deferred Compensation Commission and as a member of the South Carolina Deferred Compensation Committee. Prior to that, Mr. Borden served as Treasurer and Senior Manager for Financial Services at the Texas Workers' Compensation Insurance Fund after serving as VP of Treasury and Interest Rate Risk Manager at Franklin Federal Bancorp. Mr. Borden serves on the board of directors of Delegate Advisors, LLC, Apollo Senior Floating Rate Fund, Inc. and Apollo Tactical Income Fund Inc.

Mr. Borden has a Bachelor of Business Administration with a major in finance from the University of Texas at Austin and received a Master of Science degree in finance from Louisiana State University. Mr. Borden holds both the Chartered Financial Analyst and Chartered Alternative Investment Analyst professional designations.

Senior Executives

Natasha Scotland Courcy - SVP, General Counsel, Co-Chief Operating Officer & Chief Compliance Officer and Secretary

Mrs. Scotland Courcy has over 15 years of experience as a corporate attorney with 11 of those being in the reinsurance industry and is SVP, General Counsel, Chief Compliance Officer, Co-Chief Operating Officer and Secretary of the Company. Mrs. Scotland Courcy has been with Athene since 2012 and works with Athene's business units to manage its reinsurance transactions including acquisitions, strategic transactions, reinsurance arrangements and alternative structures. Mrs. Scotland Courcy also supervises the Company's corporate policy program, governance policies and procedures, and provides reports to our board of directors periodically. Prior to joining Athene, Mrs. Scotland Courcy held legal counsel positions at other international companies where, amongst other things, she managed complex internal reorganization projects, merger and acquisition deals, cat-bond transactions, and assisted in managing the legal operational requirements for global subsidiaries.

Adam Laing - Chief Financial Officer, Co-Chief Operating Officer and Principal Representative

Mr. Laing is Chief Financial Officer, Co-Chief Operating Officer and Principal Representative of the Company. Prior to joining the Company, Mr. Laing worked at Deloitte where he provided audit and consulting services to Fortune 500 and public companies in the financial services sector including in life and annuities, property and casualty, and mortgage origination and servicing. Mr. Laing experienced all aspects of accounting and operations including complex investments, (re)insurance operations, reserving, income taxes, corporate and reporting, Sarbanes-Oxley, multiple bases of accounting as well as regulatory reporting and solvency in the U.S., Bermuda, and Europe.

Mr. Laing received his Master of Science degree in Accounting as well as his Bachelor of Science degree in Economics and Accounting from Boston College.

Bradley Molitor - Chief Risk Officer & Chief Actuary[6]

Mr. Molitor has served as the Company's Chief Actuary since January 2019, having previously held several senior actuarial positions at the company. Mr. Molitor most recently led the Company's pricing team, with responsibility for underwriting both organic and inorganic opportunities. Prior to leading the pricing team, Mr. Molitor was responsible for the Company's Actuarial Financial reporting team, as Athene made its public company debut. Before joining Athene, Mr. Molitor served as a Financial Reporting and Risk Management Actuary for Transamerica in both the US and Bermuda. Mr. Molitor has extensive experience with actuarial reserving, financial reporting, capital management, pricing, risk underwriting, reinsurance structuring and modeling.

Mr. Molitor received his Bachelor of Science degree in Actuarial Science from the Bradley University, is a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries.

Jon Steffen - Approved Actuary

Mr. Steffen has served as the Company's Approved Actuary since January 2019, having previously held several senior actuarial positions. Mr. Steffen has most recently led the Company's quarterly reporting under US GAAP, US Statutory, and Economic Balance Sheet (EBS) frameworks. Prior to leading the quarterly financial reporting, Mr. Steffen oversaw production of Cash Flow Testing and other Risk reporting streams. Mr. Steffen also stood up Athene's EBS reporting and was a thought leader in Athene's interpretation of the emerging framework. Before joining the Company, Mr. Steffen served as a Financial Reporting Actuary in Bermuda and a Risk Management actuary in the US. Mr. Steffen has extensive experience with financial reporting, risk management, and model development.

Mr. Steffen received his Bachelor of Science degree in Economics from University of Illinois and is a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and a Chartered Enterprise Risk Analyst.

Barry McDonald - Chief Risk Officer[7]

Mr. McDonald served as the Chief Risk Officer of the Company from 2016 to December 31, 2019. Mr. McDonald has extensive experience in the Bermuda insurance market, having spent over 25 years on the island as a financial professional in various roles. Most recently, Mr. McDonald was a consultant for Beecher & Carlson, evaluating and reviewing financial activity and accounting processes of U.S. and Lloyd's syndicate contracts. Prior to this Mr. McDonald spent eight years at Catlin Insurance Group, where he became Group Head of Core Fixed Income and was charged with bringing in-house the

[6] Bradley Molitor was appointed Chief Risk Officer on 1 January 2020.
[7] Barry McDonald resigned as Chief Risk Officer on 31 December 2019.

fixed income management platform and managing a portfolio of $400 million. His former roles at Catlin included Group Treasurer, CFO of Catlin Insurance Company and CIO of Catlin Insurance Group.

Mr. McDonald received his Bachelor of Commerce from the University of Manitoba, Canada and is a Chartered Accountant and Chartered Financial Analyst.

Jay King - Internal Audit

Prior to joining AHL, Mr. King led Aviva's U.S. and Canadian audit function from 2011 until the acquisition of Aviva's U.S. business by our parent, AHL. Previously, Mr. King was head of Genworth's global internal audit function, a position he held since 2005. From 2001 to 2005, Mr. King worked in enterprise risk management and internal audit at Capital One Financial, and prior to that, with Spark Capital, a finance consulting firm helping technology companies with venture capital funding. He began his career at PricewaterhouseCoopers.

Mr. King received his Bachelor of Business Administration in Accounting from James Madison University, and a Master of Business Administration and Master of Science in Information Systems from the University of Maryland. He is a Certified Public Accountant and Certified Internal Auditor.

c. Risk Management and Solvency Self-Assessment

i. Risk Management processes and procedures to identify, measure, manage and report on Risk Exposures

The Global Group maintains an enterprise wide risk management ("**ERM**") framework. The function of the Global Group's ERM framework is to identify, assess and prioritize risks to ensure that both senior management and the Board understand and can manage our risk profile. The risk management team structure consists of an ERM team, a derivatives trading team and an asset risk team. The risk management team is led by AHL's Chief Risk Officer ("**CRO**"), who reports to the chair of the AHL Risk Committee. The Global Group's risk management team is comprised of approximately 40 dedicated, full time employees.

Risk areas are reviewed at the entity specific exposure and then consolidated and evaluated at the consolidated level. Risk Self-Assessment ("**RSA**") reviews are completed for each entity covering all facets of the Company's business, including but not limited to Capital Management, Actuarial, Tax, Finance, IT, Legal and Compliance and Human Resources. The RSA process addresses Risk Categories, Risk Descriptions, Current Risk Mitigation, Potential Enhancements to Risk Mitigation, Probability of Occurrence and Severity. Entity and overall results of the RSA process are discussed at the parental level Operational Risk Committee and then communicated to the AHL Management Risk Committee ("**MRC**") and the AHL Risk Committee or Board as required.

AHL prepares an Own Risk and Solvency Self-Assessment ("**ORSA**") with certain expansions shown as Appendix 4.0 addressing all individual entities Commercial Insurer Solvency Self-Assessment ("**CISSA**") queries outlined in the Bermuda statutory return.

ii. Description of how the risk management and solvency self-assessment systems are implemented and integrated into the insurer's operations; including strategic planning and organizational and decision making process

The Company's CRO provides a report to the Board which encompasses multiple risk areas including but not limited to stress testing results with a particular focus on the role of the Company in the provision of collateral and/or capital under its reinsurance agreements and capital maintenance agreements. The CRO reports to the Board regarding the ability of the entities and AHL to effectively manage liquidity risk, derivative activity performed for the economic benefit of the Company including activity related to modified co-insurance contracts and investment compliance reporting. The CRO is an active member of various ALRe Committees whose focus is on ALRe specific issues. These include AROC, several sub-committees and weekly/monthly meetings reviewing rate setting, product development and operational risk. The CRO is involved directly with the AHL VP, Assistant Treasurer regarding capital management and liquidity management including establishment of various inter-company lending facilities, monitoring of liquid assets both at ALRe and AHL addressing the quantification and allocation of capital to current and new operations.

iii. Description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

The Global Group seeks to manage its business, capital and liquidity profile with the objective of withstanding severe adverse shocks, while maintaining a meaningful buffer above regulatory minimums and certain capital thresholds.

The solvency self-assessment tests that there is sufficient group capital (at the AHL level) available to withstand the various risks that affect AHL individually and collectively, up to its risk appetite. Risk appetite is defined and communicated to AHL's businesses through a series of position, liquidity and scenario limits, as well as through its risk review processes. These limits are the operational expression of AHL's risk appetite, and taken together, define the capital required to execute its business plan and remain within its risk appetite.

The Company's risk appetite is defined by its performance in the following two stress scenarios:

1. **Moderate stress event**: Maintain targeted financial strength and ratings at its major regulated insurance subsidiaries; and
2. **Substantial stress event**: Retain investment grade financial strength and ratings at its major regulated insurance subsidiaries.

The impacts of these events on all AHL subsidiaries, including ALRe, are calculated and accumulated. As ALRe holds the majority of the Global Group's capital, the impact on its portfolios are evaluated and the impact under various reinsurance agreements is reflected in the stress testing results. The results are reported to both the Board and the AHL Board. The impact of such events both on capital and the anticipated impact on third party ratings (AM Best, S&P) are evaluated. Similar evaluations are carried out under the EBS tests specific to the Company and reported on the various sub-committees and the Board with a particular focus on the capital impact.

The Company evaluates exposure to market risk through internally defined modeling of portfolio performance during times of economic stress. The Company manages business, capital and liquidity needs to withstand stress scenarios and target capital that it believes will maintain current ratings in a moderate recession scenario and will allow the Company to continue to be rated investment grade under a substantial stress event akin to the Lehman scenario in 2008. In the recession scenario, the Company calibrates recessionary shocks to several key risk factors (including but not limited to, S&P 500, BBB corporate spreads, high yield corporate spreads and 2 year and 10 year U.S. Treasury yields) using data from the 1991, 2001 and 2008 recessions, and estimate mark to market impacts to the various sectors in the portfolio using regression analysis of their credit spreads to the key risk factors. To estimate other-than-temporary-impairment ("**OTTI**") impacts, the Company uses historical default, stressed recovery, and ratings migration rates from the aforementioned recessionary periods. In the substantial stress event scenario, the Company uses credit spread and interest rate movements between September 12, 2008 and December 15, 2008 to estimate mark to market changes and also uses one-year default probabilities from 2008, along with stressed recovery and ratings migration rates, to estimate OTTI impacts. The Company reviews the impacts of stress test analyses quarterly with management.

iv. Description of the solvency self-assessment approval process including the level of oversight and independent verification by the Board and Senior Executives

The ORSA is the principal document utilized for solvency self-assessment. The ORSA draws heavily on: (i) strategy and planning work completed during the period; (ii) the year-end statutory valuation; (iii) MRC, (iv) the AHL Management Investment Committee; and (v) the AHL Asset Liability Committee reports. The process that underpins the ORSA is not merely a snapshot, but a continual review throughout the year by multiple parties across all disciplines including Finance, Legal, Actuarial, Risk, Asset Management, Treasury and Internal Audit. The ORSA documents management information that has previously been reviewed and approved by senior management and the AHL Board and informs Company management of any issues or concerns not already communicated.

d. Internal Controls

i. Description of the internal control system

The combined management of AHL and each Bermuda based licensed entity, including the Company, are responsible for establishing a framework for the Global Group and the Company's internal controls over financial reporting ("**ICFR**") including those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of each entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the respective Board; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements of the Company or AHL.

AHL has adopted the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework as the criteria for evaluating the effectiveness of ICFR. The COSO 2013 framework includes the following components:

1. Control Environment - The set of standards, processes and structures that provide the basis for carrying out internal controls across the organization. At Athene that includes, for example, our Code of Ethics, Board Governance, Audit Committee Charter, and the Whistleblower Hotline.

2. Risk Assessment - A dynamic and iterative process for identifying and analyzing risks to achieve our objective, which is to ensure we have an adequate system of ICFR. The risk assessment defines the scope of our ICFR Program.

3. Control Activities - The actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of our objective are carried out. This is the largest part of our program as it includes all the processes and key controls within the various business units (e.g., Finance, Actuarial, Operations, IT, Human Resources, Legal, Internal Audit and Risk Management).

4. Information and Communication - These are necessary to carry out internal control responsibilities

5. Monitoring Activities - Ongoing evaluations to ascertain the adequacy of our ICFR and communication of deficiencies to senior management and the Board.

ii. Compliance Function

The compliance function oversees compliance activity and promotes and sustains a corporate culture of compliance and integrity for the Company.

Compliance develops policies, procedures and processes, maintains compliance monitoring and testing (including a plan to address any deficiencies or non-compliance that may be identified); oversees that there are processes in place for regulatory monitoring; and supports management in implementing any new rules, regulations or internal documentation, policies, procedures and controls in addition to maintaining mechanisms for staff to confidentially report concerns regarding compliance deficiencies and breaches.

The function also acts as a channel of communication to receive, review, evaluate and investigate compliance issues or direct such matters to the appropriate department for investigation and resolution.

e. Internal Audit

The scope of internal audit activities includes AHL and all its subsidiaries and responsibilities are outlined in the Internal Audit Charter. Internal Audit has no responsibility for other functions across the businesses and the department is staffed independently of any other function. This reporting structure and responsibility promotes independence and better compliance. The Internal Audit function encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, and internal controls, as well as quality of performance, in carrying out assigned responsibilities, to achieve the Global Group's stated goals and objectives. Internal Audit communicates all findings to the applicable organization's management and significant findings to the AHL Audit Committee. It has unrestricted access to the respective boards, committees, management and all areas of the organization.

f. Actuarial Function

The Company's Chief Actuary and Approved Actuary positions are responsible for monitoring information concerning the liabilities of the Company and have oversight responsibilities for our underwriting processes and financial reporting including EBS and actuarial staff functions.

g. Outsourcing

i. Outsourcing Policy and key functions that have been outsourced

The Company maintains an outsourcing and procurement policy that outlines the vetting, suitability and contracting process for outsourced relationships and the due diligence procedures to be undertaken to monitor performance and provide oversight of such arrangements. The Company monitors its outsourcing partners and integrates their services into its operations. We believe that outsourcing certain functions allows us to focus capital and employees on core business operations. We have not outsourced the key functions of actuarial, risk management or compliance. The investment management function is managed by ISG, a subsidiary of AGM.

ii. Material Intra-group Outsourcing

The internal audit, actuarial modelling and investment accounting functions are performed at the AHL level for the Global Group, including the Company.

h. Any other material information

None.

6. RISK PROFILE

a. Material Risks the Insurer is exposed to during the Reporting Period

The 2019 RSA review and Operational Risk review process was completed encompassing a comprehensive review of all documented and undocumented processes and procedures as they relate to Fraud, Human Resources, Outsourcing, Distribution Channels, Business Processes, Business Continuity, Information Systems and Compliance. Material risks were identified and quantified as to economic impact and probability with the identification of mitigating controls and potential future mitigating controls. Documented processes are in place ensuring that material operational risks are identified and communicated to senior management and if warranted to various other committees.

We have a risk management framework in place to identify, assess and prioritize risks, including the market and credit risks to which our investments are subject. As part of that framework, we test our investment portfolio based on various market scenarios. Under certain stressed market scenarios, unrealized losses on our investment portfolio could lead to material reductions in its carrying value. Under some extreme scenarios, total shareholders' equity could be negative for the period of time prior to any potential market recovery.

b. Risk Mitigation in the Organization

As part of the 2019 RSA review for AHL's Bermuda licensed entities, potential future mitigating controls were identified. During 2020 these areas will be reviewed again and, where applicable additional mitigating controls will be put in place if appropriate.

Our risk management strategy is to proactively manage our exposure to risks associated with interest rate duration, credit risk and structural complexity of our invested assets. We address interest rate duration and liquidity risks by managing the duration of the liabilities we source with the assets we acquire through asset liability management ("**ALM**") modeling. We assess credit risk by modeling our liquidity and capital under a range of stress scenarios. We manage the risks related to the structural complexity of our invested assets through ISG's modeling efforts. The goal of our risk management discipline is to be able to continue to grow and achieve profitable results across various market environments.

c. Material Risk Concentration

Certain risks are identified and are tracked to ensure material risk concentrations are identified and communicated to the Company's senior management and the Board as appropriate.

Market risk is the risk of incurring losses due to adverse changes in market rates and prices. Included in market risk are potential losses in value due to credit and counterparty risk, interest rate risk, currency risk, commodity price risk and equity price risk. We are primarily exposed to credit risk, interest rate risk and equity price risk.

d. Investment in assets in accordance with the Prudent Person Principles of the Code of Conduct

Most of the Company's investment assets are managed directly by ISG, a subsidiary of AGM. The remaining assets are managed by ISG in conjunction with a sub-advisory agreement between ISG and affiliates of AGM. Investment guidelines are reviewed on a regular basis and the Company's CRO is a member of the risk group that meets frequently with ISG to discuss current developments within the various entity's portfolios. The Company's CRO reviews all investment compliance reports and reports on the results to the Board.

e. Stress testing and sensitivity analysis to assess Material Risks

The Company assesses interest rate exposures, equity shocks, and changes in default rates on fixed income instruments for financial assets, liabilities and derivatives using hypothetical stress tests and exposure analyses. Assuming all other factors are constant, if there was an immediate, parallel increase in interest rates of 25 basis points from levels as of December 31, 2019, the estimated point-in-time impact to our pre-tax consolidated statements of income would have decreased after December 31, 2019.

Assuming a 25 basis points increase in interest rates persists for a 12-month period, the estimated impact to adjusted operating income would have increased. This is driven by an increase in investment income from floating rate assets, offset by DAC, DSI and VOBA amortization and rider reserve change, all calculated without regard to future changes to assumptions. The increase to adjusted operating income would be lower to the extent that we experience an increase in our effective tax rate. The models used to estimate the impact of a 25basis point change in market interest rates incorporate numerous assumptions, require significant estimates, and assume an immediate change in interest rates without any discretionary management action to counteract such a change. Consequently, potential changes in our valuations indicated by these simulations will likely be different from the actual changes experienced under any given interest rate scenarios and these differences may be material. Due to us actively managing our assets and liabilities, the net exposure to interest rates can vary over time. However, any such decreases in the fair value of fixed maturity securities, unless related to credit concerns of the issuer requiring recognition of an OTTI, would generally be realized only if we were required to sell such securities at losses to meet liquidity needs.

7. SOLVENCY VALUATION

a. Valuation bases, assumptions and methods to derive the value of each asset class

The Company has considered the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The Company's economic valuation principles are to measure assets on a fair value basis. Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

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

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

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

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

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

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

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

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

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

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

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

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

Mortgage loans - We estimate fair value on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

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

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

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

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

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

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

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

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

b. Valuation bases, assumptions and methods to derive the value of technical provisions

The Company has considered valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" when determining insurance technical provisions. The Company believes that the techniques it uses in developing the insurance technical provisions are consistent with BMA guidance.

The primary valuation method that was used to determine the best estimate technical provisions was the BMA's Scenario Based Approach. The best estimate cash flows have been discounted reflecting the projected performance of the Company's assets under the most severe interest rate stress scenario. The risk-free interest rate scenarios were supplied by the BMA.

In addition, the Company also holds a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using the cost of capital approach and a risk-free discount rate term structure. The discount rate term structures are prescribed by the BMA for each reporting period.
The technical provisions for non-participating long duration contracts are established using accepted actuarial valuation methods which require us to make certain assumptions regarding expenses, mortality, and persistency at the date of issue or acquisition.

For the fixed indexed annuity business with guaranteed life withdrawal benefit and guaranteed minimum withdrawal benefit riders, the methods we use to estimate the liabilities have assumptions about policyholder behavior, which includes lapses, withdrawals and utilization of the benefit riders, mortality and market conditions affecting the account balance growth.

Projected policyholder lapse and withdrawal behavior assumptions are set in one of two ways. For certain blocks of business, this behavior is a function of our predictive analytics model which considers various observable inputs. For the remaining blocks of business, these assumptions are set at the product level by grouping individual policies sharing similar features and guarantees and are reviewed periodically against experience. Base lapse rates consider the level of surrender charges and are dynamically adjusted based on the level of current interest rates relative to the guaranteed rates and the amount by which any rider guarantees are in a net positive position. Rider utilization assumptions consider the number and timing of policyholders electing the riders. We track and update this assumption as experience emerges. Mortality assumptions are set at the product level and generally based on standard industry tables, adjusted for historical experience and a provision for mortality improvement.

c. Description of recoverables from reinsurance contracts

The following summarizes our reinsurance recoverables from the following:

	December 31,	
(In millions)	2019	2018
Global Atlantic	$ 2,981	$ 3,166
Protective	1,605	1,652
ARE[8]	0	337
Other[9]	277	379
Reinsurance recoverable	$ 4,863	$ 5,534

[8] Athora Life Re. Ltd.
[9] Represents all other reinsurers, with no single reinsurer having a carrying value in excess of 5% of total recoverable.

d. Valuation bases, assumptions and methods to derive the value of other liabilities

Similar to the valuation principles for assets, the Company's liabilities follow the valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" which values liabilities on a fair value basis.

8. CAPITAL MANAGEMENT

a. Eligible Capital

i. Capital Management Policy and process for capital needs, how capital is managed and material changes during the Reporting Period

The Company assesses its capital adequacy and needs in relation to its risk profile, which is assessed against the regulatory level on a periodic basis. The primary capital objectives of capital are:

- To safeguard its ability to continue as a going concern, so that it can continue to pay policyholder claims as they arise and to provide long-term growth;
- To provide an adequate return to the Group's shareholders by pricing insurance products and services commensurately with the level of risk;
- To maintain an efficient cost of capital;
- To comply with all regulatory requirements; and
- To maintain financial strength as assessed by rating agencies.

Our capital adequacy assessment tests whether there is sufficient Global Group capital available to withstand the various risks that affect the Company, individually and collectively, up to its risk appetite. Risk appetite is defined and communicated to the Company's businesses through a series of position, liquidity, and scenario limits, as well through its risk review process. The Company's risk appetite under ordinary course of events is to have each of its major regulated insurance subsidiaries maintain financial strength ratings from A.M. Best and from at least one other NRSRO. Because rating agency models can be opaque to external users, the Company translates its ratings targets into regulatory capital requirements. The Company considers its capital target linked to the rating target at its operating entities, if the capital target is met, the Company is effectively meeting its rating target.

The Company operates in different regulatory jurisdictions and assess capital management results under the NAIC Risk Based Capital framework and the BSCR frameworks, as applicable.

There have been no material changes in the capital management policy and process in 2019.

ii. Eligible Capital categorized by tiers in accordance with the Eligible Capital Rule

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with the '3-tiered capital system'. Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. The Act requires that Class E insurers have Tier 1 Capital equal to or greater than 50% of the value of its enhanced capital requirement ("**ECR**") and Tier 3 Capital of not more than 17.65% of the aggregate of its Tier 1 Capital and Tier 2 Capital.

As of December 31, 2019, all of the eligible capital used by the Company to meet the minimum margin of solvency (“**MSM**”) and ECR was Tier 1 Capital. The Company monitors its capital tiers and any encumbrances on capital when determining capital tiers, including assessing any capital restricted in trusts and funds withheld or modco arrangements.

iii. Eligible Capital categorized by tiers in accordance with the Eligible Capital Rules used to meet ECR and MSM requirements of the Act

As of December 31, 2019, all of the eligible capital used by the Company to meet the MSM and ECR was Tier 1 Capital.

iv. Confirmation of Eligible Capital that is subject to transitional arrangements

Not applicable.

v. Identification of any factors affecting encumbrances on the availability and transferability of capital to meet the ECR

Not applicable.

vi. Identification of ancillary capital instruments approved by the BMA

Not applicable.

vii. Identification of differences in shareholder’s equity as stated in the Financial Statements versus the available capital and surplus

Please see the table in section 8b(i) below - *ECR and MSM requirements at the end of the Reporting Period.*

b. Regulatory Capital Requirements

i. ECR and MSM requirements at the end of the Reporting Period

	Year Ended December 31, 2019		
(In millions)	GAAP	SFS	EBS
Actual Capital and Surplus	$14,766	$11,000	$14,073
Required Capital and Surplus (1)	N/A	$883	$3,530
BSCR Ratio (2)	N/A	N/A	310%

(1) Represents the MSM for the SFS and the ECR for EBS. There is not a required capital and surplus amount for the GAAP financial statements.
(2) BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.

ii. Identification of any non-compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirements at the end of the reporting period.

iii. A description of the amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness

Not applicable.

iv. Where the non-compliance is not resolved, a description of the amount of the non-compliance

Not applicable.

c. Approved Internal Capital Model

Not applicable.

9. SUBSEQUENT EVENTS

On October 27, 2019, AHL entered into a Transaction Agreement with AGM and certain of its affiliates (the "**Transaction Agreement**") under which affiliates of AGM agreed to make a significant investment in AHL. Pursuant to the Transaction Agreement, AHL agreed to (i) make certain amendments to the Twelfth Amended and Restated Bye-laws (the "**Bye-laws**"), by way of amending and restating the Bye-laws (the "**Thirteenth Amended and Restated Bye-laws**"), which, among other items, would result in the elimination of AHL's multi-class share structure (the "**Multi-Class Share Elimination**"), (ii) issue 35,534,942 new Class A common shares of AHL ("**Class A Common Shares**") that AHL (or its subsidiaries) would transfer to certain affiliates of AGM which comprise the Apollo Operating Group (collectively, the "**AOG**") in exchange for (A) 29,154,519 equity interests of the AOG and (B) $350 million in cash (the "**Share Issuance**") and (iii) grant AGM the right to purchase additional Class A Common Shares from the Closing Date (as defined herein) until 180 days thereafter to the extent the issued and outstanding Class A Common Shares beneficially owned by Apollo and certain of its related parties and employees (inclusive of Class A Common Shares over which any such persons have a valid proxy) do not equal at least 35% of the issued and outstanding Class A Common Shares, on a fully diluted basis. In connection with the Multi-Class Share Elimination, (i) all of the Class B common shares of AHL would be converted into an equal number of Class A Common Shares on a one-for-one basis and (ii) all of the Class M common shares of AHL would be converted into a combination of Class A Common Shares and warrants to purchase Class A Common Shares. On February 28, 2020, the transaction was closed and the events contemplated by the Transaction Agreement were effected.

On January 23, 2019, AHL received a letter from the NYSDFS, with respect to a pension risk transfer ("**PRT**") transaction, which expressed concerns with AHL's interpretation and reliance upon certain exemptions from licensing in New York in connection with certain activities performed by employees in AHL's PRT channel, including specific activities performed within New York. On April 13, 2020, AHL entered into a consent order with the NYSDFS to resolve this matter. Pursuant to the consent order, the NYSDFS imposed a fine of $45 million, which was accrued in other liabilities on the consolidated balance sheets as of December 31, 2019.

In February 2020, a series of precautionary and control measures were implemented globally in response to the outbreak of Coronavirus 2019 ("**COVID-19**"). The Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the Company's financial position and operating results. The Company is not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

In March 2020, the Company's subsidiary Athene Co-Invest Reinsurance Affiliate 1A Ltd. ("**ACRA 1A**") received a capital contribution from its investors of $358 million, comprised of $118 million from ALRe and $240 million from ADIP.

On April 1, 2020, ALRe purchased 14,000 additional Class B shares for $66 million. As a result the economic ownership percentage for ALRe increased to 36.55% and for ADIP decreased to 63.45%.

On June 18, 2020, the Company entered into a coinsurance agreement with Jackson National Life Insurance Company ("**JNL**"), effective as of June 1, 2020 (the "**Coinsurance Agreement**"), pursuant to which ALRe reinsured a 100% quota share of a block of fixed annuity and fixed indexed annuity liabilities (the "**Reinsured Business**") from JNL on a funds withheld coinsurance basis. The aggregate ceded statutory reserves subject to the Coinsurance Agreement as of June 1, 2020 were approximately $26.7 billion. In connection with the transactions contemplated by the Coinsurance Agreement, JNL received a ceding commission of approximately $1.25 billion. ALRe will provide collateral to JNL through a combination of assets withheld by JNL, assets maintained in a trust account for the benefit of JNL and one or more letters of credit. In connection with the transactions contemplated by the Coinsurance Agreement, including the redeployment of the investment portfolio supporting the Reinsured Business, and the purchase of shares, approximately $1.2 billion of capital in the aggregate is expected to be deployed over the next twelve to eighteen months. Approximately 63% of the total deployed capital will be funded by third-party investors in ACRA 1A, and approximately 37% will be funded by the Company on a stand-alone basis. The relative share of the total deployed capital will be funded in accordance with the terms of the Master Framework Agreement, dated as of September 11, 2019, between ALRe and ACRA 1A.

Pursuant to the Coinsurance Agreement, JNL will receive a fee to continue to service and administer the annuities comprising the Reinsured Business. In addition, the Coinsurance Agreement contains customary representations and warranties and indemnification provisions and certain limited recapture and termination rights based on specified triggers, including capital levels and tax events.