

# Athene Life Re Ltd. Financial Condition Report

For the twelve (12) month period ending 31<sup>st</sup> December 2016

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This Report contains references to information contained in the Athene Holding Ltd. Form 10-K filed with the Securities and Exchange Commission in accordance with the Securities and Exchange Act of 1935, as amended, and references to the Athene Life Re Ltd. Financial Statements and other information as posted on its website. These references are for the readers' convenience only. In the event that any information contained herein conflicts with the Form 10-K or any other publically disclosed documents, such conflict is unintended and the publically disclosed documents shall control.

## 1. COMPANY BACKGROUND INFORMATION

Athene Life Re Ltd. (the “**Company**” or “**ALRe**”) is a leading retirement services company that reinsures retirement savings products originated in all 50 U.S. states and the District of Columbia. ALRe is wholly owned by Athene Holding Ltd. (“**AHL**”, or the “**Parent**”), a Bermuda exempted company. ALRe reinsures business from both third party cedants and its affiliates.

ALRe was registered as a Long-Term Insurer on June 26, 2009 under the Insurance Act, 1978 of Bermuda and is classified as a Class E insurer. The Company is engaged in the business of annuity reinsurance, focusing on contracts reinsuring a quota share of future sales (flow transactions) of various fixed annuity product lines. The Company also reinsures closed blocks of existing business (block transactions); liabilities for reinsurance include immediate annuities, fixed deferred annuities (including fixed indexed products) and funding agreements.

As of December 31, 2016, Fitch, S&P and A.M. Best issued credit ratings, financial strength ratings and/or outlook statements regarding the Company, as listed below.<sup>1</sup> Credit ratings generally represent the opinions of rating agencies regarding an entity’s ability to repay its long term indebtedness. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurer or reinsurer to meet its obligations under an insurance policy or reinsurance arrangement and generally involve quantitative and qualitative evaluations by rating agencies of a company’s financial condition and operating performance. Generally, rating agencies base their financial strength ratings upon information furnished to them by the company and upon their own investigations, studies and assumptions. Financial strength ratings are based upon factors of concern to policyholders, agents, intermediaries and ceding companies and are not directed toward the protection of investors. Credit and financial strength ratings are not recommendations to buy, sell or hold securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

	December 31, 2016		
	A.M. Best	S&P	Fitch
Financial Strength Rating	A-	A-	A-
Outlook	Positive	Stable	Stable

The Company produces its financial statements in accordance with U.S. Generally Accepted Accounting Principles (“**GAAP**”).

<sup>1</sup> Kindly note that A.M. Best upgraded the Company to "A" as of April 13, 2017.

## 2. 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

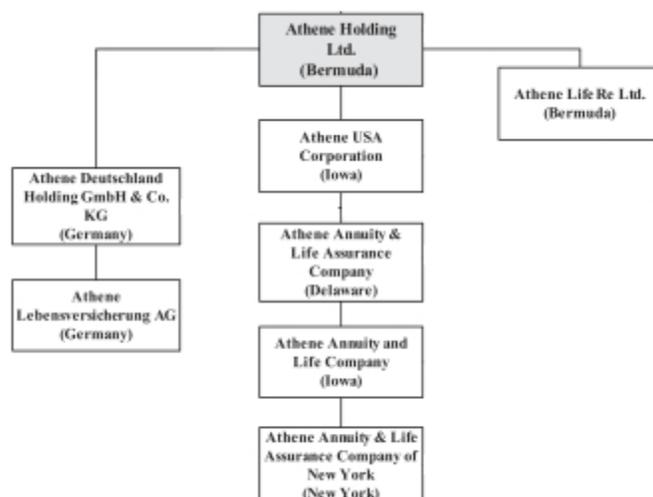
**Statutory Reporting and GAAP Reporting**

PricewaterhouseCoopers Ltd.  
 P.O. Box HM1171  
 Hamilton HM EX, Bermuda

### d. Ownership Details

The Company is a wholly owned subsidiary of Athene Holding Ltd., whose Class A common shares are listed on the New York Stock Exchange (symbol: ATH).

### e. Group Structure



### f. Insurance Business Written by Business Segment and Geographical Region

*Information about insurance written by business segment and geographic region can be found in the Notes to the Company’s financial statements for the reporting period, available on our website*

at <http://www.athenelifere.bm/about/financials/>. Please refer to Note 1 – “Business, Basis of Presentation and Significant Accounting Policies” for more information.

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

*For information on gross premium for the reporting period, please refer to the Consolidated Statements of Income (Loss) in the Company’s financial statements for the reporting period and Note 1 – “Business, Basis of Presentation and Significant Accounting Policies” in the Notes to the Company’s financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>.*

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

*Information about gross premium written by geographical region for the reporting period can be found in the Notes to the Company’s financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 1 – “Business, Basis of Presentation and Significant Accounting Policies” and Note 8 – “Reinsurance” for more information.*

**g. Performance of Investments and Material Income and Expenses Incurred for the Reporting Period**

**i. Performance**

*Information about performance of investments for the reporting period can be found in the Notes to the Company’s financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 2 – “Investments” for more information.*

**ii. Material Income & Expenses for the Reporting Period**

*For information about material income and expenses incurred for the reporting period please refer to the Company’s Consolidated Statements of Income (Loss) in the Company’s financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>.*

**h. Any other Material Information**

The Company’s parent, AHL concluded an initial public offering listing of its Class A common shares on the New York Stock Exchange on December 14, 2016.

### 3. 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**

The business and affairs of the Company are overseen by the Company's Board of Directors (the "**Board**"). The Board and its committees maintain responsibility for the management, strategic direction and long-term performance of the Company.

The Company's Board is responsible for executing strategy and policy in accordance both with its strategic plan and the longer term group strategy established at the AHL level. Together, the Company's Board and the AHL Board guide and monitor the business affairs of the Company.

The Company's Board currently consists of 6 directors, 3 of which are executive directors, 2 non-executive independent directors, and 1 non-executive affiliated director. Their roles and responsibilities are outlined in the Company's Governance Guidelines and bylaws.

Executive, Audit, Nominating and Corporate Governance, Risk, Compensation and Conflicts Committees have been constituted at the AHL level, each of which has been delegated certain responsibilities for subsidiary oversight as set forth in their respective charters. The Company has established a management Reinsurance and Operations Committee ("**AROC**") comprised of executive and senior management. The AROC is responsible for reviewing and monitoring the Company's reinsurance transactions and addressing operational and other business matters impacting or potentially impacting the Company, subject to its level of delegated authority and mandate established by the Board. Although certain authorities are delegated, the group governance structure provides mechanisms for the Board to maintain ultimate oversight.

*For a further description of the AHL Board structure and roles and responsibilities of the AHL level board and committees, please refer to Item 10 - "Directors, Executive Officers and Corporate Governance" at pages 216-225 of the AHL Form 10K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as filed with the United States Securities and Exchange Commission, (the "**AHL 10K**") which can be found at:*

<https://www.sec.gov/Archives/edgar/data/1527469/000152746917000011/ath10k2016.htm>.

##### ii. **Remuneration Policy**

The Company's remuneration policy is intended to attract, recruit, develop and retain competent employees with the skills, knowledge and expertise to fulfill their allocated responsibilities, reward high performance and provide for staff to be compensated in a manner that encourages sound risk management in accordance with our core purpose and values. The Company's remuneration policy follows the AHL level remuneration policy. *Please refer to Item 11 - "Executive Compensation" at pages 226-242 of the AHL 10K for additional information.*

### **iii. 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. The Company provides 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.

### **iv. Any material transactions with shareholder controllers, persons who exercise significant influence, the board or senior executives**

*For information on Related Party Transactions please refer to Item 13 - "Certain Relationships and Related Transactions and Director Independence" at pages 248-259 of the AHL 10K.*

## **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 appointments are subject to review by the AHL Nominating and Corporate Governance Committee.

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

Please refer to our website at: <http://www.athenelifere.bm/management/> for individual biographies for the Company's directors and management. *For additional information on AHL's Directors and Executive Management please refer to Item 10 - "Directors, Executive Officers and Corporate Governance" at pages 216-225 of the AHL 10K.*

## **c. Risk Management and Solvency Self-Assessment**

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

The Company's risk management is effected via the group's Enterprise Risk Management ("ERM") framework which is implemented and monitored at the AHL level. *Please see pages 13 and 137-140 in the AHL 10K for additional information.*

As outlined on page 15 of the AHL 10K our risk management strategy is to proactively manage our exposures to risks. *The risk management framework is more fully described in Item 7A - "Quantitative and Qualitative Disclosures About Market Risks" on page 137 of the AHL 10K.*

### **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 function of the risk management framework is described on pages 13 and 137-140 of the AHL 10K.*

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

The 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 Company's solvency self-assessment tests that there is sufficient group capital (at the AHL level) 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 as through its risk review processes. These limits are the operational expression of the Company'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.

*For a more complete description of the scenario analysis performed please refer to page 139 of the AHL 10K.*

### **iv. Description of the solvency self-assessment approval process including the level of oversight and independent verification by the board and senior executives**

The AHL Own Risk and Solvency Assessment ("ORSA") Report which is completed subsequent to the filing of the Bermuda Solvency Capital Requirement ("BSCR") is the principal document utilized for solvency self-assessment. While the ORSA Report draws heavily on strategy and planning work completed during the period, the year-end statutory valuation, and Management Risk Committee ("MRC"), Management Investment Committee ("MIC") and Asset Liability Committee ("ALCO") reports, the process that underpins the ORSA Report is not merely a snap-shot, but a process that is continually reviewed throughout the year by multiple parties across all disciplines including Finance, Legal, Actuarial, Risk, Asset Management, Treasury and Internal Audit. The ORSA Report 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**

*For information on the internal control system, please see Item 9A at page 215 of the AHL 10K.*

## **ii. Compliance Function**

The Compliance Function oversees the Company's compliance activity and promotes and sustains a corporate culture of compliance and integrity.

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 appropriate other resources for investigation and resolution.

## **e. Internal Audit**

The Internal Audit department reports to the AHL Audit Committee and is staffed independently of any other function. Internal Audit's responsibilities are outlined in the AHL Internal Audit Charter as approved by the AHL Audit Committee. Internal Audit has no responsibility for other functions across the business. This reporting structure and responsibility promotes independence and better compliance. The Internal Audit function assists the group Boards with oversight responsibility for assessing and testing the enterprise wide internal control environment, monitors that adequate internal controls are in place, facilitates periodic review and assessment of the control environment and tests compliance with internal controls. Internal Audit communicates all findings to organizational management and significant findings to the AHL Audit Committee. It has unrestricted access to the respective Boards, and their Committees, management and all areas of the organization.

## **f. Actuarial Function**

The Company's Chief Actuary also serves as the Approved Actuary. The position is responsible for monitoring information concerning the liabilities of the Company and has oversight responsibilities for the Company's underwriting processes, financial reporting including Economic Balance Sheet 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. The Company believes that outsourcing certain functions allows it to focus capital and employees on core business operations.

## ii. **Material Intra-group Outsourcing**

*For information on material intra-group outsourcing please refer to Item 13- “Certain Relationships and Related Transactions and Director Independence” at pages 248-259 of the AHL 10K.*

### h. **Any other material information**

None.

## 4. **RISK PROFILE**

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

*The various material risks of the Company are identified and discussed on pages 13, 15 and 137-40 of the AHL 10K.*

### b. **Risk Mitigation in the Organization**

*Please refer to page 13 of the AHL 10K for information on risk mitigation in the organization.*

### c. **Material Concentration Risk**

*Please refer to page 138 of the AHL 10K for information on material concentration 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 Athene Asset Management, L.P. (“AAM”), a subsidiary of Apollo Global Management, LLC (“AGM”). The remaining assets are managed by AAM in conjunction with a sub-advisory agreement between AAM and affiliates of AGM.

*Please refer to the “Superior and Unique Investment Capabilities” section at page 12 of the AHL 10K for additional information.*

### e. **Stress testing and sensitivity analysis to assess Material Risks**

*Please refer to pages 139 of the AHL 10K for information on stress testing and sensitivity analysis to assess material risks.*

## 5. **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.

*For additional information on the fair value principles used for assets, please refer to Note 1 – “Business, Basis of Presentation and Significant Accounting Policies”; Note 2 – “Investments”; Note 3 – “Derivative Instruments”; Note 4 – “Variable Interest Entities”; Note 5 – “Fair Value” and Note*

6 – “Funds Withheld at Interest” in the Notes to the Company’s financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>.

**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.

*For additional information on valuation bases, assumptions and methods to derive the value of the technical provisions please refer to Note 15 – “Statutory Requirements” in the Notes to the Company’s financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>.*

**c. Description of recoverables from reinsurance contracts**

The Company does not have any ceded insurance.

**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.

*For additional information on the fair value principles used to value liabilities for “other than technical provisions”, please refer to Note 1 – “Business, Basis of Presentation and Significant Accounting Policies” and Note 5 – “Fair Value” in the Notes to the Company’s financial statements available on our website at: <http://www.athenelifere.bm/about/financials/>.*

**6. 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 capital management objective of the Company is to maintain sufficient capital at all times to meet regulatory and rating agency capital requirements and to support future business development needs. The Company’s business plan contains a five year planning horizon of funding requirements which helps to focus actions for future funding and assists in assessing the

capital required to maintain solvency and the defined threshold taking into consideration the Company's risk profile. Surplus capital is paid out in dividends, subject to certain parameters.

*Additional information can be found in the Notes to the Company's financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - "Statutory Requirements" for further information.*

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

*Information on how the Company's Eligible Capital was categorized at the end of the reporting period can be found in the Notes to the Company's financial statements for the reporting period, available on our website at <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - "Statutory Requirements" for additional information.*

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

*Information on the Company's Eligible Capital for its Minimum Margin of Solvency ("MSM") and Enhanced Capital Requirement ("ECR") at the end of the reporting period can be found in the Notes to the Company's financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - "Statutory Requirements" for additional information.*

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

*Information on Eligible Capital subject to transitional arrangements can be found in the Notes to the Company's financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - "Statutory Requirements" for additional information.*

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

*Information on factors affecting encumbrances on the availability and transferability of capital to meet the ECR can be found in the Notes to the Company's financial statements for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - "Statutory Requirements" for further information.*

#### **vi. Identification of ancillary capital instruments approved by the Authority**

*Information about ancillary capital instruments approved by the Authority can be found in the Notes the Company's Financial Statements, for the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - "Statutory Requirements" for further information.*

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

*Information about differences in shareholder's equity as stated in the financial statements versus available capital and surplus can be found in the Notes the Company's Financial Statements, for*

the reporting period, available on our website at: <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 – “Statutory Requirements” for further information.

**b. Regulatory Capital Requirements**

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

Information about ECR and MSM requirements can be found in the Notes the Company’s Financial Statements for the reporting period, available on our website at <http://www.athenelifere.bm/about/financials/>. Please refer to Note 15 - “Statutory Requirements” for additional information.

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

The Company was compliant with the MSM and ECR requirement 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.

**7. SUBSEQUENT EVENTS**

None

We, the undersigned, declare that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of the Company in all material respects.



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Frank L. Gillis  
Chief Executive Officer  
Athene Life Re Ltd.



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Natasha Scotland Courcy  
VP, Associate General Counsel  
Chief Compliance Officer  
Assistant Secretary  
Athene Life Re Ltd.