



Frequently Asked Questions

As of December 6, 2013

INTRODUCTION

The purpose of this document is to provide investors in AP Alternative Assets, L.P. (“AAA”) with responses to frequently asked questions (FAQs) subsequent to the release of AAA’s financial results for the quarter ended September 30, 2013.

Section I of this FAQ document addresses questions on topics related to AAA, and Section II of this FAQ document addresses questions on topics related to AAA’s investment in Athene Holding Ltd. (“Athene”).

Please refer to the important disclaimer set forth on the last page of this document.

SECTION I: AP ALTERNATIVE ASSETS, L.P.

Topic: Initial Public Offering of Athene Holding Ltd.

Q: Once Athene goes public, what will happen to AAA?

- The management of AAA has publicly discussed at least two alternatives regarding the ultimate disposition of AAA’s investment in Athene, which is the only material asset held by AAA, including: (i) the liquidation of AAA and the distribution of the Athene shares held by AAA to AAA’s shareholders; or (ii) the sale of the Athene shares held by AAA and the distribution of the cash proceeds to AAA’s shareholders.
- Over time the board of directors of AAA will continue to evaluate a range of alternatives regarding the eventual distribution or liquidation of AAA’s investment in Athene in order to maximize value for AAA’s shareholders.
- AAA has committed to make an exchange offer to AAA’s unitholders following an Athene IPO and the expiration of the lock-up applicable to Athene shares held by AAA. In connection with the exchange offer, AAA’s unitholders will be entitled to receive, in the aggregate (assuming all AAA units are tendered), a number of shares of Athene equal to the number of shares of Athene held by AAA at the time of the announcement of the exchange offer less a number of shares of Athene with sufficient value to enable AAA to satisfy all of its remaining net liabilities and obligations. Also note that, prior to such exchange offer, AAA may decide to sell a

portion or all of its Athene shares, and reinvest the proceeds in other eligible investments.

- Although the timing of any decision by Apollo Alternative Assets, L.P. and AAA's board of directors is unknown at this time, it is reasonable for investors to expect that a final decision will not be made prior to an initial public offering of Athene
- There can be no assurance as to whether Athene will go public or as to the timing of any such public offering

Topic: Valuation of AAA's Investment in Athene as of September 30, 2013

Q: Why does AAA use a 15% cost of capital for its valuation of Athene as disclosed in AAA's September 30, 2013 financial statements?

- The 15% discount rate used in AAA's embedded value calculation for Athene as of September 30, 2013 is consistent with Athene's cost of capital, particularly as a private company that is less than five years old.
- Please refer to AAA's financial statements for a detailed description of AAA's valuation policies and procedures.

Q: Why was AAA's valuation of Athene reduced from 1.22x book value as of June 30, 2013 to 1.14x book value as of September 30, 2013?

- As described in AAA's financial statements, and discussed on the recent earnings call, AAA's valuation methodology for its investment in Athene is based upon embedded value, which is a discounted cash flow-based methodology based on the future cash flows of the business, plus excess regulatory capital at current value.
- Consequently, the book value multiple for Athene included in AAA's quarterly financial statements is an *implied* multiple based upon Athene's embedded value calculation, and therefore this multiple is expected to fluctuate in subsequent periods.
- In addition, over time Athene's book value may be impacted by one-time events and other items. Although book value is an important valuation benchmark, we believe this is only one of a number of significant metrics that should be used in conjunction with the valuation of AAA's investment in Athene.
- Per AAA's financial statements, AAA's valuation of Athene *increased* by \$112 million from \$1.617 billion at June 30, 2013 to \$1.729 billion at September 30, 2013. Essentially, the original \$400 million of capital that was invested by AAA into Athene has increased to approximately \$800 million in value, and the approximately \$600 million of Athene shares that were issued in exchange for the AAA assets that were transferred to Athene in connection with the October 2012 Transaction (as described in AAA's financial statements) has increased to approximately \$925 million in value as of September 30, 2013 (these values are before any carried interest or management fees to Apollo where applicable).

Q: Did AAA's valuation of Athene as of September 30, 2013 include any pro-forma impact of the pending Aviva USA acquisition (which closed on October 2, 2013)?

- No; AAA's valuation of Athene as of September 30, 2013 did not include the pro-forma impact of Athene's acquisition of Aviva USA because the transaction was still pending and subject to closing conditions at that time.

Q: If AAA's valuation of Athene as of September 30, 2013 did not include the pro-forma impact of Athene's acquisition of Aviva USA, do you expect AAA's next valuation of Athene (i.e., as of October 31, 2013) to increase? Going forward, will AAA's embedded value calculation for Athene take into consideration factors such as Athene's purchase price for Aviva USA or the cost of options and guarantees on certain lines of business?

- We believe the acquisition of Aviva USA will be value-enhancing for Athene, and we would anticipate an increase in Athene's embedded value once the impact of the acquisition of Aviva USA is incorporated. Over time, we believe the primary driver of an increase in Athene's embedded value will be its ability to redeploy Aviva USA's current investment portfolio and generate attractive rates of return. In addition, we believe other drivers of potential increases in embedded value may include Athene's ability to continue to grow its business, and a lower potential cost of capital in the future as implied by the public markets for businesses which we believe may be comparable to Athene.
- We currently expect to provide the valuation for AAA as of October 31, 2013, which will include the estimated pro-forma impact of Athene's acquisition of Aviva USA, by the middle of December, 2013. This valuation will be posted to AAA's website at www.apolloalternativeassets.com.

Q: Is AAA going to continue to post a monthly net asset value (NAV) for AAA on its website? If so, when will the October 31, 2013 NAV be made available?

- Yes; we expect to continue to provide a valuation for AAA as of the end of each month, which will be posted to AAA's website at www.apolloalternativeassets.com.
- We currently expect to provide the valuation for AAA as of October 31, 2013, which will include the estimated pro-forma impact of Athene's acquisition of Aviva USA, by the middle of December, 2013.

Topic: AAA Note Receivable from Athene Holding Ltd.

Q: When do you expect AAA's note receivable from Athene to be repaid, and what will AAA do with the proceeds from this note upon repayment?

- The note receivable (the "Note") from Athene is payable upon demand by AAA in cash or in Athene shares. The cash settlement value is equal to the Note's then outstanding principal and interest, and the share settlement is equal to the cash settlement value divided by \$13.46 (per the October 2012 Transaction as described in AAA's financial statements).

- AAA currently expects this Note to be converted into additional Athene shares at the appropriate time, and as of September 30, 2013 the Note receivable, which had a principal amount of \$51 million, was valued at \$79 million (based on Athene's share valuation as of September 30, 2013). The Note is currently being held rather than converted as a liquidity reserve for AAA.

SECTION II: ATHENE HOLDING LTD.

Topic: Partnership Valuations

Q: Per slide #2 of the presentation “Information for AAA Investors on Athene – November 7, 2013” (or the “Athene November 2013 Presentation”), can you provide any additional details regarding the partnership valuations that contributed to Athene’s strong financial performance for the three and nine months ended September 30, 2013?

- The partnership valuations discussed on slide #2 of the Athene November 2013 Presentation primarily relate to assets which were transferred from AAA to Athene in October 2012 in connection with the Transaction as described in AAA’s financial statements.
- Athene’s carrying value for certain of these AAA assets increased materially during the third quarter of 2013, including Athene’s investment in Sprouts Farmers Markets which increased by approximately \$275 million in value during the quarter, as well as Athene’s holdings in Norwegian Cruise Line, Rexnord and Caesars Entertainment. Year to date, partnership assets have contributed \$576 million of investment income, which is more than double the planned yield for these assets. Gains of this magnitude should be viewed as one-time in nature and Athene management generally expects its alternative portfolio to generate returns in the mid-to-high teens in the aggregate over the long-term.
- Although Athene has substantially exceeded its long-term return on average equity (or “ROAE”) targets during the fiscal year ended December 31, 2012 and for the nine months ended September 30, 2013 due to outperformance of these assets, Athene continues to target a ROAE in the mid-to-high teens over the long-term, which we believe would be above average within the life insurance industry. Additional details regarding Athene’s partnership valuations are expected to be provided in conjunction with the release of Athene’s FY2013 financial statements during the first quarter of 2014.

Topic: Aviva USA Transaction

Q: Based upon the disclosures on slide #3 of the Athene November 2013 Presentation, Aviva USA generated \$780 million of income during the 15 month period from June 2012 through September 2013. Were there any one-time gains in this income, and if so, can you provide details on one-time gains and core recurring earnings?

- The \$780 million was the amount of the total purchase price adjustment; the largest portion of this adjustment was driven by statutory income at Aviva USA. Additional details regarding Aviva USA’s financial performance will be provided in conjunction with the release of Athene’s FY2013 financial statements during the first quarter of 2014.

Q: Per slide #3 of the Athene November 2013 Presentation, since Aviva’s life insurance business was reinsured rather than sold, was Athene able to recognize a gain on this transaction?

- Athene did not recognize a significant gain or loss in connection with the reinsurance transaction between Athene and Global Atlantic for Aviva USA’s life insurance business.
- Additional details are expected to be provided in conjunction with the release of Athene’s FY2013 financial statements during the first quarter of 2014

Topic: High Level Business Model & Pro-Forma Financial Results

Q: Per slide #8 of the Athene November 2013 Presentation, how should we think about the “high level business model (10% capital)” from a timing standpoint? Athene has been outpacing this model from an ROAE perspective, so is a mid-to-high teens ROAE really the right target for the business or should we be assuming a higher target? If this is really a “long-term” target, how many years out is this target?

Q: How can I reconcile the figures provided on slides #8 and #10 of the Athene November 2013 Presentation with one another?

- We believe Athene has a predictable and steady business model. Athene earns the difference between the investment return on its assets and the cost of funds paid on its liabilities. Pro-forma for Aviva, Athene has a low-cost (~3.25% cash cost of funds⁽¹⁾) book of liabilities to match against a high-quality asset portfolio (weighted average NAIC rating of 1.8⁽²⁾) yielding ~4.6%. As management repositions the acquired Aviva portfolio, we expect Athene to be able to achieve run-rate yields of 5-6%, with run-rate cost of funds of ~3%-4%. Because fixed annuities generally provide stable, long-term funding, matching them against a high-quality asset portfolio allows Athene to generate predictable income over the life of its liabilities (~10 year weighted average duration pro-forma for Aviva).
- Athene bases its performance (and base case returns) on the income generated by its stable business model. However, Athene continues to believe that allocating a small portion of its assets (primarily those assets backed by capital in excess of target levels) to higher yielding alternative strategies is prudent from a risk standpoint and can provide additional upside to its base case returns. Athene typically expects that it will allocate 5-10% of its invested assets towards alternative strategies.

⁽¹⁾ Cash cost of funds represents the IRR of all cash flows related to servicing the liabilities as of 9/30/13, pro-forma for Aviva. Cash cost of funds includes both actual historical cash collected and projected future cash payments. For business that was acquired, the actual cash flow is based on the market value of assets at the time of transaction less any purchase price or upfront commission. Cash cost of funds also includes policyholder benefits paid, maintenance expenses, ongoing commissions, acquisition and policy issue costs, options purchases offset by maturities, and federal excise tax. No federal income tax, overhead, or surplus fees are included.

⁽²⁾ CMBS and CML mapped to NAIC 1 and NAIC 2 rating respectively based on underlying collateral. Alternatives and equities mapped to an NAIC 6 rating. As of November 5, 2013, approximately 90% of Athene’s portfolio was rated NAIC 1 or 2 (49% of portfolio was rated NAIC 1, and 41% of the portfolio was rated NAIC 2).

- To date, Athene has successfully been able to add additional upside to its already strong base case performance through its alternative investments. However, Athene does not expect to generate gains of a similar magnitude from its alternative investments in the future, and it generally expects its alternative portfolio to generate returns in the mid-to-high teens in the aggregate over the long-term.

Q: Can we make any assumptions about the implied earnings power of Athene based on the disclosure on slide #9 of the Athene November 2013 Presentation that the company will be able to repay its \$300 million revolver from internal cash generation over the ensuing two quarters?

- The liquid cash flow of an insurance holding company such as Athene is not necessarily directly linked to the company's GAAP operating earnings in the short run.
- Athene believes it has ample liquidity on hand as fixed annuities generally provide stable, long-term funding, and Athene can generate predictable income over the life of its liabilities (which are approximately 10 years in weighted average duration pro-forma for Aviva).

Q: Per slide #10 of the Athene November 2013 Presentation, I understand that statutory and GAAP capital are expected to converge over time. How long will it take for this convergence to occur? Will this figure converge more towards the GAAP amount or the statutory amount or somewhere closer to the middle?

- The gap between statutory capital and GAAP book value is expected to appreciably narrow over time as GAAP book value approaches statutory capital.
- The principal difference between the expected pro-forma GAAP equity and the expected pro-forma total statutory resources (U.S. plus Bermuda, as defined in the Athene November 2013 Presentation) arises from an increase in Bermuda surplus at the time of the Aviva closing. This is caused by the marking of the assets to market in the portion of the Aviva bond portfolio linked to business ceded to Athene's Bermuda reinsurance subsidiary but not booking the ceded liabilities at fair value (as they are in GAAP purchase accounting).

Q: Per slide #10 of the Athene November 2013 Presentation, can you confirm that all of the figures exclude Aviva USA's life business (since footnote #3 refers to Athene Life)?

- Yes – Aviva USA's life insurance business is excluded from these figures

Q: Per slide #10 of the Athene November 2013 Presentation, per footnote #3, is there any double counting (or "stacking") in the determination of statutory capital? Also, are there any material non-insurance assets and liabilities included in these figures?

- There is no double counting in the metric of statutory capital presented on slide #10 of the Athene November 2013 Presentation. This figure also excludes all non-insurance company assets and liabilities.

Q: Athene has indicated previously that it generally targets leverage of 10-14x. However, based on the figures provided on slide #10 of the Athene November 2013 Presentation, it appears that pro-forma GAAP leverage is approximately 25-30x. Are we thinking about this correctly, and if so has Athene changed its views on leverage?

- Athene's statutory leverage target of 10-14x is the ratio of regulatory or statutory reserves to surplus. As illustrated on slide #10 of the Athene November 2013 Presentation, as of September 30, 2013, on a pro-forma statutory basis, Athene's ratio of reserves to surplus is 13x, which is within the target range.
- The gap between statutory capital and GAAP book value is expected to appreciably narrow over time, and as a result GAAP leverage (i.e., capital to reserves) should come down materially.
- Athene believes statutory capital and statutory leverage are the most important capital adequacy metrics because statutory accounting is the accounting methodology used by insurance regulators and the methodology typically used by insurance regulators and rating agencies to determine capital adequacy and ratings.

Q: When will Athene release additional pro-forma financial information? Can we expect anything prior to the release of the FY2013 financials in the first quarter of 2014?

- Athene currently expects to provide additional pro-forma information with the release of its full year 2013 financial statements during the first quarter of 2014

Topic: Other Questions Regarding Athene

Q: Why have Athene's ROAE targets in the Athene November 2013 Presentation been reduced from previous disclosures that have been made available to AAA's investors?

- There has been no change in Athene's ROAE target; Athene has consistently indicated that it targets a ROAE in the mid-to-high teens over the long-term, which we believe would be above average within the life insurance industry.

Q: Per slide #10 of the Athene November 2013 Presentation, can you provide a high-level, summary explanation as to why there is such a significant difference between pro-forma statutory and GAAP capital as of September 30, 2013?

- The principal difference between the expected pro-forma GAAP equity and the expected pro-forma total statutory resources (U.S. plus Bermuda, as defined in the Athene November 2013 Presentation) arises from an increase in Bermuda surplus at the time of the Aviva closing. This is caused by the marking of the assets to market in the portion of the Aviva bond portfolio linked to business ceded to Athene's

Bermuda reinsurance subsidiary but not booking the ceded liabilities at fair value (as they are in GAAP purchase accounting).

- Bargain purchase gains are uncommon in purchase accounting. With respect to Athene's acquisition of Aviva USA, the GAAP purchase gain is small (relative to the assets acquired) because the fair value of the assets acquired, which is largely based on market values, is expected to only slightly exceed the fair value of the liabilities, which, pursuant to the principles of US GAAP for business combinations, is estimated using an actuarial-based valuation using "third-party market" assumptions. This, combined with the net consideration Athene actually paid for Aviva USA, produces a relatively minor increase in GAAP equity from the transaction.

Q: Qualitatively, what is the outlook for adding additional blocks of business or acquisitions of companies? Are there still sizeable deals out there to do? Does Athene require additional capital to pursue these growth opportunities?

- Athene will seek to acquire annuity liabilities through any or all of the following channels as long as acquisitions meet the appropriate return targets: (i) retail issuance through the now combined Athene and Aviva platforms; (ii) institutional issuance through third-party reinsurance and funding agreements; and/or (iii) acquisitions of companies or blocks of business through reinsurance. Athene currently believes that opportunities exist to achieve adequate returns in all of these channels, and Athene would likely fund these opportunities by raising pre-IPO equity, potentially in the near-term.

Q: Athene is now writing new business as well as acquiring existing blocks. Do you expect that new business will largely offset portfolio run-off? In other words, should we view Athene as a growth company, a mature company or a run-off company?

- Although Athene currently believes that opportunities exist to achieve adequate returns in all channels for acquiring annuity liabilities (retail issuance, institutional issuance, and acquisitions), Athene is neither reliant upon nor compelled to pursue consistent or growing volume in any particular channel.
- Athene's goal is to establish a business model and cost structure that enables the company to moderate its activity in any particular channel when maintaining volume brings disproportional risk or inadequate return.
- In particular, with the acquisition of Aviva USA, Athene believes it is now poised to seek material growth in all channels and will actively pursue profitable, organic growth, with initial estimated run-rate retail volumes of ~\$2bn - \$3bn annually (depending on market and rate conditions).

Q: Are you holding any reserves off balance sheet for regulatory purposes? Is there anything being held off of Athene's balance sheet that would explain Athene's long-term ROAE targets?

- Athene is very well-capitalized, highly-rated, and has good relationships with its regulators. Athene is focused on capital maintenance and protection of policyholders.

- Athene continues to target a ROAE in the mid-to-high teens over the long-term, which we believe would be above average within the life insurance industry.

Q: Will Aviva's tax rate change once owned by Athene?

- Athene has profitable businesses in both the U.S. and Bermuda. Athene's U.S. subsidiaries, including Aviva, are subject to tax in the U.S. in the same manner as other U.S. corporations. Over time, the business mix between Athene's U.S. subsidiaries and Athene's Bermuda subsidiary will determine the blended tax rate reported in Athene's financials.

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