



**AP Alternative Assets, L.P. Informs Investors of Update Letter to Athene Shareholders and Availability of Additional Information Regarding Athene**

*Guernsey, Channel Islands, February 5, 2015:* In connection with AP Alternative Assets, L.P.'s ("AAA"; Euronext Amsterdam: AAA) equity investment in Athene Holding Ltd. ("Athene"), AAA, the largest shareholder of Athene, informs its investors that Athene issued an update letter to its shareholders. Below is the full text of Athene's shareholder letter, and for additional information regarding Athene, please visit [www.athene.bm](http://www.athene.bm).

In addition to the shareholder letter below, an investor presentation regarding Athene's previously announced acquisition of the German subsidiary companies of Delta Lloyd NV has been posted to the Reports & Filings/Additional Documents section of AAA's website at [www.apolloalternativeassets.com](http://www.apolloalternativeassets.com).

AAA also informs its investors that Athene's third quarter 2014 statutory financial statements for its main operating entities – Iowa and Delaware – are posted on Athene's website at <http://www.athene.bm/financial-statements/>. Athene Life Re Ltd. third quarter 2014 Bermuda statutory financial statements are also located on that site.

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**ATHENE HOLDING LTD. LETTER TO SHAREHOLDERS**

Dear Shareholder,

As we begin 2015, we would like to take this opportunity to update you on the significant progress being made within our business and provide an update on our financial results.

***Rating Agency Updates***

Last fall, both A.M. Best and Standard & Poor's (S&P) upgraded Athene's outlook and affirmed our financial strength ratings. S&P upgraded Athene's outlook to stable from negative and affirmed the 'A-' financial strength rating for our Iowa-domiciled and New York-domiciled companies, our main onshore subsidiaries. S&P also assigned the 'A'-rating to other lead insurance operating companies core to the overall group. Similarly, A.M. Best upgraded the outlook of our U.S. insurance companies to positive from stable and affirmed the company's financial strength rating of 'B++' (Good).

These announcements were important milestones for our company, and for the first time both A.M. Best and S&P assigned financial strength ratings to Athene Life Re Ltd., our Bermuda-domiciled reinsurance company. The ratings assigned to Athene Life Re Ltd. are identical to the financial strength ratings assigned to our U.S. domiciled insurance companies.

In addition, S&P rated Athene Holding Ltd. 'BBB', which is one notch higher than the typical three-notch rating difference between insurance companies and their parent holding companies. We are pleased that the rating agencies recognized our financial strength and that we are very well positioned to continue to grow.

***Acquisition in Germany***

In January, we announced our intent to acquire Delta Lloyd Deutschland AG and its subsidiaries ("DLD"), the German subsidiary companies of Delta Lloyd NV, an Amsterdam-based financial services

provider. DLD is based in Wiesbaden, Germany, and provides retirement savings products to the German market. This will be our fifth acquisition in the last five years and the first one outside of the United States.

Germany presents a significant market opportunity for Athene due to unique underlying market dynamics and new capital guidelines that will likely have the effect of additional German companies looking to sell all or portions of their organizations. DLD provides an excellent entry into the German market, and we believe our management team's experience overseeing the integration of our prior four acquisitions will allow for a seamless integration of DLD into Athene. There is substantial opportunity with DLD and in Germany, and we strongly believe Athene's core operating principles and business practices, particularly our strong focus on asset management, risk management and policyholder protection, match up well with the needs of the German life insurance industry.

As a result of increased capital requirements coming from the Solvency II regulatory changes and the low interest rate environment, many companies in the German insurance market are concentrating on core activities and markets. This creates an opportunity for companies like Athene that can bring two key advantages to the table: capital and asset /risk management expertise. Athene has capital to invest and believes its investment expertise and risk management capabilities can add real value.

After the expected closing by the third quarter of 2015, we intend to operate the German business under a German holding company (similar to Athene USA) that is owned by Athene Holding. DLD is a run-off organization, meaning it has not sold new business since 2010. Following expected closing, we will continue to operate DLD according to its current business model and service its existing customers. DLD's liabilities have a longer life than similar policies in the U.S., which means that a run-off organization can continue for a considerable time.

We are not planning to call any undrawn capital from our private placement in 2014 in association with this acquisition, as DLD is a relatively small business compared to other transactions we have completed. Today, DLD has current assets of approximately \$5.1 billion, 350,000 policyholders and about 180 employees. While this acquisition is an important step in our entry to the German marketplace, we will continue uninterrupted on our major projects and objectives for 2015, which includes public company readiness as one of our highest priorities. To view more information about this transaction, please visit the AAA website ([www.apolloalternativeassets.com](http://www.apolloalternativeassets.com)) in the Reports & Filings section under Additional Documents.

### ***Integration Activities***

As you are aware, a major goal of the Company in 2014 was to upgrade our systems, to integrate and consolidate the operations of our newly acquired businesses, and to build a robust platform to support our block reinsurance and opportunistic M&A strategy. Over the course of 2014, we made meaningful progress on these initiatives. Our most recent integration process with Aviva USA continues to go well as we have combined our sales forces, consolidated offices, championed new product launches and continued to focus on moving our Delaware products onto the Iowa platform. As previously announced, our Topeka operations were consolidated with West Des Moines at the end of 2014 and the Greenville office will be closing mid-year 2015.

### ***Retail Sales and Statutory Financial Update***

Athene continues to perform well, with our retail sales reaching planned production levels for 2014. Through December 31, 2014, we wrote \$2.6 billion of premium at attractive net spreads. We plan continued profitable growth in retail sales in 2015, with targets in excess of our 2014 results. Through a variety of sales initiatives, we continue to be one of the fastest growing writers of indexed annuities and have the second largest portfolio of fixed-indexed annuity reserves in the U.S, according to LIMRA's Annuity Yearbook.

Athene remains well capitalized and the Company's investments continue to perform well. For the quarter ended, September 30, 2014, Athene had:

- Onshore Risk Based Capital (RBC) ratio of 509% CAL<sup>1</sup>, offshore BSCR of 194%<sup>2</sup>, and consolidated statutory capital-to-reserves ratio of approximately 10.1% (in-line with investment grade peers)
- Consolidated statutory capital of \$5.3 billion, which excludes approximately \$1.05 billion of undrawn committed capital from Athene's 2014 capital raise
- U.S. combined statutory capital and surplus of \$1.1 billion<sup>1</sup>
- Total consolidated statutory assets of \$59 billion<sup>3</sup>
- No financial leverage, as we have no outstanding borrowings under our line of credit and no other debt.
- We have \$59 billion of consolidated statutory invested assets managed by our affiliate, Athene Asset Management, L.P. Our portfolio continues to be well-diversified with 88% of our rated securities carrying a 1 or 2 rating – the two highest categories – by the NAIC's Securities Valuation Office. For the nine months ended September 30, 2014, we generated consolidated statutory net investment income of \$1.9 billion on our portfolio, which equates to an average earned rate of 4.5%. Our investment results were driven by strong performance in our core fixed income portfolio – specifically corporate bonds, RMBS, CLO and ABS – which was offset by volatility in the mark-to-market on the run-off public equities positions we inherited as pre-funding for the Aviva transaction
- As a reminder, our ability to redeploy the acquired Aviva USA asset portfolio into higher yielding, but similarly high quality, assets was a key component of our investment thesis for the Aviva transaction. Based on our internal estimates, in the 15 months since closing the Aviva USA transaction we have purchased \$14.1 billion of long-term investments at an average yield of 6.93%, which is in excess of management's expectations at transaction close and has allowed us to increase yields on the acquired portfolio.
- Our investment portfolio includes approximately \$3.85 billion of energy exposure by market value as of December 31, 2014, of which about 96% carries a 1 or 2 rating – the two highest categories – by the NAIC's Securities Valuation Office. Approximately \$3.2 billion of the \$3.85 billion total exposure was invested in public and private corporate bonds of which around 94% were investment grade, and the remainder was concentrated in the BB range where we still see limited risk. The remaining approximate \$625 million of total exposure was invested primarily in highly rated companies that roll-up to sovereign parents, highly

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<sup>1</sup> RBC and Capital & Surplus are for Athene Annuity & Life Assurance Company, which sits at the top of our chain of U.S. insurance subsidiaries.

<sup>2</sup> Athene Life Re Ltd., Bermuda Solvency Capital Requirement. This has been adjusted for anticipation of future regulatory changes.

<sup>3</sup> Consolidated Statutory metrics throughout this communication are calculated using materially different accounting principles than similar metrics calculated in accordance with US GAAP. The consolidated statutory metrics are the sum of Athene Annuity & Life Assurance Company and Athene Life Re Ltd., which is Athene's only material Bermuda insurance subsidiary, and Athene's non-life insurance companies.

rated debt and preferred equity of closed-end funds and energy-focused funds and royalties. Moreover, our exposure to the energy market is spread across the different segments of the diverse energy sector, which include exploration and production, services, refining and midstream.

Please note that Athene Holding and its insurance subsidiaries have continued to meet all regulatory filing deadlines with regard to financial statements prepared in accordance with Statutory Accounting principles. Our third quarter 2014 statutory financial statements for our main operating entities – Iowa and Delaware – are posted on Athene’s website at <http://www.athene.bm/financial-statements/>. Athene Life Re Ltd. third quarter 2014 Bermuda statutory financial statements are also located on the site.

### ***Progress on Remediation Program***

As you are aware, in preparing our financial statements for the year ended December 31, 2013, which date also included the first quarter of our ownership of the Aviva USA business, we identified the existence of material weaknesses in the controls over financial reporting of actuarial reserves and tax balances. The actuarial material weakness primarily relates to deficiencies in control procedures to identify unusual trends or balances within the reserves and validate modeled results. The deficiencies are principally associated with the accounting for the recently acquired Aviva USA operations. The tax material weakness was catalyzed from the scaled people and process needs of the combined Aviva-Athene business following transaction close.

Over the past 9 months, we have deployed significant internal and external resources to remedy our actuarial material weakness as expeditiously as possible. Specifically, we have now reviewed and recalculated our actuarial balances for the year ended December 31, 2013 and the quarter ended March 31, 2014. We are pleased to inform you that our review has progressed to a point that will allow us to resume the process of producing GAAP financials, and we anticipate being able to publicly release GAAP financials to our shareholders later this year. For the remainder of 2015, we will continue to focus on remedying the actuarial material weakness, and, in particular, ensuring that our financial systems, reporting processes and controls are appropriate for a public company<sup>4</sup>.

As part of our review and recalculation of actuarial balances, we now know that our first quarter 2014 GAAP financial statements -- published on June 24, 2014 -- can no longer be relied upon and have been removed from the AAA website, effective today. Specifically, we discovered the need to change our calculations for reserve balances associated with our indexed products. We have begun the methodical process of restating our first quarter 2014 GAAP financial statements and expect that the changes identified during our actuarial remediation will result in an increase in our reported net income, book value, book value per share, and return on equity. While we have completed remediation efforts for key areas in our actuarial review and have resumed the process of producing GAAP financials, we are highly focused on implementing robust public-company processes and controls before publishing revised first quarter 2014 and the remaining 2014 quarterly results. We will continue to work on the financial statements and provide an update on timing as we know more in the next few months.

Work continues on the tax-related material weakness stemming from the scaled people and process needs of the combined Aviva-Athene business. As planned, we have increased staffing levels and have reviewed our processes for timely preparation of support for our tax accounting positions. No adjustments have been identified to date and the remediation project continues as planned during 2015.

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<sup>4</sup> While we are pleased to report the substantial progress we have made in addressing our material weaknesses, our work remains ongoing and we cannot be certain that we will succeed in fully addressing these material weaknesses or that additional material weaknesses or deficiencies will not develop or be identified; nor can we estimate the exact timing when this remediation process will be completed.

While we are working to produce our financial statements for 2014 and 2015, we will continue to update you on our ongoing operational performance and will provide statutory financial updates quarterly. In addition, Athene will continue to provide a quarterly per share valuation of its equity to investors. The estimated fair value for one share of Athene Holding stock at December 31, 2014 is \$26.02 per share. As a reminder, this per share valuation of Athene's equity is calculated using an embedded value methodology, which is based on the present value of the future cash flows related to Athene's in-force business as of December 31, 2014 rather than GAAP financials.

We appreciate your interest in Athene and your understanding as we work through the next stage of our GAAP reporting process. We will continue to keep you updated on our progress and look forward to your continued support.

Sincerely,



Brenda J. Cushing  
Chief Financial Officer  
Athene Holding Ltd.

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#### **About AP Alternative Assets**

AAA was established by Apollo Global Management, LLC (together with its consolidated subsidiaries, "Apollo") and is a closed-end limited partnership established under the laws of Guernsey. Apollo is a leading global alternative investment manager with 24 years of experience investing across the capital structure of leveraged companies. AAA is managed by Apollo Alternative Assets, L.P., a subsidiary of Apollo. For more information about AP Alternative Assets, please visit [www.apolloalternativeassets.com](http://www.apolloalternativeassets.com).

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