ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	3,653,400,217		3,653,400,217	3,885,667,321
2. Stocks (Schedule D):				
2.1 Preferred stocks	18,000,000		18,000,000	28,500,000
2.2 Common stocks	1,252,131,519	37,979	1,252,093,540	1,248,860,176
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	114,399,212		114,399,212	39,322,298
3.2 Other than first liens	718,503,500		718,503,500	703,532,046
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ .... encumbrances)				
4.2 Properties held for the production of income (less $ .... encumbrances)				
4.3 Properties held for sale (less $ .... encumbrances)				
5. Cash ($ 28,959,486 , Schedule E - Part 1), cash equivalents ($ .... , Schedule E - Part 2) and short-term investments ($ 229,645,091 , Schedule DA)	258,604,577		258,604,577	482,404,128
6. Contract loans (including $ .... premium notes)	1,514,265		1,514,265	1,729,691
7. Derivatives (Schedule DB)	65,123,488		65,123,488	40,930,198
8. Other invested assets (Schedule BA)	1,051,831,441		1,051,831,441	1,191,754,887
9. Receivables for securities	2,563,651		2,563,651	500
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	7,136,071,869	37,979	7,136,033,891	7,622,701,245
13. Title plants less $ .... charged off (for Title insurers only)				
14. Investment income due and accrued	36,153,920		36,153,920	27,852,787
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including $ .... earned but unbilled premiums)				
15.3 Accrued retrospective premiums ($ ....) and contracts subject to redetermination ($ ....)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	54,402,771		54,402,771	59,882,331
16.2 Funds held by or deposited with reinsured companies	2,740,263,425		2,740,263,425	2,726,252,951
16.3 Other amounts receivable under reinsurance contracts	333,927,477		333,927,477	314,675,570
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	17,839,713		17,839,713	33,419,902
18.2 Net deferred tax asset	17,983,656		17,983,656	46,806,232
19. Guaranty funds receivable or on deposit	629,859		629,859	812,185
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ ....)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	63,395		63,395	2,090,524
24. Health care ($ ....) and other amounts receivable	24,808	24,808		
25. Aggregate write-ins for other than invested assets	509,531	473,079	36,452	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	10,337,870,421	535,865	10,337,334,556	10,834,493,727
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	13,321,980		13,321,980	13,353,095
28. Total (Lines 26 and 27)	10,351,192,402	535,865	10,350,656,536	10,847,846,822
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)				
2501. Miscellaneous assets	509,531	473,079	36,452	
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	509,531	473,079	36,452	

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts $ 7,682,503,285 (Exh. 5, Line 9999999) less $ included in Line 6.3 (including $ 6,172,535,180 Modco Reserve)	7,682,503,285	8,125,202,394
2. Aggregate reserve for accident and health contracts (including $ Modco Reserve)		
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including $ 450,029,857 Modco Reserve)	514,036,733	559,322,136
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11)	20,794,678	19,852,825
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11)		
5. Policyholders' dividends $ and coupons $ due and unpaid (Exhibit 4, Line 10)		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including $ Modco)	44,598	54,796
6.2 Dividends not yet apportioned (including $ Modco)		
6.3 Coupons and similar benefits (including $ Modco)		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less $ discount; including $ accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of lines 4 and 14)		
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		
9.2 Provision for experience rating refunds, including the liability of $ accident and health experience rating refunds of which $ is for medical loss ratio rebate per the Public Health Service Act		
9.3 Other amounts payable on reinsurance, including $ 15,207,482 assumed and $ 465,958,381 ceded	481,165,863	562,480,817
9.4 Interest maintenance reserve (IMR, Line 6)	62,126,460	66,057,165
10. Commissions to agents due or accrued-life and annuity contracts $ 247,476 accident and health $ 683,264 and deposit-type contract funds $	930,740	1,174,727
11. Commissions and expense allowances payable on reinsurance assumed	11,719,538	12,038,557
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6)	1,525,600	1,198,405
13. Transfers to Separate Accounts due or accrued (net) (including $ (3,763) accrued for expense allowances recognized in reserves, net of reinsured allowances)	(3,763)	(31,386)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5)	2,863,139	3,071,505
15.1 Current federal and foreign income taxes, including $ on realized capital gains (losses)		
15.2 Net deferred tax liability		
16. Unearned investment income	71,222	82,213
17. Amounts withheld or retained by company as agent or trustee	96,710	260,633
18. Amounts held for agents' account, including $ agents' credit balances		
19. Remittances and items not allocated	4,295,692	5,396,393
20. Net adjustment in assets and liabilities due to foreign exchange rates		
21. Liability for benefits for employees and agents if not included above		12,500
22. Borrowed money $ and interest thereon $		
23. Dividends to stockholders declared and unpaid		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve (AVR, Line 16, Col. 7)	194,825,696	135,785,922
24.02 Reinsurance in unauthorized and certified ($) companies		
24.03 Funds held under reinsurance treaties with unauthorized and certified ($) reinsurers		
24.04 Payable to parent, subsidiaries and affiliates	7,107,423	10,270,502
24.05 Drafts outstanding		
24.06 Liability for amounts held under uninsured plans		
24.07 Funds held under coinsurance		
24.08 Derivatives	127,249	1,111,555
24.09 Payable for securities	8,768	24,390,781
24.10 Payable for securities lending		
24.11 Capital notes $ and interest thereon $		
25. Aggregate write-ins for liabilities	80,674,966	55,992,159
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	9,064,914,599	9,583,724,598
27. From Separate Accounts Statement	13,321,980	13,353,095
28. Total liabilities (Lines 26 and 27)	9,078,236,580	9,597,077,693
29. Common capital stock	2,500,000	2,500,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds		
32. Surplus notes		
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1)	964,949,943	947,732,791
34. Aggregate write-ins for special surplus funds		
35. Unassigned funds (surplus)	304,970,014	300,536,338
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 29 $)		
36.2 shares preferred (value included in Line 30 $)		
37. Surplus (Total Lines 31+32+33+34+35-36) (including $ in Separate Accounts Statement)	1,269,919,957	1,248,269,129
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55)	1,272,419,957	1,250,769,129
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	10,350,656,536	10,847,846,822
DETAILS OF WRITE-INS		
2501. Derivative collateral liability	57,324,114	38,371,553
2502. Unclaimed funds	19,794,279	17,620,605
2503. Collateralized borrowing	3,527,449	
2598. Summary of remaining write-ins for Line 25 from overflow page	29,124	
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	80,674,966	55,992,159
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above)		
3401.		
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page		
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)		

SUMMARY OF OPERATIONS

		1 Current Year	2 Prior Year
1.	Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	24,268,836	40,360,849
2.	Considerations for supplementary contracts with life contingencies	513,619	41,255
3.	Net investment income (Exhibit of Net Investment Income, Line 17)	349,513,512	438,871,625
4.	Amortization of Interest Maintenance Reserve (IMR, Line 5)	3,043,577	8,228,039
5.	Separate Accounts net gain from operations excluding unrealized gains or losses		
6.	Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	71,142,850	132,162,285
7.	Reserve adjustments on reinsurance ceded	(700,083,721)	(1,004,375,648)
8.	Miscellaneous Income:		
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	524,654	748,057
	8.2 Charges and fees for deposit-type contracts		
	8.3 Aggregate write-ins for miscellaneous income	149,880,273	147,099,710
9.	Total (Lines 1 to 8.3)	(101,196,401)	(236,863,827)
10.	Death benefits	729,955	2,857,634
11.	Matured endowments (excluding guaranteed annual pure endowments)	83	
12.	Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8)	53,878,367	59,865,637
13.	Disability benefits and benefits under accident and health contracts		
14.	Coupons, guaranteed annual pure endowments and similar benefits		
15.	Surrender benefits and withdrawals for life contracts	115,935,972	140,480,653
16.	Group conversions		
17.	Interest and adjustments on contract or deposit-type contract funds	30,859,194	(12,667,829)
18.	Payments on supplementary contracts with life contingencies	474,967	666,568
19.	Increase in aggregate reserves for life and accident and health contracts	(442,699,109)	(568,128,975)
20.	Totals (Lines 10 to 19)	(240,820,570)	(376,926,313)
21.	Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1)	9,631,128	28,121,498
22.	Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	16,840,720	11,898,847
23.	General insurance expenses (Exhibit 2, Line 10, Cols. 1, 2, 3 and 4)	23,982,734	35,901,528
24.	Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3)	11,717,249	12,105,506
25.	Increase in loading on deferred and uncollected premiums		
26.	Net transfers to or (from) Separate Accounts net of reinsurance	(432,697)	(2,004,282)
27.	Aggregate write-ins for deductions	10,624,016	(27,092,958)
28.	Totals (Lines 20 to 27)	(168,457,420)	(317,996,173)
29.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	67,261,020	81,132,345
30.	Dividends to policyholders	33,225	65,251
31.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	67,227,795	81,067,095
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	(53,536,160)	12,022,018
33.	Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	120,763,955	69,045,077
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 37,077,972 (excluding taxes of $ (6,196,778) transferred to the IMR)	(49,415,938)	(1,270,646)
35.	Net income (Line 33 plus Line 34)	71,348,016	67,774,431
	CAPITAL AND SURPLUS ACCOUNT		
36.	Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2)	1,250,769,129	1,154,088,777
37.	Net income (Line 35)	71,348,016	67,774,431
38.	Change in net unrealized capital gains (losses) less capital gains tax of $ 31,894,246	31,546,722	(4,838,176)
39.	Change in net unrealized foreign exchange capital gain (loss)	16,041,902	(8,016,927)
40.	Change in net deferred income tax	3,071,670	(18,275,611)
41.	Change in nonadmitted assets	1,152,975	704,661
42.	Change in liability for reinsurance in unauthorized and certified companies		
43.	Change in reserve on account of change in valuation basis, (increase) or decrease		(5,921,328)
44.	Change in asset valuation reserve	(59,039,774)	60,283,969
45.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1)		
46.	Surplus (contributed to) withdrawn from Separate Accounts during period		
47.	Other changes in surplus in Separate Accounts Statement		
48.	Change in surplus notes		
49.	Cumulative effect of changes in accounting principles		
50.	Capital changes:		
	50.1 Paid in		
	50.2 Transferred from surplus (Stock Dividend)		
	50.3 Transferred to surplus		
51.	Surplus adjustment:		
	51.1 Paid in	17,217,152	14,111,296
	51.2 Transferred to capital (Stock Dividend)		
	51.3 Transferred from capital		
	51.4 Change in surplus as a result of reinsurance	(44,189,271)	(9,141,963)
52.	Dividends to stockholders		
53.	Aggregate write-ins for gains and losses in surplus	(15,498,564)	
54.	Net change in capital and surplus for the year (Lines 37 through 53)	21,650,828	96,680,352
55.	Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	1,272,419,957	1,250,769,129
	DETAILS OF WRITE-INS		
08.301.	Funds withheld adjustment - assumed	141,524,098	147,566,334
08.302.	Miscellaneous income (expense)	8,356,175	(466,624)
08.303.			
08.398.	Summary of remaining write-ins for Line 8.3 from overflow page		
08.399.	Totals (Lines 08.301 thru 08.303 plus 08.398)(Line 8.3 above)	149,880,273	147,099,710
2701.	Transfer to IMR - ceded	9,122,890	(26,616,124)
2702.	Transfer to IMR - assumed	3,454,112	1,106,562
2703.	Transfer to IMR - MVA benefits	(1,955,825)	(1,680,146)
2798.	Summary of remaining write-ins for Line 27 from overflow page	2,839	96,750
2799.	Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above)	10,624,016	(27,092,958)
5301.	Correction of prior period error	(9,982,796)	
5302.	Tax sharing agreement	(5,515,768)	
5303.			
5398.	Summary of remaining write-ins for Line 53 from overflow page		
5399.	Totals (Lines 5301 thru 5303 plus 5398)(Line 53 above)	(15,498,564)	

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	24,782,455	40,402,104
2. Net investment income	295,291,930	373,634,316
3. Miscellaneous income	58,601,231	65,534,278
4. Total (Lines 1 through 3)	378,675,615	479,570,699
5. Benefit and loss related payments	767,553,382	730,165,407
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	(460,320)	(2,061,873)
7. Commissions, expenses paid and aggregate write-ins for deductions	59,049,322	93,658,488
8. Dividends paid to policyholders	43,422	65,251
9. Federal and foreign income taxes paid (recovered) net of $ 17,695,491 tax on capital gains (losses)	(22,736,591)	22,610,309
10. Total (Lines 5 through 9)	803,449,216	844,437,580
11. Net cash from operations (Line 4 minus Line 10)	(424,773,601)	(364,866,881)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,178,713,280	848,844,737
12.2 Stocks	10,579,543	
12.3 Mortgage loans	129,869,253	152,815,900
12.4 Real estate		554,625
12.5 Other invested assets	183,005,373	148,573,287
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(2,419,065)	
12.7 Miscellaneous proceeds	431	61,449,504
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,499,748,814	1,212,238,054
13. Cost of investments acquired (long-term only):		
13.1 Bonds	904,251,121	446,988,555
13.2 Stocks	1,337,912	15,000,000
13.3 Mortgage loans	219,213,516	96,905,694
13.4 Real estate		
13.5 Other invested assets	117,840,809	272,254,430
13.6 Miscellaneous applications	34,205,125	6,068,637
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,276,848,483	837,217,316
14. Net increase (decrease) in contract loans and premium notes	(215,426)	100,835
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	223,115,758	374,919,902
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities	(45,285,403)	334,666,701
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	23,143,695	(254,339)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(22,141,708)	334,412,362
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(223,799,551)	344,465,383
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	482,404,128	137,938,745
19.2 End of year (Line 18 plus Line 19.1)	258,604,577	482,404,128

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Capital contribution of stock compensation expense (financing)	17,217,152	14,111,296
20.0002. Capital contribution of stock compensation expense (investing)	(13,832,794)	(8,809,540)
20.0003. Capital contribution of stock compensation expense (operating)	(3,384,358)	(5,301,756)
20.0004. Reinsurance activity settled in bonds (operating)	119,293,893	103,785,946
20.0005. Reinsurance activity settled in bonds (investing)	(119,293,893)	(103,785,946)
20.0006. Security exchanges - bond proceeds (investing)	50,349,064	57,450,192
20.0007. Security exchanges - bonds acquired (investing)	(50,349,064)	(57,450,192)
20.0008. Schedule BA distribution of bonds - proceeds (investing)	73,349,959	
20.0009. Schedule BA distribution of bonds - acquired (investing)	(73,349,959)	
20.0010. Transfer from Schedule D to Schedule BA - proceeds (investing)	35,942	
20.0011. Transfer from Schedule D to Schedule BA - acquired (investing)	(35,942)	

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of **Athene Annuity & Life Assurance Company** (the Company) have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Delaware.

The Department of Insurance of the State of Delaware (the Department) recognizes only statutory accounting practices prescribed or permitted by the State of Delaware for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Delaware Insurance Law. The NAIC's *Accounting Practices & Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Delaware. The Department has the right to permit other specific practices that deviate from prescribed practices.

Effective December 31, 2014, the Company received a permitted practice to use the standard scenario to determine the reserve on its variable annuity policies and thus did not calculate the stochastic scenario reserve as required under Actuarial Guideline 43. The Company does not believe this difference in valuation method has any impact on the calculated reserves. Therefore, the Company's net income and statutory surplus are not affected as a result of this permitted practice.

A reconciliation of the Company's net income and statutory surplus between practices prescribed by the State of Delaware and NAIC SAP is shown below:

		SSAP #	F/S Page	F/S Line #	2016	2015
NET INCOME						
(1)	State basis (Page 4, Line 35, Columns 1 & 2)	XXX	XXX	XXX	71,348,016	67,774,431
(2)	State Prescribed Practices that increase/(decrease) NAIC SAP					
(3)	State Permitted Practices that increase/(decrease) NAIC SAP: Standard scenario on variable annuities	51	3	1	0	0
(4)	NAIC SAP (1-2-3=4)	XXX	XXX	XXX	71,348,016	67,774,431
SURPLUS						
(5)	State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	1,272,419,957	1,250,769,129
(6)	State Prescribed Practices that increase/(decrease) NAIC SAP					
(7)	State Permitted Practices that increase/(decrease) NAIC SAP: Standard scenario on variable annuities	51	3	1	0	0
(8)	NAIC SAP (5-6-7=8)	XXX	XXX	XXX	1,272,419,957	1,250,769,129

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ significantly from those estimates.

C. Accounting Policies

Life and accident and health premiums are recognized as income over the premium paying period of the related polices. Annuity considerations are recognized as revenue when received. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year and to the appropriate level of statutory surplus to be retained by the Company.

In addition, the Company uses the following accounting policies, as applicable:

(1) Short-term investments are stated at amortized cost.

(2) Bonds, other than loan-backed and structured securities, are stated at amortized cost or fair value based on their rating by the NAIC.

(3) Common stocks are stated at market value except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.

(4) Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32, *Preferred Stock*.

(5) Mortgage loans on real estate are stated at amortized cost.

(6) Loan-backed and structured securities are stated at amortized cost or fair market value based on their rating by the NAIC. Changes to estimated cash flows on the securities are accounted for retrospectively for securities that are highly rated at the time of purchase and in which the security cannot be contractually prepaid or settled in such a way that the Company would not recover substantially all of our recorded investment. The prospective method is used for those securities where an other than temporary impairment has been taken, the security is not highly rated at the time of purchase, securities where receipt of all contractual principal cash flows is not expected, or those securities that can be contractually prepaid or settled in such a way that the Company would not recover substantially all of our recorded investment.

(7) The Company carries investments in affiliated common stocks directly and indirectly owned at Statutory (insurance companies) or GAAP (non-insurance companies) net worth plus unamortized goodwill, if applicable, multiplied by the percent of the Company's ownership interest.

(8) Investments in joint ventures, partnerships, or limited liability companies are valued at the US GAAP equity of the entity, adjusted for audited results upon receipt. Changes in US GAAP equity are recorded as an unrealized gain or loss in the Company's capital and surplus. These investments are valued based on the timeliness of information received, which ranges from recording timely to a lag of up to three months.

(9) Call option derivative assets that hedge the growth in interest credited to the hedged policy as a direct result of changes in the related indices are recorded at fair value. All other derivative assets and liabilities not in hedging relationships are stated at fair value.

NOTES TO FINANCIAL STATEMENTS

(10) The Company anticipates investment income as a factor in the premium deficiency reserve calculation, in accordance with SSAP No. 54, *Individual and Group Accident and Health Contracts*.

(11) The Company has ceded 100% the liabilities for losses and loss/claim adjustment expenses for accident and health contracts.

(12) The Company has not modified its capitalization policy from the prior period.

(13) The Company does not have any pharmaceutical rebate receivables.

D. Going Concern

Management's assessment of the relevant conditions as of the issue date of this report do not give rise to substantial doubt of the Company's ability to continue as a going concern.

Note 2. Accounting Changes and Corrections of Errors

During the current year's financial statement preparation, the Company discovered errors within prior period Annual Statements relating to the tax provision. After consideration of materiality, and in accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, these corrections were recorded directly to surplus. The impact of the correction of the tax errors decreased surplus by $10.0 million in 2016. This represented less than 1% of ending capital and surplus as of both December 31, 2016 and 2015.

Note 3. Business Combinations and Goodwill: NONE

Note 4. Discontinued Operations: NONE

Note 5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

(1) The maximum and minimum lending rates for new mortgage loans originated during 2016 were 10.90% and 0.75%, respectively.

(2) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 245.40%.

(3) Taxes, assessments and any amounts advanced and not included in the mortgage loan total: NONE

(4) Age Analysis of Mortgage Loans

		Residential		Commercial			
	Farm	Insured	All Other	Insured	All Other	Mezzanine	Total
a. Current Year							
1. Recorded Investment (All)							
(a) Current			53,882,805		87,420,001	691,425,646	832,728,452
(b) 30 - 59 Days Past Due			174,261				174,261
(c) 60 - 89 Days Past Due							
(d) 90 - 179 Days Past Due							
(e) 180+ Days Past Due							
2. Accruing Interest 90 - 179 Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
4. Interest Reduced							
(a) Recorded Investment							
(b) Number of Loans							
(c) Percent Reduced							
b. Prior Year							
1. Recorded Investment							
(a) Current			5,016,231		60,403,648	676,712,584	742,132,463
(b) 30 - 59 Days Past Due					721,881		721,881
(c) 60 - 89 Days Past Due							
(d) 90 - 179 Days Past Due							
(e) 180+ Days Past Due							
2. Accruing Interest 90 - 179 Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
4. Interest Reduced							
(a) Recorded Investment							
(b) Number of Loans							
(c) Percent Reduced							

(5) Investment in Impaired Loans With or Without Allowance for Credit Losses: NONE

(6) Investment in Impaired Loans – Average Recorded Investment, Interest Income Recognized, Recorded Investment on Nonaccrual Status and Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting: NONE

NOTES TO FINANCIAL STATEMENTS

(7) Allowance for credit losses: NONE

(8) Mortgage Loans Derecognized as a Result of Foreclosure: NONE

(9) The company recognizes interest income on impaired loans upon receipt. Cash receipts are applied first to interest and then to principal.

B. Debt Restructuring

	Current Year	Prior Year
(1) The total recorded investment in restructured loans, as of year end	256,914	532,560
(2) The realized capital losses related to these loans		
(3) Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings		

(4) The Company does not accrue interest income on impaired loans. Net investment income reflects interest income on impaired loans only after the payment is received.

C. Reverse Mortgages: NONE

D. Loan-Backed Securities

(1) Prepayment assumptions for loan-backed bonds and structured securities were obtained from broker dealer survey values or internal estimates.

(2) No other-than-temporary impairment was recognized due to the intent to sell or inability or lack of intent to retain the investment for a period of time sufficient to recover the amortized cost basis.

(3) No other-than-temporary impairment was recognized due to the present value of the cash flows expected to be collected being less than the amortized cost basis.

(4) The following table shows the gross unrealized losses and fair values of loan-backed securities, which have not been impaired to fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2016.

a. The aggregate amount of unrealized losses:	
1. Less than 12 Months	5,336,382
2. 12 Months or Longer	23,613,126
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 Months	330,519,514
2. 12 Months or Longer	462,101,352

(5) A full analysis of all relevant qualitative considerations was completed in reaching the conclusion that the impairments were not other-than-temporary, including the intent and ability to hold the investment for a period of time sufficient to allow for a recovery in value. Specific events that may influence the operations of the issuer and impaired earnings potential are reviewed in addition to length of time and extent to which the fair value has been less than cost.

E. Repurchase Agreements and/or Securities Lending Transactions: NONE

F. Real Estate: NONE

G. Investments in Low Income Housing Tax Credits: NONE

NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

(1) Restricted Assets (Including Pledged)

	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
Restricted Asset Category	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)
a. Subject to contractual obligation for which liability is not shown							
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states	5,417,102				5,417,102	5,415,252	1,850
k. On deposit with other regulatory bodies							
l. Pledged collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories	1,087,420,832				1,087,420,832	1,259,904,087	(172,483,255)
n. Other restricted assets	30,800,343				30,800,343	20,301,082	10,499,261
o. Total Restricted Assets	1,123,638,277				1,123,638,277	1,285,620,421	(161,982,144)

(a) Subset of Column 1
(b) Subset of Column 3

	Current Year			
	8	9	Percentage	
Restricted Asset Category	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown			0.000	0.000
b. Collateral held under security lending agreements			0.000	0.000
c. Subject to repurchase agreements			0.000	0.000
d. Subject to reverse repurchase agreements			0.000	0.000
e. Subject to dollar repurchase agreements			0.000	0.000
f. Subject to dollar reverse repurchase agreements			0.000	0.000
g. Placed under option contracts			0.000	0.000
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock			0.000	0.000
i. FHLB capital stock			0.000	0.000
j. On deposit with states		5,417,102	0.052	0.052
k. On deposit with other regulatory bodies			0.000	0.000
l. Pledged collateral to FHLB (including assets backing funding agreements)			0.000	0.000
m. Pledged as collateral not captured in other categories		1,087,420,832	10.505	10.506
n. Other restricted assets		30,800,343	0.298	0.298
o. Total Restricted Assets		1,123,638,277	10.855	10.856

(c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

NOTES TO FINANCIAL STATEMENTS

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts That Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

	Gross (Admitted & Nonadmitted) Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
Description of Assets	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Reinsurance Trust	1,087,420,832				1,087,420,832	1,259,904,087	(172,483,255)	1,087,420,832	10.505	10.506
Total (c)	1,087,420,832				1,087,420,832	1,259,904,087	(172,483,255)	1,087,420,832	10.505	10.506

(a) Subset of column 1
(b) Subset of column 3
(c) Total Line for Columns 1 through 7 should equal 5H(1)m Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5H(1)m Columns 9 through 11 respectively.

(3) Detail of Other Restricted Assets (Contracts That Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate):

	Gross (Admitted & Nonadmitted) Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
Description of Assets	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
New York Tax Sharing Agreement Escrow	30,800,343				30,800,343	20,301,082	10,499,261	30,800,343	0.298	0.298
Total (c)	30,800,343				30,800,343	20,301,082	10,499,261	30,800,343	0.298	0.298

(a) Subset of column 1
(b) Subset of column 3
(c) Total Line for Columns 1 through 7 should equal 5H(1)n Columns 1 through 7 respectively and Total Line for Columns 8 through 10 should equal 5H(1)n Columns 9 through 11 respectively.

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted)*	4 % of BACV to Total Admitted Assets **
a. Cash	57,324,114	57,324,114	0.555 %	0.555 %
b. Schedule D, Part 1			0.000 %	0.000 %
c. Schedule D, Part 2, Section 1			0.000 %	0.000 %
d. Schedule D, Part 2, Section 2			0.000 %	0.000 %
e. Schedule B	3,556,573	3,598,241	0.034 %	0.034 %
f. Schedule A			0.000 %	0.000 %
g. Schedule BA, Part 1			0.000 %	0.000 %
h. Schedule DL, Part 1			0.000 %	0.000 %
i. Other			0.000 %	0.000 %
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	60,880,687	60,922,355	0.589 %	0.589 %

* Column 1 divided by Asset Page, Line 26 (Column 1)
** Column 1 divided by Asset Page, Line 26 (Column 3)

	1 Amount	2 % of Liability to Total Liabilities *
k. Recognized Obligation to Return Collateral Asset	60,880,687	0.672 %

* Column 1 divided by Liability Page, Line 26 (Column 1)

I. Working Capital Finance Investments: NONE

J. Offsetting and Netting of Assets and Liabilities: NONE

K. Structured Notes: NONE

L. 5* Securities: NONE

Note 6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships, or Limited Liability Companies representing more than 10% of its Admitted Assets.

B. The Company recognized other-than-temporary impairments of $15.5 million as of December 31, 2016 and $0 as of December 31, 2015. The impairments were based on an assessment that future cash flows of affected limited partnerships would be less than the cost basis of the limited partnership. Fair value is determined by statements received from the partnerships and limited liability companies.

NOTES TO FINANCIAL STATEMENTS

Note 7. Investment Income

A. Due and accrued income was excluded from investment income on the following basis: All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default.

B. The total amount excluded was $0 million as of December 31, 2016 and $0.2 as of December 31, 2015.

Note 8. Derivative Instruments

A, B, C. The Company utilizes derivative instruments which may include the following:

Options: The Company has issued fixed indexed products. These contracts credit interest based on certain indices, primarily the Standard & Poor's 500® Composite Stock Price Index. Over-the-counter (OTC) option contracts, call options and call spreads are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. Upon exercise, the Company will receive the fair value of the call option. The parties with whom the Company enters into OTC option contracts are highly rated financial institutions where contracts are supported by collateral, which minimizes the credit risk associated with such contracts.

Futures: Under exchange-traded futures contracts, the Company agrees to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily fair values of those contracts. Futures contracts are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. The clearing brokers with whom the Company enters into exchange-traded futures are regulated futures commission merchants who are members of a trading exchange.

Futures are recorded at fair value of margin on deposit with the clearing broker and changes in this margin on deposit are recognized in the summary of operations through realized gain or loss.

Currency Swaps: The Company has certain foreign currency swaps to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets denominated in foreign currencies. With a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party.

Forwards: The Company uses foreign exchange forward contracts to hedge certain invested assets against movement in foreign currency. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. Foreign exchange forward contracts are utilized in non-qualifying hedging relationships.

Total Return Swaps: The Company purchases total return swaps to gain exposure and benefit from a reference asset without actually having to own it. Total return swaps are contracts in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset, which includes both the income it generates and any capital gains.

See Note 1 for further explanation of the accounting for each derivative type discussed above.

The Company no longer applied hedge accounting to any derivative instrument as of December 31, 2016.

D. There were no gains or losses recognized in unrealized gains or losses during the reporting period representing the component of the derivative's instrument's gain or loss excluded from the assessment of hedge effectiveness.

E. There were no net gains or losses recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting.

F. There are no derivatives accounted for as cash flow hedges of a forecasted transaction.

NOTES TO FINANCIAL STATEMENTS

Note 9. Income Taxes

A. The components of the net deferred tax asset/(liability) at the end of current period are as follows:

(1)

	2016			2015			Change		
	(1) Ordinary	(2) Capital	(3) (Col. 1 + 2) Total	(4) Ordinary	(5) Capital	(6) (Col. 4 + 5) Total	(7) (Col. 1 - 4) Ordinary	(8) (Col. 2 - 5) Capital	(9) (Col. 7 + 8) Total
(a) Gross Deferred Tax Asset	185,345,216	1,147,269	186,492,485	192,084,968		192,084,968	(6,739,752)	1,147,269	(5,592,483)
(b) Statutory Valuation Allowance Adjustment									
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	185,345,216	1,147,269	186,492,485	192,084,968		192,084,968	(6,739,752)	1,147,269	(5,592,483)
(d) Deferred Tax Assets Nonadmitted									
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	185,345,216	1,147,269	186,492,485	192,084,968		192,084,968	(6,739,752)	1,147,269	(5,592,483)
(f) Deferred Tax Liabilities	101,363,027	67,145,802	168,508,829	80,131,108	65,147,628	145,278,736	21,231,919	1,998,174	23,230,093
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	83,982,189	(65,998,533)	17,983,656	111,953,860	(65,147,628)	46,806,232	(27,971,671)	(850,905)	(28,822,576)

(2)

	2016			2015			Change		
	(1) Ordinary	(2) Capital	(3) (Col. 1 + 2) Total	(4) Ordinary	(5) Capital	(6) (Col. 4 + 5) Total	(7) (Col. 1 - 4) Ordinary	(8) (Col. 2 - 5) Capital	(9) (Col. 7 + 8) Total
Admission Calculation Components SSAP No. 101									
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	37,260,220		37,260,220	87,041,430		87,041,430	(49,781,210)		(49,781,210)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	37,260,220		37,260,220	87,041,430		87,041,430	(49,781,210)		(49,781,210)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	188,165,445	XXX	XXX	180,594,435	XXX	XXX	7,571,010
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	148,084,996	1,147,269	149,232,265	105,043,538		105,043,538	43,041,458	1,147,269	44,188,727
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	185,345,216	1,147,269	186,492,485	192,084,968		192,084,968	(6,739,752)	1,147,269	(5,592,483)

(3)

	2016	2015
a. Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	947.0%	1,073.0%
b. Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,762,667,424	1,647,055,087

(4)

	2016		2015		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col. 1 - 3) Ordinary	(6) (Col. 2 - 4) Capital
Impact of Tax Planning Strategies:						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1(c)	185,345,216	1,147,269	192,084,968		(6,739,752)	1,147,269
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	185,345,216	1,147,269	192,084,968		(6,739,752)	1,147,269
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES TO FINANCIAL STATEMENTS

b. Do the Company's tax-planning strategies include the use of reinsurance? .... Yes [ ] No [X]

B. DTLs that were not recognized in the current period:

As of December 31, 2016 and December 31, 2015, no unrecognized DTLs exist.

No unrecognized DTL exists for temporary differences related to investments in foreign subsidiaries or foreign corporate joint ventures that are essentially permanent in duration.

C. Current income taxes incurred consist of the following major components:

	(1) 2016	(2) 2015	(3) (Col. 1 - 2) Change
1. Current Income Tax			
(a) Federal	(53,536,160)	12,022,018	(65,558,178)
(b) Foreign			
(c) Subtotal	(53,536,160)	12,022,018	(65,558,178)
(d) Federal income tax on net capital gains	30,881,194	9,178,483	21,702,711
(e) Utilization of capital loss carry-forwards			
(f) Federal taxes allocated to prior period adjustments	9,982,796		9,982,796
(g) Federal and foreign income taxes incurred	(12,672,170)	21,200,501	(33,872,671)
2. Deferred Tax Assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses			
(2) Unearned premium reserve			
(3) Policyholder reserves	43,573,338	49,492,157	(5,918,819)
(4) Investments	40,151,100	47,429,766	(7,278,666)
(5) Deferred acquisition costs	26,543,197	26,088,599	454,598
(6) Policyholder dividends accrual	15,609	19,179	(3,570)
(7) Fixed Assets		321	(321)
(8) Compensation and benefits accrual		1,366,720	(1,366,720)
(9) Pension accrual			
(10) Receivables - nonadmitted	174,260	252,135	(77,875)
(11) Net operating loss carry-forward	51,016,159	51,016,159	
(12) Tax credit carry-forward	30,876		30,876
(13) Other (including items <5% of total ordinary tax assets)	23,840,677	16,419,932	7,420,745
(99) Subtotal	185,345,216	192,084,968	(6,739,752)
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted			
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	185,345,216	192,084,968	(6,739,752)
(e) Capital:			
(1) Investments	1,147,269		1,147,269
(2) Net capital loss carry-forward			
(3) Real estate			
(4) Other (including items <5% of total ordinary tax assets)			
(99) Subtotal	1,147,269		1,147,269
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted			
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	1,147,269		1,147,269
(i) Admitted deferred tax assets (2d + 2h)	186,492,485	192,084,968	(5,592,483)
3. Deferred Tax Liabilities:			
(a) Ordinary:			
(1) Investments	100,935,349	79,893,165	21,042,184
(2) Fixed assets			
(3) Deferred and uncollected premium			
(4) Policyholder reserves			
(5) Other (including items <5% of total ordinary tax liabilities)	427,678	237,943	189,735
(99) Subtotal	101,363,027	80,131,108	21,231,919
(b) Capital:			
(1) Investments	67,145,802	65,147,628	1,998,174
(2) Real estate			
(3) Other (including items <5% of total capital tax liabilities)			
(99) Subtotal	67,145,802	65,147,628	1,998,174
(c) Deferred tax liabilities (3a99 + 3b99)	168,508,829	145,278,736	23,230,093
4. Net deferred tax assets/liabilities (2i - 3c)	17,983,656	46,806,232	(28,822,576)

The change in net deferred taxes is comprised of the following (this analysis is exclusive of the tax effect of unrealized capital gain (losses) as the deferred taxes on unrealized gains (losses) are reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement)

Change in Net Deferred Income Tax:

	2016	**2015**	**Change**
Adjusted gross deferred tax assets	186,492,485	192,084,968	(5,592,483)
Total deferred tax liabilities	(168,508,829)	(145,278,736)	(23,230,093)
Net deferred tax assets (liabilities)	17,983,656	46,806,232	(28,822,576)
Tax effect of unrealized gains (losses)			31,894,246
Change in net deferred income tax			3,071,670

NOTES TO FINANCIAL STATEMENTS

D. The Provision for federal income taxes incurred is different from that would be obtained by applying the statutory federal income tax rate to income before income taxes. Among the more significant book to tax adjustments were the following:

Reconciliation of Federal Income Tax Rate to Actual Effective Rate:

	2016	Effective Tax Rate
Provision computed at statutory rate	$19,211,440	35.0%
Permanent differences		
IMR	(3,544,617)	-6.5%
Nondeductible expenses	1,952	0.0%
Other permanent adjustments	(105,234)	-0.2%
Non-admitted assets	403,831	0.7%
Affiliated expenses	384,419	0.7%
Prior year true-up and adjustments	(5,266,729)	-9.4%
Unrealized gain/loss ceded	(19,331,045)	-35.2%
Reinsurance adjustment A-791	(7,497,857)	-13.7%
Total	$(15,743,840)	-28.6%
Federal and foreign income tax benefit	$(53,536,160)	-97.5%
Federal taxes allocated to prior period adjustments	9,982,796	18.2%
Realized capital gains (losses) tax	30,881,194	56.3%
Change in net deferred income taxes	(3,071,670)	-5.6%
Total statutory income taxes	$(15,743,840)	-28.6%

E. The Company has the following carry forwards at December 31, 2016:

(1) The Company has tax attribute carry forwards as follows:

	Operations Loss Deductions	
Year Incurred	Amount	Expiring
2014	$ 20,172,751	2029
2013 2nd short period	$ 26,262,764	2028
2013 1st short period	$ 89,479,224	2027
2010	$ 9,845,717	2024

	Foreign Tax Credit	
Year Incurred	Amount	Expiring
2015	$ 30,876	2025

	Charitable Contributions	
Year Incurred	Amount	Expiring
2015	$ 1,643	2020
2014	$ 125	2019
2013 2nd short period	$ 114,485	2018
2013 1st short period	$ 78,992	2017

(2) There are no Federal Income Taxes available for recoupment in the event of future net losses.

(3) There are no aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Code as of December 31, 2016 and 2015.

F. The Company is included in a consolidated federal income tax return. The Company has a written tax sharing agreement that has been approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Allocation of tax benefits is based on separate returns. Losses are paid at the time they can be used in the consolidated return or on a separate return basis. Intercompany tax balances are settled quarterly.

Under the tax sharing agreement, any tax period of the affiliated group must be calculated in accordance with NY Circular Letter 1979-33. The tax charge to each New York insurer under the agreement shall not be more than it would have paid if it had filed on a separate return basis. As a result, for any tax attributes a New York insurer can use on a separate return basis not currently utilized by the consolidated group, the future tax benefit of those tax attributes are transferred to AADE until such time they can be utilized by the consolidated group.

The Company is consolidated with the following entities for tax purposes:

Athene Annuity and Life Company
Athene Annuity & Life Assurance Company of New York
Athene Life Insurance Company of New York
Structured Annuity Reinsurance Company
Athene Re USA IV, Inc.

G. Federal or Foreign Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total tax liability will significantly increase within twelve months of the reporting date.

NOTES TO FINANCIAL STATEMENTS

Note 10. Information Concerning Parent, Subsidiaries and Affiliates

A, B, C. The Company's various affiliated relationships, agreements and transactions are discussed within Notes 10A through 10F and the 2016 affiliated transactions are disclosed in Schedule Y, part 2.

The Company cedes a quota share on multiple treaties of annuity and supplemental contract business to Athene Life Re, Ltd., a Bermuda-domiciled affiliate. The Company also assumes a quota share of annuity business from indirect subsidiary Athene Annuity & Life Assurance Company of New York and a quota share of annuities from indirect subsidiary Structured Annuity Reinsurance Company. See disclosures in Schedule S and Schedule Y, part 2.

Some employees of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by Athene Holding Ltd., an indirect parent of the Company, for which the Company has no legal obligation. Salary expense of Athene Employee Services LLC is allocated to the Company through the Shared Services Agreement. Under SSAP 104R, *Share-Based Payments*, the stock compensation expense associated with the Agreements that would have been allocated to the Company is required to be recorded as a capital contribution to the reporting entity. The Company has allocated the stock compensation expense associated with the Agreements based on the same methodology as the Shared Services Agreement. In accordance with SSAP 104R, the Company incurred expense and recorded a capital contribution under the Agreements totaling $17.2 million and $14.1 million in 2016 and 2015, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

On December 8, 2016, the Company sold intellectual property to Athene USA Corporation (AUSA), the direct parent of the Company. At the time of the sale, the intellectual property had a carrying value of $0 and a fair value of $8.1 million, which resulted in the Company recognizing a gain of $8.1 million on sale. This gain has been recorded within Aggregate write-ins for miscellaneous income in Statement of Operations Line 8.3.

On December 18, 2015, the Company issued four funding agreements totaling €115 million to Athene Lebensversicherung AG, an affiliated German company. The funding agreements have maturities starting on December 18, 2019 and ending on December 18, 2030 with interest due quarterly. The funding agreements are recorded as deposit-type contracts.

D. As of December 31, 2016 and 2015, respectively, the Company reported $0.1 million and $2.1 million receivable due from affiliates and $7.1 million and $10.3 million payable due to affiliates. All intercompany balances shown as payable to or receivable from parent, subsidiaries and affiliates are settled within 45 days of their incurrence under the terms of the intercompany expense sharing agreements.

E. In connection with a $50.0 million funding agreement issued on September 2, 2011 by the Company's direct subsidiary, Athene Life Insurance Company (ALIC), to UBS AG, London Branch (UBS), the Company had entered into a pledge and security agreement, a guaranty and a securities account control agreement, each with UBS (collectively, the Security Documents), pursuant to which the Company guaranteed ALIC's obligations under the funding agreement in favor of UBS and pledged a note issued by UBS. The funding agreement to UBS was paid off on the termination date of September 2, 2016, and therefore the Company was relieved of its obligations under the Security Documents. In connection with the funding agreement and the Company's agreement to enter into and perform its obligations under the Security Documents, ALIC has paid the Company a fee of $37,500 and $50,000 in 2016 and 2015, respectively.

F. The Company participates in an investment management agreement with Athene Asset Management, L.P. (AAM), an affiliate, under which AAM has agreed to provide asset management services in exchange for management fees. The Company pays 21 basis points per annum on the Company's managed assets. In addition, the Company pays subadvisor fees to AAM and Apollo affiliates. The Company incurred AAM and Apollo affiliates investment expenses and subadvisor fees of $30.8 million and $23.9 million in 2016 and 2015, respectively.

The Company participates in a Shared Services and Cost Sharing Agreement with certain other affiliated companies pursuant to which each party thereto agreed to provide certain financial, legal and other services to the other parties. The Company incurred related expenses under these agreements totaling $15.0 million and $15.6 million in 2016 and 2015, respectively.

G. The operating results and financial position of the Company as reported in these financial statements would not be significantly different from those that would have been obtained if the Company were autonomous.

H. Amounts deducted from the value of an upstream intermediate entity or ultimate parent: NONE

I. The Company's investment in the common stock of Athene Annuity and Life Company (AAIA) is 10.8% of admitted assets as of December 31, 2016. AAIA's financial statements are prepared in conformity with the accounting practices prescribed or permitted by the NAIC and the State of Iowa. The Company owns 100% of AAIA's common stock and carries its investment at AAIA's statutory equity in accordance with SSAP No. 97 *Investments in Subsidiary, Controlled and Affiliated Entities*. The common stock of AAIA is not publicly traded, therefore no quoted market price is available. A summary of AAIA's Balance Sheet and Summary of Operations as of December 31, 2016 follows:

Admitted Assets	$ 47,984,664,271
Liabilities	$ 46,871,325,228
Capital and Surplus	$ 1,113,339,043
Net Income	$ 99,626,810

J. The Company did not recognize any impairment write downs for its investment in SCAs during the statement period.

K. The Company does not hold an investment in a foreign insurance subsidiary.

L. As an audit will not be performed, the Company nonadmitted its investment in wholly-owned subsidiary holding company, Presidential Life Assigned Services, Inc. The amount nonadmitted was less than $0.1 million at both December 31, 2016 and December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

M. Subsidiary, Controlled or Affiliated (SCA) Investments

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
....	....	....	....	....
Total SSAP No. 97 8a Entities	XXX	....	....	....
b. SSAP No. 97 8b(ii) Entities				
....	....	....	....	....
Total SSAP No. 97 8b(ii) Entities	XXX	....	....	....
c. SSAP No. 97 8b(iii) Entities				
Presidential Life Assigned Services, Inc.	.... 100%	37,979	....	37,979
Total SSAP No. 97 8b(iii) Entities	XXX	37,979	....	37,979
d. SSAP No. 97 8b(iv) Entities				
....	....	....	....	....
Total SSAP No. 97 8b(iv) Entities	XXX	....	....	....
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	37,979	....	37,979
f. Aggregate Total (a+ e)	XXX	37,979	....	37,979

(2) NAIC Filing Response Information

SCA Entity (Should be same entities as shown in M(1) above.)	Type of NAIC Fiing *	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resub-mission Required Y/N	Code **
a. SSAP No. 97 8a Entities						
....	......	....	....	....	....	....
Total SSAP No. 97 8a Entities	XXX	XXX	....	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
....	......	....	....	....	....	....
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	....	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
Presidential Life Assigned Services, Inc.	N/A	N/A	N/A	N/A	N/A	N/A
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	....	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
....	......	....	....	....	....	....
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	....	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	XXX	....	XXX	XXX	XXX
f. Aggregate Total (a+e)	XXX	XXX	....	XXX	XXX	XXX

* S1 - Sub-1, S2 - Sub-2 or RDF - Resubmission of Disallowed Filing
** I - Immaterial or M – Material

N. Investment in Insurance SCAs

The Company owns all of the outstanding capital stock of AAIA, a life insurance company domiciled in the State of Iowa. AAIA in turn owns all of the outstanding capital stock of Athene Re USA IV, Inc. (Athene Re IV), a special purpose financial captive life insurance company domiciled in the State of Vermont.

(1) In 2006, the Commissioner of the Iowa Insurance Division, Department of Commerce, of the State of Iowa (the Division) issued Bulletin 06-01*, Accounting for Derivative Instruments Used to Hedge the Growth in Interest Credited for Index Products*, which prescribes that an insurer may elect to recognize changes in the fair value of derivative instruments purchased to hedge indexed products in the statement of operations. AAIA has elected to apply Bulletin 06-01 to its futures, variance swaps and total return swaps. Under NAIC SAP, changes in fair value of such derivative instruments would be recorded directly to surplus. Application of Bulletin 06-01 does not impact AAIA's statutory surplus.

In 2009, the Commissioner of the Division promulgated Iowa Administrative Code (IAC) Section 191-97, *Accounting for Certain Derivative Instruments Used to Hedge the Growth in Interest Credited for Indexed Insurance Products and Accounting for the Indexed Insurance Products Reserve*, which prescribes that an insurer may elect (i) to use an amortized cost method to account for certain derivative instruments, such as call options, purchased to hedge the growth in interest credited to the customer on indexed insurance products and (ii) to utilize an indexed annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero. AAIA has elected to apply IAC Section 191-97 to its over the counter (OTC) call options and reserve liabilities. Under NAIC SAP, derivative call options would be carried at fair value with changes in fair value recorded directly to surplus and the reserves would change in relation to the movements in fair value of the derivative call options with changes recorded through income.

NOTES TO FINANCIAL STATEMENTS

The NAIC requires annuities issued by life insurance companies on or after January 1, 2015, to use the 2012 Individual Annuity Reserving (IAR) Mortality Table. In 2015, the Division promulgated IAC Section 43.3(5), which set an elective alternative effective date of January 1, 2016 for adoption of the 2012 IAR Mortality Table. AAIA has elected to use the Annuity 2000 Mortality Table for annuities issued between January 1, 2015 and December 31, 2015.

Athene Re IV, with the explicit permission of the Commissioner of the Vermont Department of Financial Regulation of the State of Vermont, has included as an admitted asset the value of a letter of credit serving as collateral for reinsurance credit taken by AAIA in connection with reinsurance agreements entered into between Athene Re IV and AAIA. Under NAIC SAP, the letter of credit would not otherwise be treated as an admitted asset.

(2) The monetary effect on net income and surplus as a result of using an accounting practice that differed from NAIC Statutory Accounting Practices and Procedures (NAIC SAP), the amount of the investment in the insurance SCA per audited statutory equity and amount of the investment if the insurance SCA had completed statutory financial statements in accordance with the AP&P Manual is as follows:

SCA Entity (Investments in Insurance SCA Entities)	Monetary Effect on NAIC SAP		Amount of Investment	
	Net Income Increase (Decrease)	Surplus Increase (Decrease)	Per Audited Statutory Equity	If the Insurance SCA Had Completed Statutory Financial Statements *
Athene Annuity and Life Company................................	..... (33,244,414)	..... (16,003,039)	... 1,113,339,043	... 1,129,342,082
Athene Re USA IV, Inc.	 0	 152,500,000	 49,813,443	 0

* Per AP&P Manual (without permitted or prescribed practices)

As of the issue date of this report, the 2016 statutory audits of Athene Annuity and Life Company and Athene Re IV have not been completed.

(3) If AAIA was not allowed to apply Bulletin 06-01, IAC 191-97, and IAC 43.3 (5), its risk-based capital would still have been in excess of regulatory requirements. If Athene Re IV had not been permitted to include the letters of credit in surplus, its risk-based capital would have been below Mandatory Control Level.

Note 11. Debt

A. AUSA is the holder of a five-year, Unsecured Revolving Promissory Note dated May 1, 2016 (the Promissory Note) with a maximum principal amount not to exceed $200,000,000, among AUSA and certain of its subsidiaries, including the Company. The Promissory Note was approved by the Delaware Department of Insurance. Interest shall accrue on the principal balance from time to time outstanding at a rate per annum equal to 1 month LIBOR + 162.5 bps. The Company shall pay such interest in arrears quarterly on the last day of each March, June, September and December, on any day any portion of the principal balance is repaid or prepaid. No amount has been drawn under the Promissory Note by the Company as of December 31, 2016.

Note 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans: NONE

Note 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) At December 31, 2016, the Company has authorized and issued 5,000 shares of $500 par common stock which are outstanding and owned by AUSA. The Company received additional paid-in capital of $17.2 million from its parent as discussed previously in Note 10 relating to stock compensation expense in accordance with SSAP 104R.

(2) Preferred stock: NONE

(3) Delaware insurance law states that the maximum dividend payment over a 12-month period may not, without prior approval from the Insurance Commissioner, be paid from a source other than earned surplus or exceed the greater of the prior year's net statutory gain from operations or 10% of policyholders' surplus. In 2012, Athene Holding Ltd. (AHL), the Company's parent, entered into a Collateral Maintenance Agreement to provide capital support to the Company such that AHL is obligated to maintain the Company's capital and surplus in an amount sufficient to maintain the Company's Total Adjusted Capital to be at least 200% of Company Action Level Risk Based Capital as those terms are defined in the insurance laws of Delaware as of October 1, 2012. The agreement also provides that the Company will not pay any dividends if such dividends would cause the Company Action Level Risk Based Capital ratio to fall below 200% unless approved by the Delaware Department of Insurance.

(4) No dividends were paid during the year.

(5) Within the limitations presented in item (3), above, the Company may pay dividends in 2017 of $127.0 million. However, another regulation requiring the Company to hold surplus in excess of investment in subsidiaries effectively limits the amount that the Company can dividend while staying in compliance with such state regulations. Pursuant to such regulations and requirements, the Company could dividend up to $80.5 million as of December 31, 2016.

(6) The unassigned surplus is held for the benefit of the Company's shareholder.

(7) Unpaid advances to surplus: NONE.

(8) No shares of stock are held by the Company, including stock of affiliated companies, for special purposes.

(9) Changes in balances of special surplus: NONE.

(10) The portion of the unassigned funds (surplus) represented or reduced by unrealized gains and (losses), net of capital gains tax is $31.5 million at December 31, 2016.

(11) Surplus Notes: NONE.

(12) and (13) Quasi-reorganization: NONE

NOTES TO FINANCIAL STATEMENTS

Note 14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

(1) As of December 31, 2016 the Company has unfunded commitments to invest in certain bond and partnership interests. The total unfunded commitments are $275.9 million.

(2) Guarantees: NONE

(3) Compilation of guarantee obligations: NONE

B. Assessments

(1) Based on the 2016 National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) Report, the Company has identified insolvencies. The Company fulfilled premium-based guaranty funds assessments of less than $0.1 million during the current period. It is expected that the identified insolvencies will result in retrospective premium-based guaranty fund assessments against the Company. During 2016, future estimated costs to be assessed against the Company, from identified insolvencies from the NOLHGA Report were decreased by $0.1 million, which has been credited to operations in the current period and the liability established.

(2)

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end 812,184

b. Decreases current year:

(1)	(2)
Paid premium tax offset applied	143,979
Change in accrued premium tax offset	38,347

c. Increases current year:

(1)	(2)

d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end . 629,858

C. Gain Contingencies: NONE

D. Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits: NONE

E. Joint and Several Liabilities: NONE

F. All Other Contingencies

The Company is named as a defendant in various other legal actions arising principally from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the policy and contract liabilities. The Company's management believes that the resolution of those actions will not have a material effect on the on the Company's financial position or results of operations.

On April 6, 2016, the U.S. Department of Labor (DOL) issued its final rule addressing when a person providing investment advice with respect to an employee benefit plan or individual retirement account (IRA) is considered a fiduciary under the Employee Retirement Income Security Act of 1974, as amended, and for other purposes. The DOL regulations, which have an applicability date of April 10, 2017 and full compliance date of January 1, 2018, will subject the Company and its producers to new disclosure and compliance requirements related to the existing annuity block of business.

On February 3, 2017, the President of the United States issued an executive memorandum directing the DOL to examine the fiduciary rule to determine whether the fiduciary rule has harmed or is likely to cause harm to investors by limiting access to certain retirement products or related financial advice, whether the fiduciary rule has resulted in dislocations in the retirement services industry that may adversely affect investors or retirees, or whether the fiduciary rule is likely to cause increased litigation and increased costs for investors and retirees. In direct response to the President's Memorandum, the acting secretary of the DOL stated that the DOL will consider its legal options to delay the applicability date of the rule in order to comply with the Memorandum. The DOL filed a notice on February 9, 2017, with the Office of Management and Budget (OMB) requesting a delay of the applicability date of the DOL rule. The OMB is expected to review the language and return it to the DOL to be published in the Federal Register opening up a comment period, expected to be 15 days in length, after which the applicability date will most likely be delayed. Until the rule is officially delayed, we continue to move forward in preparation to meet the April 10, 2017 applicability date. Since the Company is not issuing new business, the rule will not have an impact on sales and is not expected to have a material impact on its operating expenses.

Note 15. Leases: NONE

Note 16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

(1) The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk.

	ASSETS		LIABILITIES	
	2016	2015	2016	2015
a. Swaps	21,720,000	21,720,000		86,215,600
b. Futures	362	854		
c. Options & Forwards	2,194,727,796	2,356,091,654	13,461,264	50,850,951
d. Total	2,216,448,158	2,377,812,508	13,461,264	137,066,551

(2) The Company's futures, swaps, options, and forwards have off-balance sheet risk. See Note 8 for information regarding the Company's derivative instruments.

NOTES TO FINANCIAL STATEMENTS

(3) The Company is exposed to credit-related losses in the event of nonperformance by counterparties on derivative instruments. The Company does not anticipate non-performance by any of these counterparties. Purchasing instruments from financial institutions with high credit ratings minimizes the credit risk associated with such instruments. The amount of exposure is represented by the fair value (market value) at the reporting date less any posted collateral. Collateral support documents are negotiated to further reduce this exposure where deemed necessary. Exchange-traded derivatives are affected through a regulated exchange and positions are marked to market daily.

(4) The counterparty may be required to post collateral for any derivative contracts that are entered. The amount of collateral that is required is determined by the market value and credit threshold of the counterparty.

The current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date less collateral held. Credit risk is managed by entering into transactions with creditworthy counterparties and obtaining collateral where appropriate and customary. The Company also attempts to minimize its exposure to credit risk through the use of various credit monitoring techniques. 100% of the net credit exposure for the Company from derivative contracts is with investment-grade counterparties.

Note 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities: NONE

Note 18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans: NONE

Note 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators: NONE

Note 20. Fair Value Measurement

A.

(1) Fair Value Measurements at Reporting Date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
a. Assets at fair value				
Common stock unaffiliated	60,130,324			60,130,324
Derivative assets: Currency Swaps		450,628		450,628
Derivative assets: Options		62,676,924		62,676,924
Derivative assets: Futures	447,186			447,186
Derivative assets: Forwards		1,548,750		1,548,750
Separate account assets: Variable products		13,321,980		13,321,980
Total assets at fair value	60,577,510	77,998,282		138,575,792

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
b. Liabilities at fair value				
Derivative liabilities: Total Return Swaps		20,928		20,928
Derivative liabilities: Forwards		106,321		106,321
Separate account liabilities: Variable products		13,321,980		13,321,980
Total liabilities at fair value		13,449,229		13,449,229

There were no transfers between Level 1, Level 2, or Level 3 of the fair value hierarchy during the year ended 2016.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy: NONE

(3) Transfers between fair value hierarchy levels are recognized at the end of the period in which the transfer occurs.

(4) The following discussion describes the valuation methodologies and inputs used for assets and liabilities measured and disclosed at fair value. The techniques utilized in estimating the fair values of financial instruments are reliant on the assumptions used.

Fair value estimates are based on quoted market prices when available. When quoted market prices are not available, the Company utilizes commercially available pricing vendors that utilize observable market inputs, like recent trading activity, to derive fair value. When vendor prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates the fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect risk inherent in a particular methodology, model or input employed.

The Company's financial assets and liabilities carried at estimated fair value have been classified, for disclosure purposes, based on a hierarchy defined by current accounting guidance. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

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:
(1) Quoted prices for similar assets or liabilities in active markets,
(2) Observable inputs other than quoted market prices, and
(3) 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.

Asset and liabilities are valued as discussed below in part C.

NOTES TO FINANCIAL STATEMENTS

B. Other Fair Value Disclosures: NONE

C. Aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Assets - Bonds	3,785,216,998	3,653,400,217	2,250,667	3,199,152,022	583,814,309	
Assets - Preferred Stocks	19,319,325	18,000,000		19,319,325		
Assets - Common stocks unaffiliated	60,130,324	60,130,324	60,130,324			
Assets - Mortgage loans - first liens	114,067,311	114,399,212			114,067,311	
Assets - Mortgage loans - other than first liens	718,109,720	718,503,500			718,109,720	
Assets - Cash and short-term investments	258,591,150	258,604,577	205,639,749	52,951,401		
Assets - Policy loans	1,514,265	1,514,265		1,514,265		
Assets - Derivative assets	65,123,488	65,123,488	447,186	64,676,302		
Assets - Other invested assets	1,051,831,441	1,051,831,441			1,051,831,441	
Assets - Separate account assets: variable products	13,321,980	13,321,980		13,321,980		
Liabilities - Derivative liabilities	127,249	127,249		127,249		
Liabilities – Deposit type contracts	517,099,908	514,036,733		369,002,722	148,097,186	
Liabilities - Derivative collateral liability	57,324,114	57,324,114	57,324,114			
Liabilities - Separate account liabilities: variable products	13,321,980	13,321,980		13,321,980		

Bonds and short-term investments – The Company obtains the fair value for most marketable, public bonds 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, broker-dealer quotes, credit quality, issuer spreads, bids, offers, and other reference data. If the Company cannot value a public bond with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3. The Company values privately placed bonds based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer. In some instances, the Company uses 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. Privately placed fixed maturity securities are classified as Level 2 or 3.

Preferred stocks – The Company values equity securities, typically private equities or equity securities not traded on an exchange, using several commercial pricing services and are classified as Level 2 assets.

Mortgage loans – The Company estimates mortgage loans 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.

Policy loans – The fair value of policy loans classified as Level 2 is equal to the carrying value of the loans, which are collateralized by the cash surrender value of the associated insurance contracts

Derivatives – Derivative contracts can be exchange traded or over-the-counter. 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. The Company considers and incorporates counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. The Company also evaluates and includes its own nonperformance risk in valuing derivatives. The majority of the Company's derivatives trade are in liquid markets; therefore, the Company can verify model inputs and model selection does not involve significant management judgment and are classified within Level 2. If the Company cannot verify model inputs and model selection does involve significant management judgment, the derivatives are classified as Level 3.

Other invested assets – Within other invested assets, partnerships are valued based on net asset value information provided by the general partner or related asset manager. These partnership interests usually include multiple underlying investments for which either observable market prices or other valuation methods are used to determine the fair value. These investments are classified as Level 3 due to the limited market activity and price transparency inherent in the market for such investments. Other than partnerships, other invested assets may include surplus notes and other investments with bond or stock characteristics and the Company attempts to value these using commercial pricing services, which would be classified as Level 2 assets. If the Company cannot value with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3 assets.

Separate account assets and liabilities (variable products) – Separate account assets and liabilities are classified as Level 2 are valued based on the fair value of the underlying funds. Fair values and changes in the fair values of separate account assets accrue directly to the policyowners and are not included in the Company's revenues and expenses or surplus.

Deposit-type contracts – Deposit-type contracts are classified as Level 3 include single premium immediate annuities (SPIA), supplemental contracts, and group pension contracts. Fair value of SPIA, supplemental contracts, and group pension are calculated by discounting best estimate cash flows based on mortality and market interest rate assumptions. Fair value of guaranteed investment contracts/funding agreements are calculated by discounting future cash flows using market rates on the valuation date, and are classified as Level 2.

D. Not Practical to Estimate Fair Value: NONE

NOTES TO FINANCIAL STATEMENTS

Note 21. Other Items

A. Extraordinary Items: NONE

B. Troubled Debt Restructuring: NONE

C. Other Disclosures and Unusual Items:

On June 15, 2015, the Company and AAIA entered into a purchase agreement, pursuant to which Athene Global Funding, a special-purpose, non-affiliated statutory-trust may offer up to $5.0 billion of its senior secured medium-term notes, under a funding agreement backed notes program. Athene Global Funding will use the net proceeds from the sale of each series of medium-term notes to purchase one or more funding agreements from either the Company or AAIA. On October 23, 2015, the Company issued a $250 million funding agreement note which matures on October 23, 2018 with interest due at 2.875% per annum. The funding agreement was recorded as a deposit-type contract.

On December 18, 2015, the Company issued four funding agreements totaling €115 million to Athene Lebensversicherung AG, an affiliated German company. See Note 10 for additional details.

The Company entered into a reinsurance agreement effective April 1, 2015, covering funding agreements. See Note 23 for further discussion of the agreement.

D. Business Interruption Insurance Recoveries: NONE

E. State Transferable and Non-transferable Tax Credits:

(1) Carrying Value of Transferable and Non-transferable State Tax Credits Gross of any Related Tax Liabilities and Total Unused Transferable and Non-transferable State Tax Credits by State and in Total

(1) Description of State Transferable and Non-transferable Tax Credits	(2) State	(3) Carrying Value	(4) Unused Amount
Guaranty Fund Assessment Credits	Various	458,961	458,961

(2) The Company estimates the utilization of the remaining transferable and non-transferable state tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining tax credits.

(3) Impairment Loss: NONE

(4) State Tax Credits Admitted and Nonadmitted

	Total Admitted	Total Nonadmitted
a. Transferable		
b. Non-transferable	458,961	

F. Subprime-Mortgage -Related Risk Exposure

(1) The Company engages in direct lending to the subprime markets. The Company's exposure to subprime risk is primarily limited to whole mortgage loans and investments within the fixed maturity investment portfolio in the form of securities collateralized by mortgages that have characteristics of subprime lending.

The Company generally defines subprime whole mortgage loans as borrowers with impaired credit history and lower FICO scores. In 2016, the Company invested in residential whole loans which consisted of borrowers with lower FICO scores. The price paid for the residential loans factored in the consideration of the borrower's ability to repay along with the overall credit profile of the loan. The Company will continue to monitor the performance of the subprime residential mortgage loans along with performance expectations.

The Company's portfolio also contains residential mortgage backed securities that include subprime mortgage exposure. The risk of such defaults is generally higher in the case of subprime mortgages. The acquisition value of these residential mortgage backed securities factored in the consideration of that default risk. Quarterly, we monitor and evaluate the undiscounted expected future cash flows associated with these residential mortgage backed securities based on updates to key assumptions.

NOTES TO FINANCIAL STATEMENTS

(2) Direct exposure through investments in subprime mortgage loans

	(1) Book/Adjusted Carrying Value (excluding interest)	(2) Fair Value	(3) Value of Land and Buildings	(4) Other-Than-Temporary Impairment Losses Recognized	(5) Default Rate
a. Mortgages in the process of foreclosure					
b. Mortgages in good standing	13,065,757	13,533,070	15,354,177		
c. Mortgages with restructure terms					
d. Total	13,065,757	13,533,070	15,354,177		

(3) Direct exposure through other investments

	(1) Actual Cost	(2) Book/Adjusted Carrying Value (excluding interest)	(3) Fair Value	(4) Other-Than-Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	148,035,996	167,732,827	186,762,691	
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investment in SCAs *				
f. Other assets				
g. Total	148,035,996	167,732,827	186,762,691	

* These investments comprise 0% of the company's invested assets.

(4) Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage: NONE

G. Retained Assets: NONE

H. Insurance-Linked Securities (ILS) Contracts: NONE

Note 22. Events Subsequent

Subsequent events have been considered through February 27, 2017 for the statutory statement dated December 31, 2016. There have been no Type I events subsequent to the close of books and accounts for this statement that will have a material effect on the financial condition of the Company.

Type II events subsequent consisted of the following:

The Company issued funding agreements to Athene Global Funding of $600 million and $50 million on January 25, 2017 and February 1, 2017, respectively, which will be recorded as deposit-type contracts in first quarter 2017. These funding agreements will be 100% ceded to Athene Life Re Ltd. (ALRe) under the modified coinsurance agreement discussed in Note 23.

NOTES TO FINANCIAL STATEMENTS

Note 23. Reinsurance

Gains on cession of in-force blocks of business are to be accounted for in accordance with Appendix A-791 of the NAIC Accounting Practices and Procedures Manual which requires that any increase in surplus (net of federal income tax) resulting from reinsurance agreements entered into or amended which involve the reinsurance of business issued prior to the effective date of the agreements shall be identified separately as a surplus item by the ceding company. Subsequent recognition of the surplus increase as income shall be reflected on a net of tax basis as earnings emerge from the business reinsured. Based on the emergence of earnings from the reinsured business in 2016 and 2015, $21.4 million and $66.9 million, respectively, was amortized into income.

Effective January 1, 2016, the Company entered into a variable quota share coinsurance agreement with Royal Neighbors of America (RNA) to assume a percentage of RNA's multi-year guaranteed annuity business issued on or after the effective date of the treaty. Effective January 1, 2016, the Company amended the existing modified coinsurance agreement with ALRe to include this new assumed annuity business.

Effective April 1, 2015, the Company entered into a modified coinsurance agreement with ALRe. Under this agreement, 100% of the funding agreements issued on or after the effective date of the treaty were ceded to ALRe. Modified coinsurance reserves for this agreement were $351.5 million as of December 31, 2016, which includes funding agreements issued to Athene Global Funding and Athene Lebensversicherung AG, as discussed in Note 21.

A. Ceded Reinsurance Report

Section 1 - General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as nonaffiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company? NO

(2) Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business? NO

Section 2 - Ceded Reinsurance Report - Part A

(1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? YES

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the Company to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate. $ 0

b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? $319,029

(2) Does the Company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? NO

Section 3 - Ceded Reinsurance Report - Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. $0

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts which were in-force or which had existing reserves established by the Company as of effective date of the agreement? NO

B. Uncollectible Reinsurance: NONE

C. Commutation of Ceded Reinsurance: NONE

D. Certified Reinsurer Downgraded or Status Subject to Revocation: NONE

E. Variable Annuity Reinsurance with an Affiliated Captive Reinsurer: NONE

F. Reserve Credits Taken on Variable Annuity Reinsurance with an Affiliated Captive Reinsurer: NONE

G. Ceding Entities That Utilize Captive Reinsurers to Assume Reserves Subject to the XXX/AXXX Captive Framework: NONE

Note 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination: NONE

Note 25. Change in Incurred Losses and Loss Adjustment Expenses: NONE

Note 26. Intercompany Pooling Arrangements: NONE

Note 27. Structured Settlements: NONE

Note 28. Health Care Receivables: NONE

Note 29. Participating Policies:

A. Participating policies were approximately 1% of the total life insurance inforce as of December 31, 2016.

B. The method of accounting for policyholder dividends is based upon dividends credited annually to policyholders on their policy anniversary date plus the change from the prior period on one year's projected dividend liability on policies in force at the statement date. Source data is produced from the Company's policy administration system.

C. The amount of dividend expense incurred was less than $0.1 million as of each December 31, 2016 and December 31, 2015.

D. There was no additional income allocated to participating policyholders.

Note 30. Premium Deficiency Reserves: NONE

NOTES TO FINANCIAL STATEMENTS

Note 31. Reserves for Life Contracts and Annuity Contracts

(1) The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. Reserves for these benefits are included in Exhibit 5, Life Insurance. Reserve for surrender values in excess of reserves, if any, as legally computed are reported in Exhibit 5, Miscellaneous Reserves.

(2) Extra premiums are charged according to underwriting classifications. For Debit-Ordinary substandard policies, reserves are calculated using the same interest rate as for standard policies but using multiples of standard rates of mortality. For regular Ordinary substandard policies, reserves are calculated by computing the regular reserve for the plan and adding on-half (1/2) of the extra premium charge for the year to that reserve.

(3) As of December 31, 2016 the Company had no net insurance in force where the gross premiums were less than the net premiums, according to the standard valuation set by the state of Delaware.

(4) The tabular interest at December 31, 2016, (Page 7, Line 4), tabular less actual reserve released (Page 7, Line 5) and tabular cost (Page 7, Line 9) have been determined by formula as described in the NAIC instructions for Page 7.

(5) The tabular interest on Deposit-type Contracts is the amount actually credited or accrued to the funds during the year.

(6) There are no significant changes in reserves shown on the Other Increases (net) line on Page 7, Line 7 and the Other net change in reserves line on Exhibit 7, Line 4 as of December 31, 2016.

Note 32. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics

	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Nonguaranteed	(4) Total	(5) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	3,043,539,169			3,043,539,169	37.0%
(2) At book value less current surrender charge of 5% or more	620,319,083			620,319,083	7.5%
(3) At fair value		2,997,480		2,997,480	0.1%
(4) Total with market value adjustment or at fair value (Total of 1 through 3)	3,663,858,252	2,997,480		3,666,855,731	44.6%
(5) At book value without adjustment (minimal or no charge or adjustment)	3,292,584,082			3,292,584,082	40.0%
B. Not subject to discretionary withdrawal	1,263,435,843			1,263,435,843	15.4%
C. Total (gross: direct + assumed)	8,219,878,177	2,997,480		8,222,875,656	100.0%
D. Reinsurance ceded	33,309,736			33,309,736	
E. Total (net)* (C) - (D)	8,186,568,441	2,997,480		8,189,565,921	

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities.

F. Life & Accident & Health Annual Statement:	Amount
1. Exhibit 5, Annuities Section, Total (net)	7,634,691,223
2. Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net)	37,840,486
3. Exhibit 7, Deposit-Type Contracts, Line 14, Column 1	514,036,733
4. Subtotal	8,186,568,441
Separate Accounts Annual Statement:	
5. Exhibit 3, Line 0299999, Column 2	2,997,479
6. Exhibit 3, Line 0399999, Column 2	
7. Policyholder dividend and coupon accumulations	
8. Policyholder premiums	
9. Guaranteed interest contracts	
10. Other contract deposit funds	
11. Subtotal	2,997,479
12. Combined Total	8,189,565,921

Note 33. Premiums and Annuity Considerations Deferred and Uncollected: NONE

Note 34. Separate Accounts

A. Separate Account Activity

(1) The Company utilizes separate accounts to record and account for assets and liabilities from the variable universal life and variable annuity product lines.

(2) In accordance with the products recorded within the separate account, all assets are considered legally insulated from the general account claims.

As of December 31, 2016 and 2015 the Company's separate account statement included legally insulated assets of $13.3 million and $13.4 million, respectively. The assets legally insulated from the general account as of December 31, 2016 are attributed to the following products:

(1) Product/Transaction	(1) Legally Insulated Assets	(2) Separate Account Assets (Not Legally Insulated)
Variable Universal Life Insurance	10,326,097	
Variable Annuities	2,995,883	
Total	13,321,980	

(3) The Company currently has two products that guarantee a minimum death benefit. The separate account has not paid risk charges for the past five years.

(4) There are no securities lending transactions in the separate account.

NOTES TO FINANCIAL STATEMENTS

B. General Nature and Characteristics of Separate Accounts Business

Separate accounts are utilized to record and account for two lines of business - Variable Annuities and Variable Universal Life.

The Company previously sold variable annuity and variable universal life products with a non-guaranteed return. The Company stopped marketing these products at the beginning of 2009. The net investment experience of these separate accounts is credited directly to the policyholder and can be positive or negative. The assets and liabilities of these accounts are carried at fair market value. This business is included in non-guaranteed separate accounts in the following table.

Information regarding the Separate Accounts of the Company is as follows. All amounts are for separate accounts as of or for the year ended December 31, 2016.

	(1) Indexed	(2) Nonindexed Guarantee Less than/equal to 4%	(3) Nonindexed Guarantee More than 4%	(4) Nonguaranteed Separate Accounts	(5) Total
(1) Premiums, considerations or deposits as of the end of current period				424,675	424,675
Reserves as of the end of current period					
(2) For accounts with assets at:					
a. Fair value				13,318,216	13,318,216
b. Amortized cost					
c. Total reserves*				13,318,216	13,318,216
(3) By withdrawal characteristics:					
a. Subject to discretionary withdrawal:					
1. With market value adjustment					
2. At book value without market value adjustment and with current surrender charge of 5% or more					
3. At fair value				13,318,216	13,318,216
4. At book value without market value adjustment and with current surrender charge less than 5%					
5. Subtotal				13,318,216	13,318,216
b. Not subject to discretionary withdrawal					
c. Total				13,318,216	13,318,216

*Line 2(c) should equal Line 3(c).

	(1)	(2)	(3)	(4)	(5)
(4) Reserves for Asset Default Risk in Lieu of AVR					

C. Reconciliation of Net Transfers To or (From) Separate Accounts

(1) Transfers as reported in the Summary of Operations of the Separate Accounts Statement:

a. Transfers to Separate Accounts (Page 4, Line 1.4)	424,675
b. Transfers from Separate Accounts (Page 4, Line 10)	857,372
c. Net transfers to or (From) Separate Accounts (a) - (b)	(432,697)

(2) Reconciling Adjustments:

(3) Transfers as Reported in the Summary of Operations of the Life, Accident & Health Annual Statement (1c) + (2) = (Page 4, Line 26) .... (432,697)

Note 35. Loss/Claim Adjustment Expenses: NONE