

**QUARTERLY STATEMENT**

**OF THE**

**Athene Annuity & Life Assurance Company**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

**FOR THE QUARTER ENDED  
JUNE 30, 2017**

**LIFE AND ACCIDENT AND HEALTH**

**2017**



LIFE AND ACCIDENT AND HEALTH COMPANIES - ASSOCIATION EDITION

# QUARTERLY STATEMENT

AS OF JUNE 30, 2017

OF THE CONDITION AND AFFAIRS OF THE

## Athene Annuity & Life Assurance Company

NAIC Group Code 4734 4734 NAIC Company Code 61492 Employer's ID Number 44-0188050  
(Current) (Prior)

Organized under the Laws of Delaware State of Domicile or Port of Entry DE

Country of Domicile United States of America

Incorporated/Organized 06/28/1909 Commenced Business 07/01/1909

Statutory Home Office 1209 Orange Street Wilmington, DE, US 19801  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 7700 Mills Civic Parkway  
(Street and Number)  
West Des Moines, IA, US 50266-3862 888-266-8489  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 7700 Mills Civic Parkway West Des Moines, IA, US 50266-3862  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 7700 Mills Civic Parkway  
(Street and Number)  
West Des Moines, IA, US 50266-3862 888-266-8489  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.athene.com

Statutory Statement Contact Rachel Elizabeth Brunia 515-342-3913  
(Name) (Area Code) (Telephone Number)  
rbrunia@athene.com 877-733-8589  
(E-mail Address) (FAX Number)

### OFFICERS

Chief Executive Officer James Richard Belardi Treasurer Erin Clayton Kuhl #  
President Grant Kvalheim Secretary Erik Harlan Askelsen

### OTHER

Jeffrey Ronald Boland, Senior Vice President Michael Stephen Downing, Executive Vice President Randall William Epright, Executive Vice President  
Christopher James Grady, Executive Vice President Mark Philip Suter, Executive Vice President Christopher Robert Welp, Executive Vice President

### DIRECTORS OR TRUSTEES

James Richard Belardi James Andrew Betts Martin Philip Klein  
Grant Kvalheim Francis Patrick Sabatini Hope Scheller Taitz  
Christopher Robert Welp

State of Iowa SS:  
County of Dallas

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Grant Kvalheim Erin Clayton Kuhl Erik Harlan Askelsen  
President Treasurer Secretary

Subscribed and sworn to before me this 14 day of August, 2017  
Stephanie Kidder

- a. Is this an original filing? \_\_\_\_\_ Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

03/15/2020



STATEMENT AS OF JUNE 30, 2017 OF THE Athene Annuity & Life Assurance Company

**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	4,667,683,983		4,667,683,983	3,653,400,217
2. Stocks:				
2.1 Preferred stocks	28,000,000		28,000,000	18,000,000
2.2 Common stocks	1,284,039,389	37,854	1,284,001,535	1,252,093,540
3. Mortgage loans on real estate:				
3.1 First liens	318,636,444		318,636,444	114,399,212
3.2 Other than first liens	741,844,154		741,844,154	718,503,500
4. Real estate:				
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 (\$ 37,414,462 ), cash equivalents (\$ 0 ) and short-term investments (\$ 288,409,507 )	325,823,969		325,823,969	258,604,577
6. Contract loans (including \$ premium notes)	1,459,963		1,459,963	1,514,265
7. Derivatives	71,559,605		71,559,605	65,123,488
8. Other invested assets	1,044,544,597		1,044,544,597	1,051,831,441
9. Receivables for securities	13,585,309		13,585,309	2,563,651
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets	1,099,813		1,099,813	
12. Subtotals, cash and invested assets (Lines 1 to 11)	8,498,277,227	37,854	8,498,239,373	7,136,033,891
13. Title plants less \$ charged off (for Title insurers only)				
14. Investment income due and accrued	44,542,876		44,542,876	36,153,920
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, 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	53,876,586		53,876,586	54,402,771
16.2 Funds held by or deposited with reinsured companies	2,689,180,961		2,689,180,961	2,740,263,425
16.3 Other amounts receivable under reinsurance contracts	379,075,585		379,075,585	333,927,477
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	2,115,922		2,115,922	17,839,713
18.2 Net deferred tax asset	30,468,669		30,468,669	17,983,656
19. Guaranty funds receivable or on deposit	580,957		580,957	629,859
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	1,116,973		1,116,973	63,395
24. Health care ( \$ ) and other amounts receivable	45,503	45,503		
25. Aggregate write-ins for other than invested assets	1,075,528	442,490	633,038	36,452
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	11,700,356,787	525,847	11,699,830,940	10,337,334,556
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	13,724,160		13,724,160	13,321,980
28. Total (Lines 26 and 27)	11,714,080,947	525,847	11,713,555,100	10,350,656,536
<b>DETAILS OF WRITE-INS</b>				
1101. Derivative collateral asset	1,099,813		1,099,813	
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	1,099,813		1,099,813	
2501. Miscellaneous assets	1,075,528	442,490	633,038	36,452
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,075,528	442,490	633,038	36,452

STATEMENT AS OF JUNE 30, 2017 OF THE Athene Annuity & Life Assurance Company

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$ .....7,400,814,107 less \$ ..... included in Line 6.3 (including \$ .....5,946,225,709 Modco Reserve).....	7,400,814,107	7,682,503,285
2. Aggregate reserve for accident and health contracts (including \$ ..... Modco Reserve).....		
3. Liability for deposit-type contracts (including \$ .....1,903,601,519 Modco Reserve).....	1,964,749,372	514,036,733
4. Contract claims:		
4.1 Life.....	21,612,850	20,794,678
4.2 Accident and health.....		
5. Policyholders' dividends \$ ..... and coupons \$ ..... due and unpaid.....		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$ ..... Modco).....	44,598	44,598
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.....		
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 \$ .....4,454,167 assumed and \$ .....484,525,638 ceded.....	488,979,805	481,165,863
9.4 Interest Maintenance Reserve.....	61,060,935	62,126,460
10. Commissions to agents due or accrued-life and annuity contracts \$ .....318,917, accident and health \$ .....654,618 and deposit-type contract funds \$ .....	973,535	930,740
11. Commissions and expense allowances payable on reinsurance assumed.....	9,833,502	11,719,538
12. General expenses due or accrued.....	1,995,065	1,525,600
13. Transfers to Separate Accounts due or accrued (net) (including \$ .....(17,240) accrued for expense allowances recognized in reserves, net of reinsured allowances).....	(17,240)	(3,763)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes.....	3,043,578	2,863,139
15.1 Current federal and foreign income taxes, including \$ ..... on realized capital gains (losses).....		
15.2 Net deferred tax liability.....		
16. Unearned investment income.....	68,485	71,222
17. Amounts withheld or retained by company as agent or trustee.....	48,530	96,710
18. Amounts held for agents' account, including \$ ..... agents' credit balances.....		
19. Remittances and items not allocated.....	2,847,885	4,295,692
20. Net adjustment in assets and liabilities due to foreign exchange rates.....		
21. Liability for benefits for employees and agents if not included above.....		
22. Borrowed money \$ ..... and interest thereon \$ .....		
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve.....	217,168,822	194,825,696
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.....	7,527,637	7,107,423
24.05 Drafts outstanding.....		
24.06 Liability for amounts held under uninsured plans.....		
24.07 Funds held under coinsurance.....		
24.08 Derivatives.....	3,224,260	127,249
24.09 Payable for securities.....	123,685,486	8,768
24.10 Payable for securities lending.....		
24.11 Capital notes \$ ..... and interest thereon \$ .....		
25. Aggregate write-ins for liabilities.....	100,170,154	80,674,966
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25).....	10,407,831,367	9,064,914,599
27. From Separate Accounts Statement.....	13,724,160	13,321,980
28. Total liabilities (Lines 26 and 27).....	10,421,555,527	9,078,236,580
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.....	980,085,012	964,949,943
34. Aggregate write-ins for special surplus funds.....		
35. Unassigned funds (surplus).....	309,414,561	304,970,014
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).....	1,289,499,573	1,269,919,957
38. Totals of Lines 29, 30 and 37.....	1,291,999,573	1,272,419,957
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3).....	11,713,555,100	10,350,656,536
<b>DETAILS OF WRITE-INS</b>		
2501. Derivative collateral liability.....	77,236,325	57,324,114
2502. Unclaimed funds.....	19,432,921	19,794,279
2503. Collateralized borrowing.....	3,500,908	3,527,449
2598. Summary of remaining write-ins for Line 25 from overflow page.....		29,124
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above).....	100,170,154	80,674,966
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page.....		
3199. Totals (Lines 3101 through 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 through 3403 plus 3498)(Line 34 above).....		

**SUMMARY OF OPERATIONS**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	4,105,952	12,937,994	24,268,836
2. Considerations for supplementary contracts with life contingencies	98,594	362,059	513,619
3. Net investment income	187,692,956	188,526,657	349,513,512
4. Amortization of Interest Maintenance Reserve (IMR)	5,224,377	1,625,951	3,043,577
5. Separate Accounts net gain from operations excluding unrealized gains or losses			
6. Commissions and expense allowances on reinsurance ceded	22,884,304	30,489,989	71,142,850
7. Reserve adjustments on reinsurance ceded	(475,519,664)	(379,400,060)	(700,083,721)
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	283,588	298,316	524,654
8.2 Charges and fees for deposit-type contracts			
8.3 Aggregate write-ins for miscellaneous income	82,730,156	75,212,766	149,880,273
9. Totals (Lines 1 to 8.3)	(172,499,738)	(69,946,328)	(101,196,401)
10. Death benefits	(50,270)	539,783	729,955
11. Matured endowments (excluding guaranteed annual pure endowments)			83
12. Annuity benefits	25,900,635	28,504,370	53,878,367
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	63,001,245	60,048,629	115,935,972
16. Group conversions			
17. Interest and adjustments on contract or deposit-type contract funds	12,757,090	15,022,813	30,859,194
18. Payments on supplementary contracts with life contingencies	369,895	182,252	474,967
19. Increase in aggregate reserves for life and accident and health contracts	(281,689,178)	(241,847,164)	(442,699,109)
20. Totals (Lines 10 to 19)	(179,710,582)	(137,549,316)	(240,820,570)
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	2,790,409	5,080,892	9,631,128
22. Commissions and expense allowances on reinsurance assumed	6,046,016	8,562,864	16,840,720
23. General insurance expenses	17,819,827	11,776,846	23,982,734
24. Insurance taxes, licenses and fees, excluding federal income taxes	6,905,551	6,814,290	11,717,249
25. Increase in loading on deferred and uncollected premiums			
26. Net transfers to or (from) Separate Accounts net of reinsurance	(527,219)	(276,719)	(432,697)
27. Aggregate write-ins for deductions	(19,684,870)	9,043,798	10,624,016
28. Totals (Lines 20 to 27)	(166,360,869)	(96,547,345)	(168,457,420)
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(6,138,869)	26,601,017	67,261,020
30. Dividends to policyholders	18,872	13,499	33,225
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(6,157,740)	26,587,518	67,227,795
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(4,952,111)	(4,934,977)	(53,536,160)
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)	(1,205,629)	31,522,495	120,763,955
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ (12,196,967) (excluding taxes of \$ 12,880,547 transferred to the IMR)	8,259,998	(20,233,562)	(49,415,938)
35. Net income (Line 33 plus Line 34)	7,054,368	11,288,932	71,348,016
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year	1,272,419,957	1,250,769,129	1,250,769,129
37. Net income (Line 35)	7,054,368	11,288,932	71,348,016
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ (9,355,840)	32,750,352	(19,070,417)	31,546,722
39. Change in net unrealized foreign exchange capital gain (loss)	(3,475,160)	13,584,466	16,041,902
40. Change in net deferred income tax	3,129,173	7,679,706	3,071,670
41. Change in nonadmitted assets	10,018	(623,424)	1,152,975
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			
44. Change in asset valuation reserve	(22,343,126)	(5,545,218)	(59,039,774)
45. Change in treasury stock			
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	15,135,069	3,368,147	17,217,152
51.2 Transferred to capital (Stock Dividend)			
51.3 Transferred from capital			
51.4 Change in surplus as a result of reinsurance	(3,403,050)	5,175,359	(44,189,271)
52. Dividends to stockholders			
53. Aggregate write-ins for gains and losses in surplus	(9,278,026)	(13,919,683)	(15,498,564)
54. Net change in capital and surplus for the year (Lines 37 through 53)	19,579,616	1,937,868	21,650,828
55. Capital and surplus, as of statement date (Lines 36 + 54)	1,291,999,573	1,252,706,997	1,272,419,957
<b>DETAILS OF WRITE-INS</b>			
08.301. Funds withheld adjustment - assumed	82,679,421	75,098,495	141,524,098
08.302. Miscellaneous income	50,735	114,271	8,356,175
08.303.			
08.398. Summary of remaining write-ins for Line 8.3 from overflow page			
08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	82,730,156	75,212,766	149,880,273
2701. Transfer to IMR - ceded	(21,452,260)	7,544,663	9,122,890
2702. Transfer to IMR - assumed	1,900,628	2,350,531	3,454,112
2703. Transfer to IMR - MVA benefits	(210,536)	(852,451)	(1,955,825)
2798. Summary of remaining write-ins for Line 27 from overflow page	77,298	1,056	2,839
2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	(19,684,870)	9,043,798	10,624,016
5301. Correction of prior period error	(9,278,026)	(8,533,079)	(9,982,796)
5302. Tax sharing agreement		(5,386,604)	(5,515,768)
5303.			
5398. Summary of remaining write-ins for Line 53 from overflow page			
5399. Totals (Lines 5301 through 5303 plus 5398)(Line 53 above)	(9,278,026)	(13,919,683)	(15,498,564)

## STATEMENT AS OF JUNE 30, 2017 OF THE Athene Annuity &amp; Life Assurance Company

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	4,204,546	13,300,053	24,782,455
2. Net investment income .....	164,141,649	157,629,192	295,291,930
3. Miscellaneous income .....	22,283,436	25,681,902	58,601,231
4. Total (Lines 1 to 3) .....	190,629,631	196,611,147	378,675,615
5. Benefit and loss related payments .....	491,537,602	391,597,117	767,553,382
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	(513,742)	(290,630)	(460,320)
7. Commissions, expenses paid and aggregate write-ins for deductions .....	31,922,888	29,554,307	59,049,322
8. Dividends paid to policyholders .....	18,872	21,247	43,422
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....	(10,714,295)	(21,714,256)	(22,736,591)
10. Total (Lines 5 through 9) .....	512,251,325	399,167,785	803,449,216
11. Net cash from operations (Line 4 minus Line 10) .....	(321,621,694)	(202,556,638)	(424,773,601)
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	561,635,762	689,873,250	1,178,713,280
12.2 Stocks .....		10,580,000	10,579,543
12.3 Mortgage loans .....	83,351,733	53,559,536	129,869,253
12.4 Real estate .....			
12.5 Other invested assets .....	98,559,540	26,575,712	183,005,373
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	(897,962)	39,008	(2,419,065)
12.7 Miscellaneous proceeds .....	165,265,217	423	431
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	907,914,289	780,627,929	1,499,748,814
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	1,563,514,379	535,121,639	904,251,121
13.2 Stocks .....	26,546,745		1,337,912
13.3 Mortgage loans .....	310,057,769	116,471,163	219,213,516
13.4 Real estate .....			
13.5 Other invested assets .....	74,378,922	70,320,508	117,840,809
13.6 Miscellaneous applications .....	12,121,472	30,696,509	34,205,125
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	1,986,619,286	752,609,819	1,276,848,483
14. Net increase (or decrease) in contract loans and premium notes .....	(54,302)	(93,776)	(215,426)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(1,078,650,696)	28,111,886	223,115,758
<b>Cash from Financing and Miscellaneous Sources</b>			
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 .....	1,450,712,639	(6,774,498)	(45,285,403)
16.5 Dividends to stockholders .....			
16.6 Other cash provided (applied) .....	16,779,143	18,645,526	23,143,695
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	1,467,491,781	11,871,029	(22,141,708)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	67,219,392	(162,573,723)	(223,799,551)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	258,604,577	482,404,128	482,404,128
19.2 End of period (Line 18 plus Line 19.1) .....	325,823,969	319,830,405	258,604,577

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

20.0001. Capital contribution of stock compensation expense (financing) .....	15,135,069	3,368,147	17,217,152
20.0002. Capital contribution of stock compensation expense (investing) .....	(12,351,719)	(2,941,036)	(13,832,794)
20.0003. Capital contribution of stock compensation expense (operating) .....	(2,783,350)	(427,110)	(3,384,358)
20.0004. Reinsurance activity settled in bonds (operating) .....		44,921,859	119,293,893
20.0005. Assumed reinsurance activity settled in bonds (investing) .....	31,519,338		
20.0006. Ceded reinsurance activity settled in bonds (investing) .....	(31,519,338)	(44,921,859)	(119,293,893)
20.0007. Transfer from Schedule D to Schedule BA - proceeds (investing) .....	4,095,995	35,942	35,942
20.0008. Transfer from Schedule D to Schedule BA - acquired (investing) .....	(4,095,995)	(35,942)	(35,942)
20.0009. Security exchanges - bond proceeds (investing) .....		25,339,374	50,349,064

STATEMENT AS OF JUNE 30, 2017 OF THE Athene Annuity & Life Assurance Company

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

20.0010. Security exchanges - bonds acquired (investing) .....		(25,339,374)	(50,349,064)
20.0011. Schedule BA distribution of bonds - proceeds (investing) .....			73,349,959
20.0012. Schedule BA distribution of bonds - acquired (investing) .....			(73,349,959)

## 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 #	June 30, 2017	December 31, 2016
<b>NET INCOME</b>					
(1) State basis (Page 4, Line 35, Columns 1 & 3)	XXX	XXX	XXX	7,054,368	71,348,016
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP: Standard scenario on variable annuities	.51	...3	....1	0	0
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	7,054,368	71,348,016
<b>SURPLUS</b>					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	1,291,999,573	1,272,419,957
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP: Standard scenario on variable annuities	.51	...3	....1	0	0
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	1,291,999,573	1,272,419,957

## B. Use of Estimates in the Preparation of the Financial Statements: No Change

## C. Accounting Policies

(1) – (5) No Change

(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) – (13) No Change

## D. Going Concern

Management's assessment of the relevant conditions through August 14, 2017 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 an error within the 2016 Annual Statement relating to the tax provision. After consideration of materiality and in accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, this correction was recorded directly to surplus. The impact of the correction of the error decreased surplus by \$9.3 million in 2017. This represented less than 1% of ending capital and surplus as of both June 30, 2017 and December 31, 2016.

**Note 3. Business Combinations and Goodwill: NONE****Note 4. Discontinued Operations: NONE****Note 5. Investments**

## A. Mortgage Loans, including Mezzanine Real Estate Loans: No Change

## B. Debt Restructuring: No Change

## 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.



## NOTES TO FINANCIAL STATEMENTS

- (3) Other-than-temporary impairment was recognized on the following securities due to the present value of the cash flows expected to be collected being less than the amortized cost basis.

1	2	3	4	5	6	7
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
86359A-WU-3	1,428,351	729,640	698,711	729,640	729,640	03/31/2017
Total	XXX	XXX	698,711	XXX	XXX	XXX

- (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 June 30, 2017.

a. The aggregate amount of unrealized losses:	
1. Less than 12 Months	2,069,671
2. 12 Months or Longer	8,982,732
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 Months	164,264,006
2. 12 Months or Longer	168,812,979

- (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

H. Restricted Assets: No Change

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:** No Change

**Note 7. Investment Income:** No Change

**Note 8. Derivative Instruments:** No Change

**Note 9. Income Taxes:** No Change

**Note 10. Information Concerning Parent, Subsidiaries and Affiliates**

A, B, C. 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 \$15.1 million and \$17.2 million for the six months ended June 30, 2017 and for the year ended December 31, 2016, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

D – N. No Change

**Note 11. Debt:** No Change

**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:** No Change

**Note 14. Liabilities, Contingencies and Assessments**

A. Contingent Commitments: No Change

B. Assessments: No Change

C. Gain Contingencies: NONE

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

E. Joint and Several Liabilities: NONE

## NOTES TO FINANCIAL STATEMENTS

## F. All Other Contingencies

On April 6, 2016, the U.S. Department of Labor (DOL) issued a new regulation 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 amended applicability date of June 9, 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 published a final amendment to the rule on April 5, 2017 delaying the applicability date to June 9th, 2017. In addition to comments on the delay, the DOL issued a second comment deadline requesting comments by April 17, 2017 in response to the three items President Trump requested the DOL review in his February 3, 2017 executive memorandum. The DOL also issued a request for information (RFI) in the Federal Register on July 6, 2017. The RFI contained 18 questions and two separate comment periods. The first comment period, which expired on July 21, requested input as to the impact of potentially delaying the upcoming January 1, 2018 full compliance date. The second comment period, which closes on August 7, 2017, asked for input responding to the additional questions that could form the basis of new exemptions or changes/revisions. 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:** No Change

**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
<b>a. Assets at fair value</b>				
Common stock unaffiliated .....	87,584,500			87,584,500
Derivative assets: Options .....		69,868,562		69,868,562
Derivative assets: Futures .....	485,218			485,218
Derivative assets: Forwards .....		1,205,825		1,205,825
Separate account assets: Variable products .....		13,724,160		13,724,160
<b>Total assets at fair value</b> .....	<b>88,069,718</b>	<b>84,798,547</b>		<b>172,868,265</b>

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
<b>b. Liabilities at fair value</b>				
Derivative liabilities: Currency Swaps .....		1,415,736		1,415,736
Derivative liabilities: Total Return Swaps .....		27,625		27,625
Derivative liabilities: Futures .....	131,445			131,445
Derivative liabilities: Forwards .....		891,969		891,969
Separate account liabilities: Variable products .....		13,724,160		13,724,160
<b>Total liabilities at fair value</b> .....	<b>131,445</b>	<b>16,059,490</b>		<b>16,190,935</b>

There were no transfers between Level 1, Level 2, or Level 3 of the fair value hierarchy during the quarter ended June 30, 2017.

(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.

## NOTES TO FINANCIAL STATEMENTS

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.

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	4,879,599,638	4,667,683,983	2,254,881	4,220,167,320	657,177,437	
Assets - Preferred stocks	31,411,320	28,000,000		31,411,320		
Assets - Common stocks unaffiliated	87,584,500	87,584,500	87,584,500			
Assets - Mortgage loans - first liens	332,172,891	318,636,444			332,172,891	
Assets - Mortgage loans - other than first liens	739,657,570	741,844,154			739,657,570	
Assets - Cash and short-term investments	325,819,035	325,823,969	280,273,891	17,055,144	28,490,000	
Assets - Policy loans	1,459,963	1,459,963		1,459,963		
Assets - Derivative assets	71,559,605	71,559,605	485,217	71,074,388		
Assets - Derivative collateral asset	1,099,813	1,099,813	1,099,813			
Assets - Other invested assets	1,045,441,299	1,044,544,597		4,987,724	1,040,453,575	
Assets - Separate account assets: variable products	13,724,160	13,724,160		13,724,160		
Liabilities - Collateralized borrowing	3,547,955	3,500,908			3,547,955	
Liabilities - Derivative liabilities	3,453,422	3,224,260	131,445	3,321,977		
Liabilities - Deposit type contracts	2,019,026,587	1,964,749,372		1,871,563,436	147,463,151	
Liabilities - Derivative collateral liability	77,236,325	77,236,325	77,236,325			
Liabilities - Separate account liabilities: variable products	13,724,160	13,724,160		13,724,160		

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. Short-term private notes are classified as Level 3 with value held at cost and cost approximates fair value.

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.

Collateralized borrowings – The Company estimates collateralized borrowings using discounted cash flow analysis and rates being offered for similar collateral to borrowers with similar credit ratings. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and prepayments. Collateralized borrowings are classified as Level 3.

## NOTES TO FINANCIAL STATEMENTS

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

**Note 21. Other Items:** No Change

**Note 22. Events Subsequent**

Subsequent events have been considered through August 14, 2017 for the statutory statement dated June 30, 2017. There have been no Type I or Type II 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.

**Note 23. Reinsurance:** No Change

**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:** No Change

**Note 30. Premium Deficiency Reserves:** NONE

**Note 31. Reserves for Life Contracts and Annuity Contracts:** No Change

**Note 32. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics:** No Change

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

**Note 34. Separate Accounts:** No Change

**Note 35. Loss/Claim Adjustment Expenses:** NONE