QUARTERLY STATEMENT

OF THE

Athene Annuity & Life Assurance Company

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED
SEPTEMBER 30, 2017

LIFE AND ACCIDENT AND HEALTH

2017

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	5,649,983,354		5,649,983,354	3,653,400,217
2. Stocks:				
2.1 Preferred stocks	26,750,000		26,750,000	18,000,000
2.2 Common stocks	1,318,781,394	37,854	1,318,743,540	1,252,093,540
3. Mortgage loans on real estate:				
3.1 First liens	380,720,911		380,720,911	114,399,212
3.2 Other than first liens	778,502,016		778,502,016	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 ($ 58,340,670), cash equivalents ($ 4,912,005) and short-term investments ($ 449,640,662)	512,893,337		512,893,337	258,604,577
6. Contract loans (including $ premium notes)	1,268,898		1,268,898	1,514,265
7. Derivatives	74,855,379		74,855,379	65,123,488
8. Other invested assets	1,038,855,506		1,038,855,506	1,051,831,441
9. Receivables for securities	2,874,242		2,874,242	2,563,651
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets	2,299,813		2,299,813	
12. Subtotals, cash and invested assets (Lines 1 to 11)	9,787,784,850	37,854	9,787,746,996	7,136,033,891
13. Title plants less $ charged off (for Title insurers only)				
14. Investment income due and accrued	55,889,024	9,669	55,879,355	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	61,210,546		61,210,546	54,402,771
16.2 Funds held by or deposited with reinsured companies	2,663,270,019		2,663,270,019	2,740,263,425
16.3 Other amounts receivable under reinsurance contracts	419,722,090		419,722,090	333,927,477
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				17,839,713
18.2 Net deferred tax asset	26,775,368		26,775,368	17,983,656
19. Guaranty funds receivable or on deposit	610,987		610,987	629,859
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	3,613		3,613	63,395
24. Health care ($) and other amounts receivable	64,321	64,321		
25. Aggregate write-ins for other than invested assets	584,425	160,959	423,466	36,452
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	13,015,915,244	272,802	13,015,642,441	10,337,334,556
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	13,919,818		13,919,818	13,321,980
28. Total (Lines 26 and 27)	13,029,835,061	272,802	13,029,562,259	10,350,656,536
DETAILS OF WRITE-INS				
1101. Derivative collateral asset	2,299,813		2,299,813	
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)	2,299,813		2,299,813	
2501. Miscellaneous assets	584,425	160,959	423,466	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)	584,425	160,959	423,466	36,452

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31 Prior Year
1.	Aggregate reserve for life contracts $ 7,341,694,958 less $ ...... included in Line 6.3 (including $ 5,898,702,144 Modco Reserve)	7,341,694,958	7,682,503,285
2.	Aggregate reserve for accident and health contracts (including $ ...... Modco Reserve)		
3.	Liability for deposit-type contracts (including $ 3,204,640,549 Modco Reserve)	3,264,806,765	514,036,733
4.	Contract claims:		
	4.1 Life	18,295,324	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 $ 2,038,597 assumed and $ 502,776,132 ceded	504,814,729	481,165,863
	9.4 Interest Maintenance Reserve	59,552,458	62,126,460
10.	Commissions to agents due or accrued-life and annuity contracts $ 184,060 , accident and health $ 654,618 and deposit-type contract funds $	838,678	930,740
11.	Commissions and expense allowances payable on reinsurance assumed	11,202,020	11,719,538
12.	General expenses due or accrued	2,199,700	1,525,600
13.	Transfers to Separate Accounts due or accrued (net) (including $ (29,339) accrued for expense allowances recognized in reserves, net of reinsured allowances)	(29,339)	(3,763)
14.	Taxes, licenses and fees due or accrued, excluding federal income taxes	2,645,574	2,863,139
15.1	Current federal and foreign income taxes, including $ ...... on realized capital gains (losses)	8,421,439	
15.2	Net deferred tax liability		
16.	Unearned investment income	11,362	71,222
17.	Amounts withheld or retained by company as agent or trustee	276,444	96,710
18.	Amounts held for agents' account, including $ ...... agents' credit balances		
19.	Remittances and items not allocated	3,891,831	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	226,567,660	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	7,891,787	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	4,623,078	127,249
	24.09 Payable for securities	135,837,235	8,768
	24.10 Payable for securities lending		
	24.11 Capital notes $ ...... and interest thereon $		
25.	Aggregate write-ins for liabilities	102,089,981	80,674,966
26.	Total liabilities excluding Separate Accounts business (Lines 1 to 25)	11,695,676,283	9,064,914,599
27.	From Separate Accounts Statement	13,919,818	13,321,980
28.	Total liabilities (Lines 26 and 27)	11,709,596,100	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	984,546,460	964,949,943
34.	Aggregate write-ins for special surplus funds		
35.	Unassigned funds (surplus)	332,919,698	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)	1,317,466,158	1,269,919,957
38.	Totals of Lines 29, 30 and 37	1,319,966,158	1,272,419,957
39.	Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	13,029,562,259	10,350,656,536
	DETAILS OF WRITE-INS		
2501.	Derivative collateral liability	78,060,124	57,324,114
2502.	Unclaimed funds	20,528,949	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)	102,089,981	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	18,985,528	21,133,179	24,268,836
2.	Considerations for supplementary contracts with life contingencies	177,365	457,136	513,619
3.	Net investment income	280,495,942	268,803,529	349,513,512
4.	Amortization of Interest Maintenance Reserve (IMR)	9,464,564	2,505,491	3,043,577
5.	Separate Accounts net gain from operations excluding unrealized gains or losses			
6.	Commissions and expense allowances on reinsurance ceded	37,696,735	49,853,385	71,142,850
7.	Reserve adjustments on reinsurance ceded	(622,744,355)	(530,964,606)	(700,083,721)
8.	Miscellaneous Income:			
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	419,604	444,645	524,654
	8.2 Charges and fees for deposit-type contracts			
	8.3 Aggregate write-ins for miscellaneous income	112,402,875	105,837,430	149,880,273
9.	Totals (Lines 1 to 8.3)	(163,101,742)	(81,929,811)	(101,196,401)
10.	Death benefits	645,072	554,824	729,955
11.	Matured endowments (excluding guaranteed annual pure endowments)			83
12.	Annuity benefits	40,553,654	41,966,429	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	89,082,558	88,281,602	115,935,972
16.	Group conversions			
17.	Interest and adjustments on contract or deposit-type contract funds	22,530,853	24,465,946	30,859,194
18.	Payments on supplementary contracts with life contingencies	871,613	219,327	474,967
19.	Increase in aggregate reserves for life and accident and health contracts	(340,808,327)	(333,029,850)	(442,699,109)
20.	Totals (Lines 10 to 19)	(187,124,577)	(177,541,722)	(240,820,570)
21.	Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	3,957,830	7,417,303	9,631,128
22.	Commissions and expense allowances on reinsurance assumed	12,196,336	13,420,348	16,840,720
23.	General insurance expenses	28,292,358	17,504,447	23,982,734
24.	Insurance taxes, licenses and fees, excluding federal income taxes	8,808,772	9,223,104	11,717,249
25.	Increase in loading on deferred and uncollected premiums			
26.	Net transfers to or (from) Separate Accounts net of reinsurance	(754,238)	(347,136)	(432,697)
27.	Aggregate write-ins for deductions	(31,070,903)	6,474,654	10,624,016
28.	Totals (Lines 20 to 27)	(165,694,421)	(123,849,003)	(168,457,420)
29.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	2,592,679	41,919,191	67,261,020
30.	Dividends to policyholders	27,140	22,351	33,225
31.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	2,565,539	41,896,840	67,227,795
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	(8,940,401)	(32,583,010)	(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)	11,505,940	74,479,850	120,763,955
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ (16,426,228) (excluding taxes of $ 20,482,574 transferred to the IMR)	1,533,162	(43,665,249)	(49,415,938)
35.	Net income (Line 33 plus Line 34)	13,039,102	30,814,601	71,348,016
	CAPITAL AND SURPLUS ACCOUNT			
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)	13,039,102	30,814,601	71,348,016
38.	Change in net unrealized capital gains (losses) less capital gains tax of $ 1,618,573	77,774,350	(31,581,244)	31,546,722
39.	Change in net unrealized foreign exchange capital gain (loss)	(6,646,395)	10,357,093	16,041,902
40.	Change in net deferred income tax	10,410,285	12,936,519	3,071,670
41.	Change in nonadmitted assets	263,063	866,683	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	(31,741,964)	(29,093,505)	(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	19,596,517	11,558,529	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	(25,870,730)	(5,434,446)	(44,189,271)
52.	Dividends to stockholders			
53.	Aggregate write-ins for gains and losses in surplus	(9,278,026)	(15,392,780)	(15,498,564)
54.	Net change in capital and surplus for the year (Lines 37 through 53)	47,546,201	(14,968,550)	21,650,828
55.	Capital and surplus, as of statement date (Lines 36 + 54)	1,319,966,158	1,235,800,579	1,272,419,957
	DETAILS OF WRITE-INS			
08.301.	Funds withheld adjustment - assumed	112,331,003	105,693,636	141,524,098
08.302.	Miscellaneous income	71,872	143,794	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)	112,402,875	105,837,430	149,880,273
2701.	Transfer to IMR - ceded	(33,198,711)	4,857,088	9,122,890
2702.	Transfer to IMR - assumed	2,379,447	3,188,251	3,454,112
2703.	Transfer to IMR - MVA benefits	(329,243)	(1,571,995)	(1,955,825)
2798.	Summary of remaining write-ins for Line 27 from overflow page	77,605	1,310	2,839
2799.	Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	(31,070,903)	6,474,654	10,624,016
5301.	Correction of prior period error	(9,278,026)	(9,982,796)	(9,982,796)
5302.	Tax sharing agreement		(5,409,984)	(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)	(15,392,780)	(15,498,564)

CASH FLOW

		1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
	Cash from Operations			
1.	Premiums collected net of reinsurance	19,162,893	21,590,315	24,782,455
2.	Net investment income	235,684,879	224,675,624	295,291,930
3.	Miscellaneous income	35,578,918	38,782,565	58,601,231
4.	Total (Lines 1 to 3)	290,426,690	285,048,503	378,675,615
5.	Benefit and loss related payments	681,749,458	589,936,589	767,553,382
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	(728,662)	(365,099)	(460,320)
7.	Commissions, expenses paid and aggregate write-ins for deductions	49,726,773	44,397,981	59,049,322
8.	Dividends paid to policyholders	27,140	30,099	43,422
9.	Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	(21,867,181)	(24,733,343)	(22,736,591)
10.	Total (Lines 5 through 9)	708,907,527	609,266,227	803,449,216
11.	Net cash from operations (Line 4 minus Line 10)	(418,480,837)	(324,217,724)	(424,773,601)
	Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:			
	12.1 Bonds	1,058,513,466	939,129,152	1,178,713,280
	12.2 Stocks	1,463,966	10,580,000	10,579,543
	12.3 Mortgage loans	112,168,120	74,102,887	129,869,253
	12.4 Real estate			
	12.5 Other invested assets	156,984,055	146,771,621	183,005,373
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(957,107)	(370,567)	(2,419,065)
	12.7 Miscellaneous proceeds	197,210,107	431	431
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,525,382,607	1,170,213,525	1,499,748,814
13.	Cost of investments acquired (long-term only):			
	13.1 Bonds	3,040,809,309	709,106,203	904,251,121
	13.2 Stocks	26,546,745	1,337,911	1,337,912
	13.3 Mortgage loans	437,132,123	134,870,570	219,213,516
	13.4 Real estate			
	13.5 Other invested assets	118,450,454	89,234,421	117,840,809
	13.6 Miscellaneous applications	2,610,406	23,662,270	34,205,125
	13.7 Total investments acquired (Lines 13.1 to 13.6)	3,625,549,037	958,211,375	1,276,848,483
14.	Net increase (or decrease) in contract loans and premium notes	(245,368)	(133,484)	(215,426)
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(2,099,921,063)	212,135,633	223,115,758
	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	2,750,770,032	(29,627,345)	(45,285,403)
	16.5 Dividends to stockholders			
	16.6 Other cash provided (applied)	21,920,626	20,482,442	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)	2,772,690,659	(9,144,902)	(22,141,708)
	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)	254,288,759	(121,226,993)	(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)	512,893,337	361,177,135	258,604,577

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

20.0001.	Capital contribution of stock compensation expense (financing)	19,596,517	11,558,529	17,217,152
20.0002.	Capital contribution of stock compensation expense (investing)	(15,933,819)	(9,292,973)	(13,832,794)
20.0003.	Capital contribution of stock compensation expense (operating)	(3,662,698)	(2,265,556)	(3,384,358)
20.0004.	Reinsurance activity settled in bonds (operating)	13,543,768	72,435,727	119,293,893
20.0005.	Assumed reinsurance activity settled in bonds (investing)	31,519,338		
20.0006.	Ceded reinsurance activity settled in bonds (investing)	(45,063,106)	(72,435,727)	(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)	19,689,603	44,351,824	50,349,064

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

20.0010. Security exchanges - bonds acquired (investing)	(19,689,603)	(44,351,824)	(50,349,064)
20.0011. Schedule BA distribution of bonds - proceeds (investing)		73,349,959	73,349,959
20.0012. Schedule BA distribution of bonds - acquired (investing)		(73,349,959)	(73,349,959)
20.0013. Schedule BA distribution of other invested assets - proceeds (investing)	25,894,816		
20.0014. Schedule BA distribution of other invested assets - acquired (investing)	(25,894,816)		

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 #	September 30, 2017	December 31, 2016
NET INCOME					
(1) State basis (Page 4, Line 35, Columns 1 & 3)	XXX	XXX	XXX	13,039,102	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	13,039,102	71,348,016
SURPLUS					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	1,319,966,158	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	1,319,966,158	1,272,419,957

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

C. Accounting Policy

(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 November 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 September 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 CUSIP	2 Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	3 Present Value of Projected Cash Flows	4 Recognized Other-Than-Temporary Impairment	5 Amortized Cost After Other-Than-Temporary Impairment	6 Fair Value at time of OTTI	7 Date of Financial Statement Where Reported
86359A-WU-3	1,428,351	729,640	698,711	729,640	729,640	03/31/2017
05949C-LW-4	86,955	0	86,955	0	0	09/30/2017
36197V-AJ-7	7,636,933	7,347,716	289,217	7,347,716	7,168,000	09/30/2017
41161P-L4-3	2,530,646	2,499,404	31,242	2,499,404	2,478,443	09/30/2017
Total	XXX	XXX	1,106,125	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 September 30, 2017.

a. The aggregate amount of unrealized losses:
   1. Less than 12 Months 2,337,273
   2. 12 Months or Longer 5,611,332
b. The aggregate related fair value of securities with unrealized losses:
   1. Less than 12 Months 385,081,320
   2. 12 Months or Longer 124,644,354

(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 $19.6 million and $17.2 million for the nine months ended September 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 July 18, 2017 a putative class action Complaint was filed in the United States District Court for the Northern District of Georgia, Atlanta Division by Jon Bruce Hughes, Individually and on Behalf of all Others Similarly Situated against the Company. Plaintiff filed an Amended Complaint July 20, 2017, which added Athene's Third-Party Administrator, McCamish as a named Defendant. The Court granted Athene a 30-day extension to file its Answer or Response. A Motion to Dismiss and Transfer of Venue Motion were filed on September 29, 2017. The Company believes the allegations are unfounded and it has meritorious defenses to the claims set forth in the Complaint and intends to vigorously defend the litigation. In light of the inherent uncertainties involved in the matter aforementioned, reasonably possible losses, if any, cannot be estimated at this time.

On April 6, 2016, the U.S. Department of Labor (DOL) issued a new regulation more broadly defining the circumstances under which a person is considered to be a fiduciary by reason of giving investment advice or recommendations to an employee benefit plan or a plan's participants or to individual retirement account (IRA) holders. In addition to releasing the investment advice regulation, the DOL: (1) issued a new prohibited transaction class exemption titled the "Best Interest Contract Exemption" (BICE), to be used in connection with the sale of fixed indexed annuities or variable annuities, and (2) updated the previous prohibited transaction class exemption 84-24, to be used in connection with the sale of traditional fixed rate annuities. The April 10, 2017 applicability date for the DOL regulation was delayed to June 9, 2017, in response to a memorandum issued to the DOL by President Trump. In addition to delaying the applicability date of the DOL regulation, the DOL revised both exemptions, most notably allowing all annuity products, fixed, FIAs and variable annuities, to rely on an updated version of the prohibited transaction class exemption 84-24 from June 9, 2017 through January 1, 2018, at which time full implementation of the DOL regulation is required. On August 9, 2017, the DOL submitted to the Office of Management and Budget a proposal to extend the January 1, 2018 full implementation date to July 1, 2019. In order for the extension to become effective, the proposal must be finalized and issued in the Federal Register before January 1, 2018. 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
a. Assets at fair value				
Common stock unaffiliated	96,612,188			96,612,188
Derivative assets: Options		72,939,771		72,939,771
Derivative assets: Futures	1,096,239			1,096,239
Derivative assets: Forwards		819,368		819,368
Separate account assets: Variable products		13,919,818		13,919,818
Total assets at fair value	97,708,427	87,678,957		185,387,384

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
b. Liabilities at fair value				
Derivative liabilities: Currency Swaps		2,554,507		2,554,507
Derivative liabilities: Total Return Swaps		6,761		6,761
Derivative liabilities: Forwards		377,367		377,367
Separate account liabilities: Variable products		13,919,818		13,919,818
Total liabilities at fair value		16,858,453		16,858,453

There were no transfers between Level 1, Level 2, or Level 3 of the fair value hierarchy during the quarter ended September 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	5,873,800,736	5,649,983,354	2,252,710	5,049,642,586	821,905,440	
Assets - Preferred stocks	29,942,025	26,750,000		29,942,025		
Assets - Common stocks unaffiliated	96,612,188	96,612,188	96,612,188			
Assets - Mortgage loans - first liens	397,318,712	380,720,911			397,318,712	
Assets - Mortgage loans - other than first liens	774,791,046	778,502,016			774,791,046	
Assets - Cash, cash equivalents and short-term investments	512,894,500	512,893,337	473,485,458	31,269,042	8,140,000	
Assets - Policy loans	1,268,898	1,268,898		1,268,898		
Assets - Derivative assets	74,855,379	74,855,379	1,096,239	73,759,140		
Assets - Derivative collateral assets	2,299,813	2,299,813	2,299,813			
Assets - Other invested assets	1,039,758,508	1,038,855,506		4,991,464	1,034,767,044	
Assets - Separate account: variable products	13,919,818	13,919,818		13,919,818		
Liabilities - Collateralized borrowings	3,519,088	3,500,908			3,519,088	
Liabilities - Derivative liabilities	4,947,800	4,623,078		4,947,800		
Liabilities - Deposit type contracts	3,341,552,457	3,264,806,765		3,196,163,183	145,389,274	
Liabilities - Derivative collateral liability	78,060,124	78,060,124	78,060,124			
Liabilities - Separate account: variable products	13,919,818	13,919,818		13,919,818		

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.

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: No Change

Note 22. Events Subsequent

Subsequent events have been considered through November 14, 2017 for the statutory statement dated September 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

Effective August 1, 2017, the Company entered into a variable quota share coinsurance agreement with The Lincoln National Life Insurance Company (LNC) to assume a percentage of LNC’s multi-year guaranteed annuity and fixed indexed annuity business issued on or after the effective date of the treaty. Effective August 1, 2017, the Company retroceded a quota share of this new LNC assumed business in a modified coinsurance agreement with Athene Life Re Ltd.

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