QUARTERLY STATEMENT

OF THE

Athene Annuity and Life 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			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	38,427,339,746		38,427,339,746	36,780,192,740
2. Stocks:				
2.1 Preferred stocks	99,055,975		99,055,975	59,708,225
2.2 Common stocks	393,451,572		393,451,572	384,427,228
3. Mortgage loans on real estate:				
3.1 First liens	3,933,397,465		3,933,397,465	3,774,870,132
3.2 Other than first liens	1,091,843,565		1,091,843,565	604,833,424
4. Real estate:				
4.1 Properties occupied by the company (less $ encumbrances)				
4.2 Properties held for the production of income (less $ encumbrances)	9,388,542		9,388,542	9,388,542
4.3 Properties held for sale (less $ encumbrances)	10,063,189		10,063,189	7,723,663
5. Cash ($ 113,128,726), cash equivalents ($) and short-term investments ($ 2,397,642,650)	2,510,771,376		2,510,771,376	1,727,917,471
6. Contract loans (including $ premium notes)	216,642,961		216,642,961	232,860,992
7. Derivatives	538,352,628		538,352,628	513,693,447
8. Other invested assets	1,642,581,757	6	1,642,581,751	1,279,430,679
9. Receivables for securities	33,233,476		33,233,476	15,044,035
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets	63,953,940		63,953,940	36,168,114
12. Subtotals, cash and invested assets (Lines 1 to 11)	48,970,076,192	6	48,970,076,186	45,426,258,690
13. Title plants less $ charged off (for Title insurers only)				
14. Investment income due and accrued	424,933,578	103,741	424,829,837	372,902,336
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,050		2,050	5,306
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)	9,123,239		9,123,239	8,985,651
15.3 Accrued retrospective premiums ($) and contracts subject to redetermination ($)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	189,267,331		189,267,331	187,189,338
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts	1,412,405,434		1,412,405,434	1,504,108,833
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	12,139,679		12,139,679	92,025,857
18.2 Net deferred tax asset				16,870,020
19. Guaranty funds receivable or on deposit	115,785		115,785	8,582
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	1,084,340		1,084,340	2,963,673
24. Health care ($) and other amounts receivable	4,927,961	4,927,961		
25. Aggregate write-ins for other than invested assets	346,581,588	328,606	346,252,982	332,624,415
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	51,370,657,178	5,360,314	51,365,296,864	47,943,942,700
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	365,321,220		365,321,220	40,721,571
28. Total (Lines 26 and 27)	51,735,978,398	5,360,314	51,730,618,084	47,984,664,271
DETAILS OF WRITE-INS				
1101. Derivative Collateral Asset	63,953,940		63,953,940	36,168,114
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)	63,953,940		63,953,940	36,168,114
2501. Corporate Owned Life Insurance (COLI)	344,289,320		344,289,320	327,056,842
2502. Miscellaneous Assets	2,292,268	328,606	1,963,662	5,567,573
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	346,581,588	328,606	346,252,982	332,624,415

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31 Prior Year
1.	Aggregate reserve for life contracts $ 42,308,544,608 less $ included in Line 6.3 (including $ 33,862,890,172 Modco Reserve)	42,308,544,608	39,552,826,684
2.	Aggregate reserve for accident and health contracts (including $ 3,280,709 Modco Reserve)	5,481,010	6,002,064
3.	Liability for deposit-type contracts (including $ 432,896,101 Modco Reserve)	538,648,836	620,596,467
4.	Contract claims:		
	4.1 Life	232,232,685	185,683,677
	4.2 Accident and health	14,357	18,486
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)		
	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 $ 6,318 accident and health premiums	6,318	6,015
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 $ assumed and $ 2,132,467,104 ceded	2,132,467,104	2,192,286,994
	9.4 Interest Maintenance Reserve	120,796,004	118,021,468
10.	Commissions to agents due or accrued-life and annuity contracts $ 15,804,066 , accident and health $ and deposit-type contract funds $	15,804,066	10,383,028
11.	Commissions and expense allowances payable on reinsurance assumed		
12.	General expenses due or accrued	13,200,598	9,587,185
13.	Transfers to Separate Accounts due or accrued (net) (including $ (139) accrued for expense allowances recognized in reserves, net of reinsured allowances)	727,356,783	738,264,515
14.	Taxes, licenses and fees due or accrued, excluding federal income taxes	9,548,953	9,767,340
15.1	Current federal and foreign income taxes, including $ on realized capital gains (losses)		
15.2	Net deferred tax liability	3,898,882	
16.	Unearned investment income	3,475,272	3,522,534
17.	Amounts withheld or retained by company as agent or trustee	4,802,806	2,381,598
18.	Amounts held for agents' account, including $ 1,874,181 agents' credit balances	1,874,181	2,501,079
19.	Remittances and items not allocated	88,848,510	96,552,990
20.	Net adjustment in assets and liabilities due to foreign exchange rates		
21.	Liability for benefits for employees and agents if not included above	43,558,675	44,337,726
22.	Borrowed money $ and interest thereon $		
23.	Dividends to stockholders declared and unpaid		
24.	Miscellaneous liabilities:		
	24.01 Asset valuation reserve	541,194,206	473,944,678
	24.02 Reinsurance in unauthorized and certified ($) companies		
	24.03 Funds held under reinsurance treaties with unauthorized and certified ($) reinsurers	1,452,306,245	1,492,046,322
	24.04 Payable to parent, subsidiaries and affiliates	11,952,447	11,207,156
	24.05 Drafts outstanding		
	24.06 Liability for amounts held under uninsured plans		
	24.07 Funds held under coinsurance		
	24.08 Derivatives	52,744,928	2,494,301
	24.09 Payable for securities	187,996,228	24,171,446
	24.10 Payable for securities lending		
	24.11 Capital notes $ and interest thereon $		
25.	Aggregate write-ins for liabilities	1,870,284,725	1,374,426,761
26.	Total liabilities excluding Separate Accounts business (Lines 1 to 25)	50,367,038,428	46,971,030,518
27.	From Separate Accounts Statement	220,902,836	(99,705,289)
28.	Total liabilities (Lines 26 and 27)	50,587,941,264	46,871,325,228
29.	Common capital stock	10,000,000	10,000,000
30.	Preferred capital stock		
31.	Aggregate write-ins for other than special surplus funds		
32.	Surplus notes		
33.	Gross paid in and contributed surplus	926,227,259	2,412,648,926
34.	Aggregate write-ins for special surplus funds		
35.	Unassigned funds (surplus)	206,449,561	(1,309,309,884)
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 $ 144,418,384 in Separate Accounts Statement)	1,132,676,820	1,103,339,043
38.	Totals of Lines 29, 30 and 37	1,142,676,820	1,113,339,043
39.	Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	51,730,618,084	47,984,664,271
	DETAILS OF WRITE-INS		
2501.	Derivative Collateral Liability	1,816,140,423	1,319,432,451
2502.	Unclaimed Funds	19,931,420	21,145,602
2503.	Payable to Third Party Administrator	12,282,220	20,778,145
2598.	Summary of remaining write-ins for Line 25 from overflow page	21,930,662	13,070,563
2599.	Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,870,284,725	1,374,426,761
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	887,958,774	1,564,414,052	1,130,998,048
2.	Considerations for supplementary contracts with life contingencies	2,866,211	2,339,559	2,886,290
3.	Net investment income	2,159,177,425	1,345,242,228	1,910,612,715
4.	Amortization of Interest Maintenance Reserve (IMR)	9,079,430	9,795,765	14,146,888
5.	Separate Accounts net gain from operations excluding unrealized gains or losses	3,924,551	1,855,871	2,474,494
6.	Commissions and expense allowances on reinsurance ceded	507,175,685	437,187,335	577,283,732
7.	Reserve adjustments on reinsurance ceded	526,073,075	(226,262,350)	872,272,924
8.	Miscellaneous Income:			
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	611,705	374,472	497,981
	8.2 Charges and fees for deposit-type contracts			
	8.3 Aggregate write-ins for miscellaneous income	17,270,236	15,592,321	20,040,363
9.	Totals (Lines 1 to 8.3)	4,114,137,093	3,150,539,253	4,531,213,434
10.	Death benefits	(287,289)	(1,577,982)	(319,925)
11.	Matured endowments (excluding guaranteed annual pure endowments)			
12.	Annuity benefits	132,974,366	152,800,181	186,020,044
13.	Disability benefits and benefits under accident and health contracts	323,950	250,666	337,370
14.	Coupons, guaranteed annual pure endowments and similar benefits			
15.	Surrender benefits and withdrawals for life contracts	370,263,256	321,651,820	438,064,279
16.	Group conversions			
17.	Interest and adjustments on contract or deposit-type contract funds	16,517,894	22,424,427	25,524,133
18.	Payments on supplementary contracts with life contingencies	5,298,395	4,292,665	5,005,894
19.	Increase in aggregate reserves for life and accident and health contracts	2,799,190,503	1,999,177,487	2,970,897,956
20.	Totals (Lines 10 to 19)	3,324,281,076	2,499,019,265	3,625,529,752
21.	Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	380,074,188	358,255,018	507,912,190
22.	Commissions and expense allowances on reinsurance assumed	212,584	252,783	451,799
23.	General insurance expenses	195,867,275	183,205,317	250,808,734
24.	Insurance taxes, licenses and fees, excluding federal income taxes	35,574,550	32,544,418	44,080,079
25.	Increase in loading on deferred and uncollected premiums	1	(1,536)	(1,535)
26.	Net transfers to or (from) Separate Accounts net of reinsurance	59,260,193	(3,236,310)	(4,060,575)
27.	Aggregate write-ins for deductions	39,276,313	52,197,089	58,236,401
28.	Totals (Lines 20 to 27)	4,034,546,181	3,122,236,042	4,482,956,845
29.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	79,590,912	28,303,211	48,256,590
30.	Dividends to policyholders	3	138	141
31.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	79,590,909	28,303,072	48,256,449
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	(31,104,550)	(108,484,267)	(101,842,903)
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)	110,695,459	136,787,339	150,099,352
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 15,339,766 (excluding taxes of $ 18,901,420 transferred to the IMR)	(25,468,338)	(41,566,939)	(50,472,542)
35.	Net income (Line 33 plus Line 34)	85,227,121	95,220,400	99,626,810
	CAPITAL AND SURPLUS ACCOUNT			
36.	Capital and surplus, December 31, prior year	1,113,339,043	1,108,932,084	1,108,932,084
37.	Net income (Line 35)	85,227,121	95,220,400	99,626,810
38.	Change in net unrealized capital gains (losses) less capital gains tax of $ 20,481,489	33,703,170	41,854,071	85,280,558
39.	Change in net unrealized foreign exchange capital gain (loss)	13,349,503	(2,754,833)	(19,795,056)
40.	Change in net deferred income tax	489,026	(33,275,144)	(38,491,265)
41.	Change in nonadmitted assets	1,940,093	251,131	5,497,243
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	(67,249,528)	(45,267,362)	(71,443,687)
45.	Change in treasury stock			
46.	Surplus (contributed to) withdrawn from Separate Accounts during period			
47.	Other changes in surplus in Separate Accounts Statement	66,972		
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	(1,486,421,668)	9,248,222	13,772,241
	51.2 Transferred to capital (Stock Dividend)			
	51.3 Transferred from capital			
	51.4 Change in surplus as a result of reinsurance	(67,650,736)	(59,699,873)	(41,823,071)
52.	Dividends to stockholders			
53.	Aggregate write-ins for gains and losses in surplus	1,515,883,825	(35,376,723)	(28,216,815)
54.	Net change in capital and surplus for the year (Lines 37 through 53)	29,337,777	(29,800,110)	4,406,959
55.	Capital and surplus, as of statement date (Lines 36 + 54)	1,142,676,820	1,079,131,974	1,113,339,043
	DETAILS OF WRITE-INS			
08.301.	COLI Income	17,232,478	15,555,517	19,648,018
08.302.	Miscellaneous Income	37,758	36,804	392,345
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)	17,270,236	15,592,321	20,040,363
2701.	Funds Withheld Adjustment - Ceded	62,494,186	70,755,960	90,212,535
2702.	Transfer to IMR - Ceded	(21,940,333)	(13,624,877)	(26,244,093)
2703.	Transfer to IMR - MVA Benefits	(1,308,341)	(4,945,468)	(5,743,748)
2798.	Summary of remaining write-ins for Line 27 from overflow page	30,801	11,474	11,707
2799.	Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	39,276,313	52,197,089	58,236,401
5301.	SSAP 72 Surplus Reset	1,502,315,641		
5302.	Correction of Prior Period Error	13,667,989	(23,921,611)	(23,921,611)
5303.	Athene Re IV Tax Sharing Agreement	(99,805)	(11,455,112)	(4,295,204)
5398.	Summary of remaining write-ins for Line 53 from overflow page			
5399.	Totals (Lines 5301 through 5303 plus 5398)(Line 53 above)	1,515,883,825	(35,376,723)	(28,216,815)

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	891,153,353	1,519,297,076	1,111,452,953
2. Net investment income	1,979,768,631	1,164,634,445	1,669,876,168
3. Miscellaneous income	515,515,681	400,457,819	590,139,216
4. Total (Lines 1 to 3)	3,386,437,665	3,084,389,339	3,371,468,337
5. Benefit and loss related payments	(214,169,814)	509,552,976	(408,643,434)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	70,167,924	323,494,093	346,490,540
7. Commissions, expenses paid and aggregate write-ins for deductions	588,515,211	586,619,438	816,972,250
8. Dividends paid to policyholders	3	138	141
9. Federal and foreign income taxes paid (recovered) net of $ 24,463,563 tax on capital gains (losses)	(83,884,507)	(31,303,605)	(36,227,185)
10. Total (Lines 5 through 9)	360,628,817	1,388,363,040	718,592,312
11. Net cash from operations (Line 4 minus Line 10)	3,025,808,848	1,696,026,298	2,652,876,025
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	5,332,643,197	4,186,759,955	5,856,842,181
12.2 Stocks	14,338,234	13,640,000	15,440,000
12.3 Mortgage loans	774,144,917	501,238,565	880,894,717
12.4 Real estate	8,262,026		744,493
12.5 Other invested assets	129,185,462	139,301,495	207,907,623
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(4,906,302)	303,419	2,641,309
12.7 Miscellaneous proceeds	164,009,359	65,633,763	273,993
12.8 Total investment proceeds (Lines 12.1 to 12.7)	6,417,676,892	4,906,877,198	6,964,744,316
13. Cost of investments acquired (long-term only):			
13.1 Bonds	7,149,407,506	6,131,733,971	8,546,513,085
13.2 Stocks	51,603,750	16,108,225	16,108,225
13.3 Mortgage loans	1,432,792,331	498,326,212	937,882,763
13.4 Real estate		3,446,863	
13.5 Other invested assets	313,209,970	168,199,999	260,668,954
13.6 Miscellaneous applications	85,742,739	29,501,132	93,072,099
13.7 Total investments acquired (Lines 13.1 to 13.6)	9,032,756,296	6,847,316,402	9,854,245,126
14. Net increase (or decrease) in contract loans and premium notes	(16,218,031)	16,967,285	18,304,733
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(2,598,861,374)	(1,957,406,489)	(2,907,805,544)
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	(81,947,631)	(73,420,467)	(114,867,136)
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	437,854,062	476,757,728	528,620,775
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	355,906,431	403,337,262	413,753,639
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)	782,853,905	141,957,071	158,824,120
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	1,727,917,471	1,569,093,351	1,569,093,351
19.2 End of period (Line 18 plus Line 19.1)	2,510,771,376	1,711,050,422	1,727,917,471

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

20.0001. Capital contribution of stock compensation expense (financing)	15,893,973	9,248,222	13,772,240
20.0002. Capital contribution of stock compensation expense (investing)	(1,389,446)	(1,330,267)	(1,915,124)
20.0003. Capital contribution of stock compensation expense (operating)	(14,504,527)	(7,917,955)	(11,857,116)
20.0004. Reinsurance activity settled in bonds (operating)	288,890,895	69,503,941	192,471,699
20.0005. Reinsurance activity settled in bonds (investing)	(288,890,895)	(69,503,941)	(192,471,699)
20.0006. Security exchanges - bond proceeds (investing)	337,245,181	241,915,808	319,662,169
20.0007. Security exchanges - bonds acquired (investing)	(337,245,181)	(241,915,808)	(319,662,169)
20.0008. Transfer from Schedule B to Schedule A - proceeds (investing)	15,570,635		3,446,863
20.0009. Transfer from Schedule B to Schedule A - acquired (investing)	(15,570,635)		(3,446,863)
20.0010. Transfer from Schedule D to Schedule BA - proceeds (investing)	134,033,354	27,632	27,632

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

20.0011. Transfer from Schedule D to Schedule BA - acquired (investing)	(134,033,354)	(27,632)	(27,632)
20.0012. Schedule BA distribution (operating)		5,335,374	5,335,374
20.0013. Schedule BA distribution - proceeds (investing)	1,440,319	19,086,712	19,086,712
20.0014. Schedule BA distribution - acquired (investing)	(1,440,319)	(24,422,086)	(24,422,086)
20.0015. Interest capitalization (operating)	5,839,626		
20.0016. Interest capitalization (investing)	(5,839,626)		

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of **Athene Annuity and Life 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 Iowa.

The Insurance Division, Department of Commerce, of the State of Iowa (the Division) recognizes only statutory accounting practices prescribed or permitted by the State of Iowa for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Iowa 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 Iowa. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

Among the products issued by the Company are indexed universal life insurance and indexed annuities. These products allow a portion of the premium to earn interest based on certain indices, primarily the Standard & Poor's 500 Composite Stock Price Index. Call options, futures, variance swaps and total return swaps are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. In 2006, the Commissioner of the Division issued Bulletin 06-01*, Accounting for Derivative Instruments Used to Hedge the Growth in Interest Credited for Index Products*, which prescribes that an insurer may elect to recognize changes in the fair value of derivative instruments purchased to hedge indexed products in the statement of operations. The Company has elected to apply Bulletin 06-01 to its futures, variance swaps and total return swaps, which resulted in a decrease of $0.3 million and $0.4 million to the Company's net income for the nine months ended September 30, 2017 and for the year ended December 31, 2016, respectively. Application of Bulletin 06-01 does not impact the Company's statutory surplus amounts.

In 2009, the Commissioner of the Division promulgated Iowa Administrative Code (IAC) Section 191-97, *Accounting for Certain Derivative Instruments Used to Hedge the Growth in Interest Credited for Indexed Insurance Products and Accounting for the Indexed Insurance Products Reserve*, which prescribes that an insurer may elect (i) to use an amortized cost method to account for certain derivative instruments, such as call options, purchased to hedge the growth in interest credited to the customer on indexed insurance products and (ii) to utilize an indexed annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero. The Company has elected to apply IAC Section 191-97 to its over the counter (OTC) call options and reserve liabilities. As a result, the Company's net income increased by $52.9 million and decreased by $31.6 million for the nine months ended September 30, 2017 and for the year ended December 31, 2016, respectively, and the Company's statutory surplus decreased by $42.7 million and $17.5 million as of September 30, 2017 and December 31, 2016, respectively.

The NAIC requires annuities issued by life insurance companies on or after January 1, 2015, to use the 2012 Individual Annuity Reserving (IAR) Mortality Table. In 2015, the Division promulgated IAC Section 43.3(5), which set an elective alternative effective date of January 1, 2016 for adoption of the 2012 IAR Mortality Table. The Company chose to use the Annuity 2000 Mortality Table for all annuities issued in 2015, which resulted in an increase of $0.9 million and a decrease of $1.2 million to the Company's net income for the nine months ended September 30, 2017 and for the year ended December 31, 2016, respectively. The Company's statutory surplus increased by $2.4 million and $1.5 million as of September 30, 2017 and December 31, 2016, respectively.

The Company received a permitted practice from the Division which allowed the Company to record a surplus reset under SSAP No. 72, *Surplus and Quasi-Reorganizations,* during the quarter ended March 31, 2017. This approval is deemed a permitted practice as it was granted greater than six months following a change of control, which is the criteria outlined in SSAP No. 72. The acquisition of the Company by Athene Holding Ltd (AHL) on October 2, 2013 represented a 100% change of ultimate ownership as well as a substantive change in the operations of the Company. The surplus reset resulted in a reclassification between unassigned surplus and gross paid-in and contributed surplus of $1,502.3 million, which is equal to the negative unassigned surplus balance on October 2, 2013 immediately following the execution of all transactions which occurred as a result of the change in control. This permitted practice has no impact on the Company's net income or total capital and surplus.

A reconciliation of the Company's net income and statutory surplus between practices prescribed by the State of Iowa 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	85,227,121	99,626,810
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
Derivative Instruments Bulletin 06-01	86	4	38	(275,127)	(359,774)
Derivative Instruments and Equity Indexed Reserves IAC 191-97	86, 51	2, 3	7, 1	52,857,343	(31,642,904)
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	51	3	1	933,121	(1,241,736)
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP:					
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	31,711,784	132,871,224
SURPLUS					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	1,142,676,820	1,113,339,043
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
Derivative Instruments and Equity Indexed Reserves IAC 191-97	86, 51	2, 3	7, 1	(42,665,637)	(17,497,296)
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	51	3	1	2,427,378	1,494,257
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP: SSAP No. 72 Surplus Reset	72	3	33, 35	0	0
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	1,182,915,079	1,129,342,082

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

C. Accounting Policy

(1) – (5) No Change

NOTES TO FINANCIAL STATEMENTS

(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 errors within prior period Annual Statements relating to the tax provision and reserves. After consideration of materiality and in accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, these corrections were recorded directly to surplus. The impact of the correction of the tax error increased surplus by $7.9 million and the net impact of the correction of the reserve error increased surplus by $5.8 million in 2017. The total of these amounts represented less than 2% of ending capital and surplus as of both September 30, 2017 and December 31, 2016.

Note 3. Business Combinations and Goodwill: No Change

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) 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.

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss 2a Interest	 2b Non-interest	3 Fair Value 1 - (2a + 2b)
OTTI recognized 1st Quarter				
a. Intent to sell				
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
c. Total 1st Quarter				
OTTI recognized 2nd Quarter				
d. Intent to sell				
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
f. Total 2nd Quarter				
OTTI recognized 3rd Quarter				
g. Intent to sell	13,383,879	3,004,425		10,379,454
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
i. Total 3rd Quarter	13,383,879	3,004,425		10,379,454
OTTI recognized 4th Quarter				
j. Intent to sell				
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
l. Total 4th Quarter				
m. Annual Aggregate Total		3,004,425		

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
885220-DS-9	881,626	672,983	208,643	672,983	579,465	06/30/2017
05533X-AC-6	2,259,799	2,229,239	30,560	2,229,239	2,184,071	09/30/2017
12592T-AQ-8	19,121,883	18,956,386	165,497	18,956,386	18,943,879	09/30/2017
23306N-AQ-5	7,130,939	7,128,874	2,066	7,128,874	6,874,825	09/30/2017
23332U-FW-9	3,735,450	3,718,301	17,149	3,718,301	3,718,301	09/30/2017
36185M-DQ-2	10,736,644	10,649,926	86,718	10,649,926	10,638,706	09/30/2017
36190D-AD-7	3,697,760	3,654,873	42,887	3,654,873	3,603,829	09/30/2017
46629C-AA-5	715,032	650,422	64,610	650,422	572,253	09/30/2017
61748H-RS-2	764,648	731,012	33,636	731,012	730,330	09/30/2017
61748H-UF-6	3,592,416	3,531,106	61,310	3,531,106	3,101,856	09/30/2017
61748H-YQ-8	3,384,670	3,355,437	29,232	3,355,437	3,200,734	09/30/2017
61762B-CS-2	2,827,155	2,791,818	35,337	2,791,818	2,675,733	09/30/2017
61762L-AF-0	7,957,053	7,871,291	85,762	7,871,291	7,871,291	09/30/2017
66704J-AC-2	6,553,780	6,482,815	70,965	6,482,815	5,773,961	09/30/2017
74927B-AB-6	5,117,254	5,069,947	47,307	5,069,947	5,069,947	09/30/2017
86359L-HX-0	7,468,366	7,410,327	58,039	7,410,327	7,408,973	09/30/2017
94980X-AS-3	2,268,963	2,236,890	32,074	2,236,890	2,147,205	09/30/2017
Total	XXX	XXX	1,071,792	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 17,818,922
   2. 12 Months or Longer 43,031,917

b. The aggregate related fair value of securities with unrealized losses:
   1. Less than 12 Months 1,216,896,696
   2. 12 Months or Longer 1,124,141,807

(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

(1) a. During 2017, the Company recognized impairments on two of its real estate LLCs held for sale as discussed below.

b. The Company recognized impairments of $4.8 million on AREI (Interpark), LLC and $0.7 million on AREI (CBP), LLC in accordance with SSAP No. 90, *Impairment or Disposal of Real Estate Investments.* Fair value was determined by a third party.

c. The total impairment is aggregated within Net Realized Capital Gains (Losses) in the Summary of Operations Line 34.

(2) During 2017, the Company acquired AREI (Interpark), LLC, AREI (Norwood-TX), LLC and AREI (US Forest-WY), LLC and classified as real estate held for sale on Schedule A in accordance with SSAP No. 40R, *Real Estate Investments.* In conjunction with the Company's plan to sell these properties, the assets are held at the lower of cost or market value and are not depreciated in accordance with SSAP No. 90.

During 2017, the Company sold its AREI (CBP), LLC, AREI (Norwood-TX), LLC, AREI (US Forest-WY), LLC and AREI (Boyette), LLC real estate held on Schedule A for cumulative proceeds of $8.3 million. A gain of $0.5 million was recognized as a result of the sales. The gain is aggregated within Net Realized Capital Gains (Losses) in the Summary of Operations Line 34.

(3) Changes to Plan of Sale: NONE

(4) Retail Land Sales: NONE

(5) Participating Mortgage Loan Features: 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: No Change

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

NOTES TO FINANCIAL STATEMENTS

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 AHL, an indirect parent of the Company, for which the Company has no legal obligation. Salary expense of Athene Employee Services LLC is partially 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 $15.9 million and $13.8 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

A. No Change

B. FHLB Agreements

(1) The Company is a member of the FHLB of Des Moines. Through its membership, the Company has issued funding agreements to the FHLB of Des Moines in exchange for cash resulting in a liability of $597.6 million as of September 30, 2017. The Company uses these funds in an investment spread strategy, consistent with its other investment spread operations. As such, the Company applies SSAP No. 52, *Deposit-Type Contracts,* accounting treatment to these funds, consistent with its other deposit-type contracts. It is not part of the Company's strategy to utilize these funds for operations, and any funds obtained from the FHLB of Des Moines for use in general operations would be accounted for consistent with SSAP No. 15, *Debt and Holding Company Obligations*, as borrowed money. The table below indicates the amount of FHLB of Des Moines stock purchased, collateral pledged, assets and liabilities related to the agreement with FHLB of Des Moines.

The Company must provide appropriate collateral to borrow under the arrangements described above. The borrowing capacity available to the Company under the short-term borrowing arrangement and long-term advances is largely a factor of the Company's ability to post eligible collateral, as well as internal limits such as single-holder exposure limits (10% of the entity's balance sheet liabilities) and NAIC capital requirements.

There were no borrowings outstanding under the short-term federal funds borrowing arrangement as of September 30, 2017 and December 31, 2016. The Company did not incur any interest expense on the short-term federal funds borrowing arrangement for the nine months ended September 30, 2017 and for the year ended December 31, 2016. There were no long-term advances outstanding as of September 30, 2017 and December 31, 2016. No collateral has been pledged on these advances for the nine months ended September 30, 2017 and for the year ended December 31, 2016. The Company did not incur any interest expense on the long-term advances for the nine months ended September 30, 2017 and for the year ended December 31, 2016.

(2) FHLB Capital Stock

a. Aggregate Totals

	1 Total 2+3	2 General Account	3 Separate Accounts
1. Current Year			
(a) Membership Stock - Class A			
(b) Membership Stock - Class B	10,000,000	10,000,000	
(c) Activity Stock	23,904,000	23,904,000	
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)	33,904,000	33,904,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	2,000,000,000	XXX	XXX
2. Prior Year-end			
(a) Membership Stock - Class A			
(b) Membership Stock - Class B	10,000,000	10,000,000	
(c) Activity Stock	25,624,000	25,624,000	
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)	35,624,000	35,624,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	4,300,000,000	XXX	XXX

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)
11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

	1	2	Eligible for Redemption			
	Current Year Total (2+3+4+5+6)	Not Eligible for Redemption	3 Less Than 6 Months	4 6 Months to Less Than 1 Year	5 1 to Less Than 3 Years	6 3 to 5 Years
Membership Stock						
1. Class A						
2. Class B	10,000,000	10,000,000				

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)
11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

	1 Fair Value	2 Carrying Value	3 Aggregate Total Borrowing
1. Current Year Total General and Separate Accounts Total Collateral Pledged (Lines 2+3)	827,575,735	786,017,698	597,600,000
2. Current Year General Account Total Collateral Pledged	827,575,735	786,017,698	10,000,000
3. Current Year Separate Accounts Total Collateral Pledged			587,600,000
4. Prior Year-end Total General and Separate Accounts Total Collateral Pledged	1,006,367,454	984,796,516	640,600,000

11B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3 respectively)
11B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3 respectively)
11B(3)a3 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b3 (Columns 1, 2 and 3 respectively)
11B(3)a4 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b4 (Columns 1, 2 and 3 respectively)

NOTES TO FINANCIAL STATEMENTS

b. Maximum Amount Pledged During Reporting Period

	1 Fair Value	2 Carrying Value	3 Amount Borrowed at Time of Maximum Collateral
1. Current Year Total General and Separate Accounts Maximum Collateral Pledged (Lines 2+3)	1,006,367,454	984,796,516	640,600,000
2. Current Year General Account Maximum Collateral Pledged	1,006,367,454	984,796,516	41,400,000
3. Current Year Separate Accounts Maximum Collateral Pledged			599,200,000
4. Prior Year-end Total General and Separate Accounts Maximum Collateral Pledged	1,362,518,498	1,328,925,984	1,026,600,000

(4) Borrowing from FHLB

a. Amount as of Reporting Date

	1 Total 2+3	2 General Account	3 Separate Accounts	4 Funding Agreements Reserves Established
1. Current Year				
(a) Debt				XXX
(b) Funding Agreements	597,600,000	10,000,000	587,600,000	597,600,000
(c) Other				XXX
(d) Aggregate Total (a+b+c)	597,600,000	10,000,000	587,600,000	597,600,000
2. Prior Year-end				
(a) Debt				XXX
(b) Funding Agreements	640,600,000	41,400,000	599,200,000	640,600,000
(c) Other				XXX
(d) Aggregate Total (a+b+c)	640,600,000	41,400,000	599,200,000	640,600,000

b. Maximum Amount During Reporting Period (Current Year)

	1 Total 2+3	2 General Account	3 Separate Accounts
1. Debt			
2. Funding Agreements	642,600,000	10,000,000	632,600,000
3. Other			
4. Aggregate Total (Lines 1+2+3)	642,600,000	10,000,000	632,600,000

11B(4)b4 (Columns 1, 2 and 3) should be equal to or greater than 11B(4)a1(d) (Columns 1, 2 and 3 respectively)

c. FHLB - Prepayment Obligations

	Does the company have prepayment obligations under the following arrangements (YES/NO)?
1. Debt	NO
2. Funding Agreements	YES
3. Other	NO

Note 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans: No Change

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

(1) – (11) No Change

(12) - (13) Quasi-reorganization: As discussed in Note 1, during the quarter ended March 31, 2017 the Company recorded a surplus reset under SSAP No. 72 in the amount of $1,502.3 million, resulting in a reclassification between unassigned surplus and gross paid-in and contributed surplus.

Note 14. Liabilities, Contingencies and Assessments

A. Contingent Commitments: No Change

B. Assessments: No Change

C. Gain Contingencies: NONE

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

E. Joint and Several Liabilities: NONE

F. All Other Contingencies

On June 12, 2015, a putative class action complaint was filed in the United States District Court for the Northern District of California, captioned Rachel Silva and Don Hudson, on Behalf of Themselves and All Others Similarly Situated v. Aviva PLC, Athene Annuity and Life Company f/k/a Aviva Life and Annuity Company, Athene USA Corporation f/k/a Aviva USA Corporation, AHL, Athene Asset Management, L.P., Apollo Global Management, LLC. The complaint, which was analogous to complaints recently filed against other large insurance companies, primarily alleged that captive reinsurance and other transactions had the effect of misrepresenting the financial condition of the Company. The suit asserted claims of violation of the Racketeer Influenced and Corrupt Organizations Act (RICO) and sought compensatory damages, trebled, in an amount to be determined. Defendants' motion to transfer the case to the United States District Court for the Southern District of Iowa was granted on March 29, 2016. On May 24, 2016, plaintiff filed an amended complaint removing plaintiff Silva and defendant Aviva plc from the litigation. Defendants filed a motion to dismiss the amended complaint on November 14, 2016, the Court stayed consideration of the motion to dismiss pending a ruling from the Eighth Circuit in Ludwick v. Harbinger Grp., Inc., a case involving similar claims against another insurance company. No. 16-1561 (8th Cir.). On April 13, 2017, the Eighth Circuit affirmed the district court's dismissal of that lawsuit. On May 11, 2017, the United States District Court for the Southern District of Iowa dismissed the putative class action complaint filed against us. Plaintiff did not appeal the district court's decision and this matter is concluded.

NOTES TO FINANCIAL STATEMENTS

On July 27, 2015, John Griffiths, on behalf of himself and others similarly situated, filed a putative class action complaint in the United States District Court for the District of Massachusetts, against the Company and several affiliated and unaffiliated companies. An amended complaint was filed on December 18, 2015. The complaint asserts claims against AHL, the Company and Athene London Assignment Corporation (Athene London), in addition to an Aviva defendant. AHL is a named defendant due to its purchase of Aviva USA, and the Company and Athene London are named as successors to Aviva Life Insurance Company and Aviva London Assignment Corporation, respectively. The complaint alleges a putative class of all persons who are the beneficial owners of assets which were used to purchase structured settlement annuities that Aviva Life Insurance Company, Aviva London Assignment Corporation, and Aviva International Insurance Limited (collectively, the Aviva Entities) or their predecessors, as applicable, delivered to purchasers on or after April 1, 2003 that were backed by a capital maintenance agreement issued by Aviva International Insurance Limited or its predecessor (the CMA). The complaint alleges that the Aviva Entities sold structured settlement annuities to the public on the basis that such products were backed by the CMA, which was alleged to be a source of great financial strength. The complaint further alleges that the Aviva Entities used the CMA to enhance the sales volume and raise the price of the annuities. The complaint claims that, as a result of Aviva USA's sale to AHL, the CMA terminated. According to the complaint, no notice of this termination was provided to the owners of the structured settlement annuities. The complaint alleges that the termination of the CMA gave rise to claims for breach of contract, breach of fiduciary duty, promissory estoppel, and unjust enrichment. AHL and plaintiff recently agreed to a term sheet settlement on a class wide basis. Terms of the settlement, which is subject to court approval, include: (1) AHL entering into a capital maintenance agreement with Athene London requiring AHL to provide capital to Athene London upon a missed structured settlement payment that is not timely cured and (2) AHL paying a monetary amount that is immaterial to AHL. The case against AHL has been stayed in totality and the case has been stayed against co-defendant Aviva until November 27, 2017 while the parties engage in a magistrate settlement conference.

In 2000 and 2001, two insurance companies which were subsequently merged into the Company purchased from American General Life Insurance Company (American General) broad based variable corporate-owned life insurance (COLI) policies that, as of September 30, 2017, had an asset value of $344 million, and is included in Aggregate write-ins for other than invested assets. In January 2012, the COLI policy administrator delivered to the Company a supplement to the existing COLI policies and advised that American General and ZC Resource Investment Trust (ZC Trust) had unilaterally implemented changes set forth in the supplement that if effective, would: (1) potentially negatively impact the crediting rate for the policies and (2) change the exit and surrender protocols set forth in the policies. In March 2013, the Company filed suit against American General, ZC Trust, and ZC Resource LLC in Chancery Court in Delaware, seeking, among other relief, a declaration that the changes set forth in the supplement were ineffectual and in breach of the parties' agreement. The parties filed cross motions for judgment as a matter of law, and the court granted defendants' motion and dismissed without prejudice on ripeness grounds. The issue that negatively impacts the crediting rate for one of the COLI policies has been triggered and we will pursue further adjudication. If the supplement is ultimately deemed to be effective, the purported changes to the policies could impair the Company's ability to access the value of guarantees associated with the policies. The value of the guarantees included within the asset value reflected above is $164 million as of September 30, 2017.

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. We are currently assisting our distribution partners in meeting the requirements that became applicable on June 9, 2017 and continue to monitor the situation moving forward in preparation to meet the full implementation required on January 1, 2018, assuming the regulation remains unchanged.

In addition to the cases previously discussed, the Company is routinely involved in litigation and other proceedings, reinsurance claims and regulatory proceedings arising in the ordinary course of its business. At present, no contingencies related to pending litigation and regulatory matters are considered material in relation to the financial position of the Company.

Note 15. Leases: No Change

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 Extinguishment 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

NOTES TO FINANCIAL STATEMENTS

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				
Bonds: RMBS		528,551		528,551
Bonds: ABS		2		2
Common stocks: Unaffiliated		33,904,000	213,885	34,117,885
Derivative assets: Currency Swaps		2,981,980		2,981,980
Derivative assets: Interest Rate Swaps	5,340	118,822		124,162
Derivative assets: Total Return Swaps		2,298,100		2,298,100
Derivative assets: Variance Swaps		458,204		458,204
Derivative assets: Futures	6,974,925			6,974,925
Derivative assets: Forwards		778,236		778,236
Separate account assets: Variable products		35,699,484		35,699,484
Total assets at fair value	6,980,265	76,767,379	213,885	83,961,529

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total
b. Liabilities at fair value				
Derivative liabilities: Interest Rate Swaps	3,055	151,864		154,919
Derivative liabilities: Futures	1,405,563			1,405,563
Derivative liabilities: Forwards		1,042,096		1,042,096
Separate account liabilities: Variable products		35,699,484		35,699,484
Total liabilities at fair value	1,408,618	36,893,444		38,302,062

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

Description for each class of asset or liability	Ending Balance at 06/30/2017	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 09/30/2017
a. Assets										
Common stocks: Unaffiliated	411,512			(197,627)						213,885
Total Assets	411,512			(197,627)						213,885

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

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

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

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

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 - Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability.

Level 2 inputs include the following:
(1) Quoted prices for similar assets or liabilities in active markets,
(2) Observable inputs other than quoted market prices, and
(3) Observable inputs derived principally from market data through correlation or other means.

Level 3 - Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing, or other similar techniques.

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

B. Other Fair Value Disclosures: NONE

NOTES TO FINANCIAL STATEMENTS

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	40,532,191,721	38,427,339,746	5,662,301	38,894,095,428	1,632,433,992	
Assets - Preferred stocks	106,755,413	99,055,975		106,755,413		
Assets - Common stocks unaffiliated	34,117,885	34,117,885		33,904,000	213,885	
Assets - Mortgage loans - first liens	4,034,343,425	3,933,397,465			4,034,343,425	
Assets - Mortgage loans - other than first liens	1,097,148,000	1,091,843,565			1,097,148,000	
Assets - Policy loans	216,642,961	216,642,961		216,642,961		
Assets - Cash and short-term investments	2,510,771,376	2,510,771,376	2,510,771,376			
Assets - Derivative assets	1,896,785,330	538,352,628	6,980,265	1,889,805,065		
Assets - Derivative collateral assets	63,953,940	63,953,940	63,953,940			
Assets - Other invested assets	1,651,519,729	1,642,581,751		237,851,466	1,413,668,263	
Assets - Separate account: variable products	35,699,484	35,699,484		35,699,484		
Liabilities - Deposit type contracts	567,745,626	538,648,836		10,200,723	557,544,903	
Liabilities - Collateralized borrowings	10,557,264	10,502,723			10,557,264	
Liabilities - Derivative liabilities	91,240,828	52,744,928	12,747,425	72,689,366	5,804,037	
Liabilities - Derivative collateral liability	1,816,140,423	1,816,140,423	1,816,140,423			
Liabilities - Separate account: variable products	35,699,484	35,699,484		35,699,484		

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 these securities are considered to be Level 3. The Company values privately placed bonds based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer. In some instances, the Company uses a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer, and cash flow characteristics of the security. Privately placed fixed maturity securities are classified as Level 2 or 3.

Preferred stocks and common stocks unaffiliated – The Company values equity securities, typically private equities or equity securities not traded on an exchange, using several commercial pricing services or an internal model. The securities priced by a commercial pricing service are classified as Level 2 and the securities priced by an internal model are classified as Level 3. In addition, unaffiliated common stocks include FHLB stock, which is carried at fair value, which is presumed to be par because it can only be redeemed by the bank.

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, 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 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. The 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 values these using several commercial pricing services and are 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.

Deposit-type contracts – Deposit-type contracts classified as Level 3 include single premium immediate annuities (SPIA) and supplemental contracts. Fair value of SPIA and supplemental contracts 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.

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.

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

D. Not Practicable to Estimate Fair Value: NONE

Note 21. Other Items

A. Extraordinary Items: NONE

B. Troubled Debt Restructuring: NONE

C. Other Disclosures and Unusual Items

During 2017, the Company novated 18,534 life policies with statutory policy reserves of $362.9 million to Accordia Life and Annuity Company (Accordia). These policies were previously 100% ceded to Accordia through a coinsurance agreement entered into in 2013, and therefore the novation had no impact on the Company's income or capital and surplus position.

D. Business Interruption Insurance Recoveries: NONE

E. State Transferable and Non-transferable Tax Credits: No Change

NOTES TO FINANCIAL STATEMENTS

F. Subprime-Mortgage-Related Risk Exposure: No Change

G. Retained Assets: NONE

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

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 the books and accounts for this statement that have a material effect on the financial condition of the Company.

Note 23. Reinsurance

Effective April 1, 2017, the Company entered into a quota share modified coinsurance agreement with Athene Life Re Ltd to cede 80% of the pension risk transfer business issued on or after the effective date of the treaty. Modified coinsurance reserves for this agreement were $253.2 million as of September 30, 2017.

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. Premium and Annuity Considerations Deferred and Uncollected: No Change

Note 34. Separate Accounts

During 2017, the Company formed Athene Annuity and Life Company Group Annuity Commingled Separate Account, an insulated commingled separate account that will support annuities payable under group fixed annuity contracts issued to various employers, or trusts established by such employers, in respect of the employer's pension plan. The group fixed annuity contracts obligate the Company's general account to make annuity payments if the separate account is not able to do so. As of September 30, 2017, this separate account had assets of $325.1 million.

Note 35. Loss/Claim Adjustment Expenses: NONE