

**QUARTERLY STATEMENT**

**OF THE**

**Athene Annuity and Life Company**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

**FOR THE QUARTER ENDED  
SEPTEMBER 30, 2019**

LIFE AND ACCIDENT AND HEALTH

FRATERNAL BENEFIT SOCIETIES

**2019**

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE Athene Annuity and Life Company

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$ 45,250,664,761 less \$ included in Line 6.3 (including \$ 36,212,323,187 Modco Reserve)	45,250,664,761	44,937,658,234
2. Aggregate reserve for accident and health contracts (including \$ 1,663,605 Modco Reserve)	3,251,359	3,589,927
3. Liability for deposit-type contracts (including \$ 309,059,145 Modco Reserve)	386,337,136	435,597,932
4. Contract claims:		
4.1 Life	220,427,859	206,920,090
4.2 Accident and health	10,053	12,006
5. Policyholders' dividends/refunds to members \$ and coupons \$ due and unpaid		
6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year - estimated amounts:		
6.1 Policyholders' dividends and refunds to members apportioned for payment (including \$ Modco)		
6.2 Policyholders' dividends and refunds to members 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 \$ 4,947 accident and health premiums	4,947	4,505
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 \$ 2,132,728,257 ceded	2,132,728,257	1,956,144,235
9.4 Interest Maintenance Reserve	118,189,482	115,959,150
10. Commissions to agents due or accrued-life and annuity contracts \$ 17,633,007, accident and health \$ and deposit-type contract funds \$	17,633,007	11,155,010
11. Commissions and expense allowances payable on reinsurance assumed		
12. General expenses due or accrued	16,670,042	14,547,495
13. Transfers to Separate Accounts due or accrued (net) (including \$ (160) accrued for expense allowances recognized in reserves, net of reinsured allowances)	1,347,963,933	1,050,112,530
14. Taxes, licenses and fees due or accrued, excluding federal income taxes	13,800	13,800
15.1 Current federal and foreign income taxes, including \$ 15,524,322 on realized capital gains (losses)	15,524,322	41,259,937
15.2 Net deferred tax liability	61,594,558	
16. Unearned investment income	3,172,776	3,020,170
17. Amounts withheld or retained by reporting entity as agent or trustee	2,895,511	2,231,406
18. Amounts held for agents' account, including \$ 3,712,656 agents' credit balances	3,712,656	3,597,955
19. Remittances and items not allocated	118,981,410	157,657,501
20. Net adjustment in assets and liabilities due to foreign exchange rates		
21. Liability for benefits for employees and agents if not included above		42,809,662
22. Borrowed money \$ and interest thereon \$		
23. Dividends to stockholders declared and unpaid		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve	710,087,668	644,533,824
24.02 Reinsurance in unauthorized and certified (\$ ) companies		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$ ) reinsurers	1,385,601,026	1,411,232,746
24.04 Payable to parent, subsidiaries and affiliates	26,424,108	14,025,316
24.05 Drafts outstanding		
24.06 Liability for amounts held under uninsured plans		
24.07 Funds held under coinsurance		
24.08 Derivatives	14,542,239	39,463,437
24.09 Payable for securities	111,552,778	21,332,390
24.10 Payable for securities lending		
24.11 Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	2,123,497,565	940,230,423
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	54,071,481,252	52,053,109,683
27. From Separate Accounts Statement	9,759,055,535	4,709,678,697
28. Total liabilities (Lines 26 and 27)	63,830,536,787	56,762,788,380
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	959,856,171	952,052,243
34. Aggregate write-ins for special surplus funds		
35. Unassigned funds (surplus)	306,692,016	272,111,580
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 \$ 366,319,193 in Separate Accounts Statement)	1,266,548,187	1,224,163,823
38. Totals of Lines 29, 30 and 37	1,276,548,187	1,234,163,823
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	65,107,084,974	57,996,952,203
<b>DETAILS OF WRITE-INS</b>		
2501. Derivative Collateral Liability	1,988,461,080	875,837,195
2502. Amount Due Reinsurer	52,390,639	30,396,002
2503. Unclaimed Funds	41,998,963	32,840,690
2598. Summary of remaining write-ins for Line 25 from overflow page	40,646,882	1,156,536
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	2,123,497,565	940,230,423
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	1,580,038,289	714,320,626	1,272,542,499
2. Considerations for supplementary contracts with life contingencies	1,926,663	1,746,665	2,084,517
3. Net investment income	1,901,788,404	2,665,327,601	3,331,541,787
4. Amortization of Interest Maintenance Reserve (IMR)	8,676,159	9,256,718	12,526,969
5. Separate Accounts net gain from operations excluding unrealized gains or losses	28,332,055	(7,482,221)	(1,793,871)
6. Commissions and expense allowances on reinsurance ceded	636,876,980	649,604,532	843,875,751
7. Reserve adjustments on reinsurance ceded	(1,256,709,258)	(865,873,976)	(1,239,157,364)
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	4,242,771	6,190,293	9,358,934
8.2 Charges and fees for deposit-type contracts			
8.3 Aggregate write-ins for miscellaneous income	22,075,394	17,488,543	14,969,049
9. Totals (Lines 1 to 8.3)	2,927,247,456	3,190,578,781	4,245,948,272
10. Death benefits	754,762	1,571,326	1,912,216
11. Matured endowments (excluding guaranteed annual pure endowments)			
12. Annuity benefits	214,075,590	176,226,612	237,185,461
13. Disability benefits and benefits under accident and health contracts	347,545	327,830	465,384
14. Coupons, guaranteed annual pure endowments and similar benefits			
15. Surrender benefits and withdrawals for life contracts	584,150,333	452,766,612	645,170,390
16. Group conversions			
17. Interest and adjustments on contract or deposit-type contract funds	11,185,657	14,185,799	17,022,504
18. Payments on supplementary contracts with life contingencies	6,964,782	6,881,815	8,976,427
19. Increase in aggregate reserves for life and accident and health contracts	296,860,991	1,509,847,520	1,697,817,747
20. Totals (Lines 10 to 19)	1,114,339,659	2,161,807,514	2,608,550,128
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	477,185,501	484,393,881	658,551,984
22. Commissions and expense allowances on reinsurance assumed	341,684	210,281	689,230
23. General insurance expenses and fraternal expenses	228,343,434	200,098,784	274,366,758
24. Insurance taxes, licenses and fees, excluding federal income taxes	11,414,304	36,268,885	5,483,850
25. Increase in loading on deferred and uncollected premiums	(3)		2
26. Net transfers to or (from) Separate Accounts net of reinsurance	923,243,240	127,701,818	464,892,550
27. Aggregate write-ins for deductions	91,938,246	37,936,492	60,951,265
28. Totals (Lines 20 to 27)	2,846,806,065	3,048,417,654	4,073,485,768
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	80,441,391	142,161,127	172,462,504
30. Dividends to policyholders and refunds to members	38		
31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	80,441,353	142,161,127	172,462,504
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(85,630,486)	(16,880,596)	19,768,341
33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	166,071,839	159,041,723	152,694,163
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ 15,417,309 (excluding taxes of \$ 11,082,390 transferred to the IMR)	(4,118,290)	(63,497,807)	(72,058,940)
35. Net income (Line 33 plus Line 34)	161,953,550	95,543,916	80,635,223
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year	1,234,163,823	1,164,208,655	1,164,208,655
37. Net income (Line 35)	161,953,550	95,543,916	80,635,223
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ 6,442,463	73,949,997	90,378,112	75,011,017
39. Change in net unrealized foreign exchange capital gain (loss)	(1,857,561)	4,133,120	4,443,959
40. Change in net deferred income tax	(74,533,920)	19,722,870	53,029,808
41. Change in nonadmitted assets	943,827	1,155,214	(201,140)
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	(65,553,844)	(63,431,271)	(83,698,965)
45. Change in treasury stock			
46. Surplus (contributed to) withdrawn from Separate Accounts during period	(20,000,000)	(100,000,000)	(173,783,018)
47. Other changes in surplus in Separate Accounts Statement	18,491,419	99,096,621	172,747,187
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	7,803,928	21,893,235	24,072,918
51.2 Transferred to capital (Stock Dividend)			
51.3 Transferred from capital			
51.4 Change in surplus as a result of reinsurance	(56,196,300)	(50,024,606)	(29,152,375)
52. Dividends to stockholders	(409,420)		
53. Aggregate write-ins for gains and losses in surplus	(2,207,313)	(51,189,766)	(53,149,446)
54. Net change in capital and surplus for the year (Lines 37 through 53)	42,384,364	67,277,446	69,955,168
55. Capital and surplus, as of statement date (Lines 36 + 54)	1,276,548,187	1,231,486,101	1,234,163,823
<b>DETAILS OF WRITE-INS</b>			
08.301. COLI Income	22,062,403	17,457,667	15,120,314
08.302. Miscellaneous Income (Expense)	12,991	30,876	(151,265)
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)	22,075,394	17,488,543	14,969,049
2701. Funds Withheld Adjustment - Ceded	82,538,695	62,632,693	93,685,207
2702. Miscellaneous Expense	40,182,019	79,880	121,632
2703. Transfer to IMR - Ceded	(31,177,102)	(27,364,478)	(36,752,804)
2798. Summary of remaining write-ins for Line 27 from overflow page	394,635	2,588,396	3,897,230
2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	91,938,246	37,936,492	60,951,265
5301. Correction of Prior Period Error	(3,161,394)	(51,972,687)	(54,262,625)
5302. Athene Re IV Tax Sharing Agreement	954,081	782,921	1,113,179
5303.			
5398. Summary of remaining write-ins for Line 53 from overflow page			
5399. Totals (Lines 5301 through 5303 plus 5398)(Line 53 above)	(2,207,313)	(51,189,766)	(53,149,446)

## STATEMENT AS OF SEPTEMBER 30, 2019 OF THE Athene Annuity and Life Company

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	1,582,547,670	716,634,097	1,275,400,217
2. Net investment income .....	1,871,520,493	2,550,414,615	3,214,717,260
3. Miscellaneous income .....	662,024,268	671,555,663	866,096,824
4. Total (Lines 1 to 3) .....	4,116,092,430	3,938,604,374	5,356,214,301
5. Benefit and loss related payments .....	1,816,327,742	1,346,476,157	1,873,258,757
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	625,391,837	(32,274,335)	86,153,558
7. Commissions, expenses paid and aggregate write-ins for deductions .....	741,669,841	698,751,211	935,550,519
8. Dividends paid to policyholders .....	38		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 16,411,246 tax on capital gains (losses) .....	(34,951,935)	(7,522,076)	5,772,896
10. Total (Lines 5 through 9) .....	3,148,437,522	2,005,430,957	2,900,735,730
11. Net cash from operations (Line 4 minus Line 10) .....	967,654,908	1,933,173,417	2,455,478,571
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	4,589,908,313	5,411,573,482	7,330,905,730
12.2 Stocks .....	19,432,000	20,077,810	24,461,814
12.3 Mortgage loans .....	719,625,229	855,418,557	1,016,847,010
12.4 Real estate .....		9,850,020	9,850,020
12.5 Other invested assets .....	176,818,410	253,713,721	326,326,264
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	(410,179)	1,358,973	3,013
12.7 Miscellaneous proceeds .....	145,981,041	6,111,806	41,677,517
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	5,651,354,815	6,558,104,368	8,750,071,368
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	3,297,990,958	5,689,238,301	6,960,019,372
13.2 Stocks .....	12,000,000	98,051,473	104,335,092
13.3 Mortgage loans .....	2,791,863,797	2,841,302,468	3,755,618,111
13.4 Real estate .....			
13.5 Other invested assets .....	447,201,142	353,467,618	447,528,618
13.6 Miscellaneous applications .....		158,348,305	223,383,953
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	6,549,055,897	9,140,408,165	11,490,885,147
14. Net increase (or decrease) in contract loans and premium notes .....	(14,708,805)	(15,114,666)	(20,498,339)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(882,992,277)	(2,567,189,131)	(2,720,315,441)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....			
16.2 Capital and paid in surplus, less treasury stock .....		15,000,000	
16.3 Borrowed funds .....			
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	(49,260,796)	(71,307,290)	(86,224,034)
16.5 Dividends to stockholders .....			
16.6 Other cash provided (applied) .....	1,043,632,077	(84,104,504)	(1,380,786,420)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	994,371,281	(140,411,794)	(1,467,010,454)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	1,079,033,912	(774,427,507)	(1,731,847,323)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	1,444,252,897	3,176,100,220	3,176,100,220
19.2 End of period (Line 18 plus Line 19.1) .....	2,523,286,808	2,401,672,713	1,444,252,897

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

20.0001. Capital contribution of stock compensation expense (financing) .....	7,803,928	6,893,235	9,072,918
20.0002. Capital contribution of stock compensation expense (investing) .....	(605,431)	(511,121)	(691,949)
20.0003. Capital contribution of stock compensation expense (operating) .....	(7,198,497)	(6,382,114)	(8,380,969)
20.0004. Reinsurance activity settled in bonds (operating) .....	196,491,718	296,632,408	372,176,281
20.0005. Reinsurance activity settled in bonds (investing) .....	(196,491,718)	(296,632,408)	(372,176,281)
20.0006. Security exchanges and asset in kind trades - bond proceeds (investing) .....	615,570,775	683,279,079	1,156,632,177
20.0007. Security exchanges and asset in kind trades - bonds acquired (investing) .....	(615,570,775)	(683,279,079)	(950,199,668)
20.0008. Security exchanges and asset in kind trades - other invested asset proceeds (investing) .....	8,779,919		
20.0009. Security exchanges and asset in kind trades - other invested assets acquired (investing) .....	(8,779,919)		(52,816,500)

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE Athene Annuity and Life Company**

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

20.0010. Interest capitalization (operating) .....	3,967,809	6,117,616	7,755,617
20.0011. Interest capitalization (investing) .....	(3,967,809)	(6,117,616)	(7,755,617)
20.0012. Transfer from Schedule B to Schedule BA - proceeds (investing) .....	1,258,032	94,300	94,300
20.0013. Transfer from Schedule B to Schedule BA - acquired (investing) .....	(1,258,032)	(94,300)	(94,300)
20.0014. Dividends paid - Schedule BA distribution (investing) .....	409,420		
20.0015. Dividends paid (financing) .....	(409,420)		
20.0016. Security exchanges and asset in kind trades - stock proceeds (investing) .....		17,710,008	17,710,008
20.0017. Security exchanges and asset in kind trades - stocks acquired (investing) .....		(17,710,008)	(17,710,008)
20.0018. Schedule BA distribution - proceeds (investing) .....		8,894,137	8,894,137
20.0019. Schedule BA distribution - acquired (investing) .....		(8,894,137)	(8,894,137)
20.0020. Capital contribution (financing) .....			15,000,000
20.0021. Capital contribution - stocks acquired (investing) .....			(15,000,000)
20.0022. Security exchanges and asset in kind trades - mortgage loans acquired (investing) .....			(153,616,009)

## 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 an increase of \$0.2 million and a decrease of \$1.5 million to the Company's net income for the nine months ended September 30, 2019 and for the year ended December 31, 2018, 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 \$165.6 million and decreased by \$182.3 million for the nine months ended September 30, 2019 and for the year ended December 31, 2018, respectively, and the Company's statutory surplus decreased by \$44.0 million and increased by \$38.7 million as of September 30, 2019 and December 31, 2018, 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 \$1.5 million and \$0.6 million to the Company's net income for the nine months ended September 30, 2019 and for the year ended December 31, 2018, respectively. The Company's statutory surplus increased by \$4.7 million and \$3.3 million as of September 30, 2019 and December 31, 2018, respectively.

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

	SSAP #	F/S Page	F/S Line #	September 30, 2019	December 31, 2018
NET INCOME					
(1) State basis (Page 4, Line 35, Columns 1 & 3) .....	XXX	XXX	XXX	161,953,550	80,635,223
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
Derivative Instruments Bulletin 06-01.....	86	4	38	182,207	(1,482,864)
Derivative Instruments and Equity Indexed Reserves IAC 191-97.....	86, 51	2, 3	7, 1	165,646,025	(182,324,925)
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5).....	51	3	1	1,468,173	604,857
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP: .....					
(4) NAIC SAP (1-2-3=4) .....	XXX	XXX	XXX	(5,342,855)	263,838,155
SURPLUS					
(5) State basis (Page 3, Line 38, Columns 1 & 2) .....	XXX	XXX	XXX	1,276,548,187	1,234,163,823
(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	(43,980,597)	38,699,504
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5).....	51	3	1	4,747,712	3,279,539
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP: .....					
(8) NAIC SAP (5-6-7=8) .....	XXX	XXX	XXX	1,315,781,072	1,192,184,780

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

## C. Accounting Policy

(1) No Change

(2) Bonds, other than loan-backed and structured securities, are stated at amortized cost or fair value based on their rating by the NAIC. Bonds held at amortized cost are amortized or accreted using the scientific interest method on a yield-to-worst basis.

(3) – (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 the 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 the recorded investment. Loan-backed and structured securities stated at amortized cost are amortized or accreted using the scientific interest method.

(7) – (13) No Change

## NOTES TO FINANCIAL STATEMENTS

## D. Going Concern

Management's assessment of the relevant conditions through November 13, 2019 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 reserves. After consideration of materiality and in accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, the corrections were recorded directly to surplus. The impact of the correction of reserves decreased surplus by \$3.2 million in 2019 and represented less than 1% of ending capital and surplus as of both September 30, 2019 and December 31, 2018.

**Note 3. Business Combinations and Goodwill: No Change****Note 4. Discontinued Operations: NONE****Note 5. Investments**

A – C. No Change

## 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 on loan-backed securities due to the intent to sell or inability or lack of intent to retain the investment for a period of time sufficient to recover the amortized cost basis.
- (3) Other-than-temporary impairment was recognized on the following loan-backed 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
05946X-QS-5	2,158,321	2,113,843	44,478	2,113,843	2,027,670	03/31/2019
12667G-XA-6	2,952,927	2,916,913	36,014	2,916,913	2,817,277	03/31/2019
38375B-7Z-9	544,260	520,158	24,101	520,158	520,158	03/31/2019
38375B-SB-9	984,948	957,435	27,513	957,435	957,435	03/31/2019
38376R-NN-2	2,310,984	2,264,943	46,041	2,264,943	2,219,427	03/31/2019
38376R-SY-3	3,267,257	3,197,701	69,555	3,197,701	3,171,402	03/31/2019
38376R-VB-9	4,890,731	4,847,095	43,635	4,847,095	4,846,754	03/31/2019
45660L-T4-1	5,986,101	5,959,730	26,371	5,959,730	5,931,106	03/31/2019
61762B-AU-9	10,392,372	10,333,557	58,815	10,333,557	9,964,242	03/31/2019
66704J-AC-2	4,640,740	4,576,161	64,579	4,576,161	4,564,500	03/31/2019
66704J-AG-3	29,879,692	29,750,308	129,383	29,750,308	28,952,000	03/31/2019
79548K-ZL-5	2,085,903	2,050,414	35,489	2,050,414	2,016,067	03/31/2019
86359L-HX-0	5,798,418	5,750,331	48,087	5,750,331	5,716,761	03/31/2019
86359L-QS-1	7,369,949	7,242,053	127,896	7,242,053	7,116,352	03/31/2019
92990G-AF-0	8,537,078	8,476,872	60,206	8,476,872	8,456,490	03/31/2019
66704J-AG-3	29,933,286	29,866,657	66,629	29,866,657	29,116,500	06/30/2019
07386H-QW-4	3,713,106	3,681,874	31,232	3,681,874	3,681,874	06/30/2019
225470-B7-7	11,192,759	11,126,871	65,888	11,126,871	11,110,371	06/30/2019
36185M-DQ-2	6,675,585	6,617,446	58,139	6,617,446	6,617,446	06/30/2019
39538W-EE-4	6,807,997	6,735,620	72,377	6,735,620	7,024,093	06/30/2019
47233A-AP-2	2,877,240	2,844,946	32,295	2,844,946	2,783,475	06/30/2019
52525L-AT-7	904,542	429,879	474,663	429,879	347,793	06/30/2019
86359L-QS-1	7,043,447	6,994,851	48,597	6,994,851	6,936,115	06/30/2019
92990G-AF-0	7,986,008	7,955,544	30,464	7,955,544	7,955,544	06/30/2019
38375U-QG-8	4,212,843	4,170,973	41,870	4,170,973	3,859,249	09/30/2019
92990G-AF-0	6,955,127	6,911,399	43,728	6,911,399	6,895,787	09/30/2019
12667F-7M-1	3,610,137	3,595,726	14,411	3,595,726	3,595,726	09/30/2019
86359L-QS-1	6,877,653	6,710,872	166,782	6,710,872	6,697,833	09/30/2019
61762B-AU-9	10,632,291	10,510,076	122,216	10,510,076	10,496,871	09/30/2019
45660N-S2-2	622,272	586,262	36,010	586,262	586,004	09/30/2019
17309F-AD-0	2,951,477	2,836,455	115,022	2,836,455	2,761,417	09/30/2019
Total	XXX	XXX	2,262,486	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, 2019.

## a. The aggregate amount of unrealized losses:

1. Less than 12 Months ..... 40,412,409
2. 12 Months or Longer ..... 80,058,922

## b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months ..... 2,004,816,303
2. 12 Months or Longer ..... 1,572,991,850

- (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 – F. No Change

NOTES TO FINANCIAL STATEMENTS

G. Repurchase Agreements Transactions Accounted for as a Sale

(1) Included in short-term investments are amounts receivable under reverse repurchase agreements, which involves the purchase of investments from a seller with the agreement that the investments will be repurchased by the seller at a specified price, and at a specified date or within a specified period of time, not to exceed 364 days. The investments purchased, which represent collateral on a secured lending arrangement, are not reflected in the Company's consolidated balance sheets. Instead, the secured lending arrangement is reflected as a short-term investment for the principal amount loaned under the agreement. Amounts loaned under reverse repurchase agreements totaled \$85.0 million and zero at September 30, 2019 and December 31, 2018, respectively. The collateral received was \$273.8 million and zero at September 30, 2019 and December 31, 2018, respectively.

(2) Type of Repo Trades Used

	1 FIRST QUARTER	2 SECOND QUARTER	3 THIRD QUARTER	4 FOURTH QUARTER
a. Bilateral (YES/NO) .....			YES	
b. Tri-Party (YES/NO) .....			NO	

(3) Original (Flow) & Residual Maturity

	FIRST QUARTER				SECOND QUARTER			
	1 MINIMUM	2 MAXIMUM	3 AVERAGE DAILY BALANCE	4 ENDING BALANCE	5 MINIMUM	6 MAXIMUM	7 AVERAGE DAILY BALANCE	8 ENDING BALANCE
a. Open – No Maturity .....								
b. Overnight .....								
c. 2 Days to 1 Week .....								
d. > 1 Week to 1 Month .....								
e. > 1 Month to 3 Months .....								
f. > 3 Months to 1 Year .....								
g. > 1 Year .....								

  

	THIRD QUARTER				FOURTH QUARTER			
	9 MINIMUM	10 MAXIMUM	11 AVERAGE DAILY BALANCE	12 ENDING BALANCE	13 MINIMUM	14 MAXIMUM	15 AVERAGE DAILY BALANCE	16 ENDING BALANCE
a. Open – No Maturity .....								
b. Overnight .....								
c. 2 Days to 1 Week .....								
d. > 1 Week to 1 Month .....								
e. > 1 Month to 3 Months .....								
f. > 3 Months to 1 Year .....	.85,000,000	.85,000,000	.85,000,000	.85,000,000				
g. > 1 Year .....								

(4) The Company did not have any securities sold or outstanding for which the repurchase agreement defaulted as of September 30, 2019.

(5) Fair Value of Securities Acquired Under Repo – Secured Borrowing

	FIRST QUARTER				SECOND QUARTER			
	1 MINIMUM	2 MAXIMUM	3 AVERAGE DAILY BALANCE	4 ENDING BALANCE	5 MINIMUM	6 MAXIMUM	7 AVERAGE DAILY BALANCE	8 ENDING BALANCE
Fair Value of Securities Acquired Under Repo – Secured Borrowing .....								

  

	THIRD QUARTER				FOURTH QUARTER			
	9 MINIMUM	10 MAXIMUM	11 AVERAGE DAILY BALANCE	12 ENDING BALANCE	13 MINIMUM	14 MAXIMUM	15 AVERAGE DAILY BALANCE	16 ENDING BALANCE
Fair Value of Securities Acquired Under Repo – Secured Borrowing .....	.85,000,000	.85,000,000	.85,000,000	.85,000,000				

(6) Securities Acquired Under Repo – Secured Borrowing by NAIC

	ENDING BALANCE							8 DOES NOT QUALIFY AS ADMITTED
	1 NONE	2 NAIC 1	3 NAIC 2	4 NAIC 3	5 NAIC 4	6 NAIC 5	7 NAIC 6	
a. Bonds – FV .....			.85,000,000					
b. LB & SS – FV .....								
c. Preferred Stock – FV .....								
d. Common Stock .....								
e. Mortgage Loans – FV .....								
f. Real Estate – FV .....								
g. Derivatives – FV .....								
h. Other Invested Assets – FV .....								
i. Total Assets – FV (Sum of a through h) .....			.85,000,000					



## NOTES TO FINANCIAL STATEMENTS

## (7) Collateral Pledged – Secured Borrowing

	FIRST QUARTER				SECOND QUARTER			
	1 MINIMUM	2 MAXIMUM	3 AVERAGE DAILY BALANCE	4 ENDING BALANCE	5 MINIMUM	6 MAXIMUM	7 AVERAGE DAILY BALANCE	8 ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....								
c. Securities (BACV) .....	XXX	XXX	XXX		XXX	XXX	XXX	
d. Nonadmitted Subset (BACV) .....	XXX	XXX	XXX		XXX	XXX	XXX	
	THIRD QUARTER				FOURTH QUARTER			
	9 MINIMUM	10 MAXIMUM	11 AVERAGE DAILY BALANCE	12 ENDING BALANCE	13 MINIMUM	14 MAXIMUM	15 AVERAGE DAILY BALANCE	16 ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....	273,829,906	273,829,906	273,829,906	273,829,906				
c. Securities (BACV) .....	XXX	XXX	XXX	273,829,906	XXX	XXX	XXX	
d. Nonadmitted Subset (BACV) .....	XXX	XXX	XXX		XXX	XXX	XXX	

## (8) Allocation of Aggregate Collateral Pledged by Remaining Contractual Maturity

	AMORTIZED COST	FAIR VALUE
a. Overnight and Continuous .....		
b. 30 Days or Less .....		
c. 31 to 90 Days .....		
d. > 90 Days .....	273,829,906	273,829,906

## (9) Recognized Receivable for Return of Collateral – Secured Borrowing

	FIRST QUARTER				SECOND QUARTER			
	1 MINIMUM	2 MAXIMUM	3 AVERAGE DAILY BALANCE	4 ENDING BALANCE	5 MINIMUM	6 MAXIMUM	7 AVERAGE DAILY BALANCE	8 ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....								
	THIRD QUARTER				FOURTH QUARTER			
	9 MINIMUM	10 MAXIMUM	11 AVERAGE DAILY BALANCE	12 ENDING BALANCE	13 MINIMUM	14 MAXIMUM	15 AVERAGE DAILY BALANCE	16 ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....	.85,000,000	.85,000,000	.85,000,000	.85,000,000				

(10) The Company did not have any recognized liability to return collateral for a secured borrowing as of September 30, 2019.

H – R. No Change

**Note 6. Joint Ventures, Partnerships and Limited Liability Companies:** No Change

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

**Note 8. Derivative Instruments**

A – G. No Change

H. There were no derivative contracts with premium cost.

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

**Note 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

Some employees of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by Athene Holding, Ltd. (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 No. 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 No. 104R, the Company incurred expense and recorded a capital contribution under the Agreements totaling \$7.8 million and \$9.1 million for the nine months ended September 30, 2019 and for the year ended December 31, 2018, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

During July 2018, the Company received a \$15.0 million capital contribution from its direct parent, Athene Annuity & Life Assurance Company (AADE), and the Company made a \$15.0 million capital contribution to its wholly-owned subsidiary, Athene Annuity & Life Assurance Company of New York (AANY).

## NOTES TO FINANCIAL STATEMENTS

## Note 11. Debt

A. No Change

B. Federal Home Loan Bank (FHLB) Agreements

- (1) The Company is a member of the FHLB of Des Moines. Through its membership, the Company is eligible to borrow under variable rate short-term federal fund arrangements to provide additional liquidity. During 2018, the Company borrowed \$183.0 million from the FHLB through their variable rate short-term federal funds program, which was accounted for as borrowed money under SSAP No. 15, *Debt and Holding Company Obligations*. The borrowing matured on August 24, 2018 and carried an interest rate of 2.16%, with interest due at maturity. The Company incurred interest expense on the short-term borrowing of \$1.3 million for the year ended December 31, 2018. There were no borrowings outstanding under the short-term federal funds borrowing arrangement as of September 30, 2019.

The Company has issued funding agreements to the FHLB of Des Moines in exchange for cash resulting in a liability of \$1.19 billion as of September 30, 2019. 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 as borrowed money.

The Company must provide appropriate collateral to borrow under the arrangements described above. The borrowing capacity available to the Company under these agreements 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.

The tables below indicate the amount of FHLB of Des Moines stock purchased, collateral pledged, assets and liabilities related to the agreements with FHLB of Des Moines.

- (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 .....	49,048,000	49,048,000	
(d) Excess Stock .....			
(e) Aggregate Total (a+b+c+d) .....	59,048,000	59,048,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer .....	1,750,000,000	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 .....	37,048,000	37,048,000	
(d) Excess Stock .....			
(e) Aggregate Total (a+b+c+d) .....	47,048,000	47,048,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer .....	1,500,000,000	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 Current Year Total (2+3+4+5+6)	2 Not Eligible for Redemption	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) .....	1,831,555,078	1,741,897,912	1,226,200,000
2. Current Year General Account Total Collateral Pledged .....	1,831,555,078	1,741,897,912	
3. Current Year Separate Accounts Total Collateral Pledged .....			1,226,200,000
4. Prior Year-end Total General and Separate Accounts Total Collateral Pledged .....	1,256,829,839	1,220,540,486	926,200,000

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)

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) .....	1,831,555,078	1,741,897,912	1,226,200,000
2. Current Year General Account Maximum Collateral Pledged .....	1,831,555,078	1,741,897,912	
3. Current Year Separate Accounts Maximum Collateral Pledged .....			1,226,200,000
4. Prior Year-end Total General and Separate Accounts Maximum Collateral Pledged .....	1,256,829,839	1,220,540,486	926,200,000

## NOTES TO FINANCIAL STATEMENTS

(4) Borrowing from FHLB  
a. Amount as of Reporting Date

	1	2	3	4
	<u>Total 2+3</u>	<u>General Account</u>	<u>Separate Accounts</u>	<u>Funding Agreements Reserves Established</u>
1. Current Year				
(a) Debt .....				XXX .....
(b) Funding Agreements .....	1,226,200,000		1,226,200,000	1,192,993,461
(c) Other .....				XXX .....
(d) Aggregate Total (a+b+c) .....	1,226,200,000		1,226,200,000	1,192,993,461
2. Prior Year-end				
(a) Debt .....				XXX .....
(b) Funding Agreements .....	926,200,000		926,200,000	912,994,994
(c) Other .....				XXX .....
(d) Aggregate Total (a+b+c) .....	926,200,000		926,200,000	912,994,994

## b. Maximum Amount During Reporting Period (Current Year)

	1	2	3
	<u>Total 2+3</u>	<u>General Account</u>	<u>Separate Accounts</u>
1. Debt .....			
2. Funding Agreements .....	1,226,200,000		1,226,200,000
3. Other .....			
4. Aggregate Total (Lines 1+2+3) .....	1,226,200,000		1,226,200,000

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**

The Company had deferred compensation plans for agents which were not funded by the Company. The liability for these plans was included on Page 3, Line 21. These plans were frozen as of December 31, 2016. During 2019, the Company paid out the \$42.8 million liability.

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

During June 2019, the Company distributed 100% of its membership interests in Athene Securities, LLC to its direct parent, AADE, through a dividend of \$0.4 million.

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

## A. Contingent Commitments

Effective July 31, 2019, the Company entered into a Capital Maintenance Agreement to provide capital support to its wholly-owned subsidiary, AANY, such that the Company has agreed to maintain AANY's total adjusted capital in an amount at least equal to 300% of AANY's company action level risk based capital. Given the current capital level of AANY, the likelihood of payment by the Company under the terms of this agreement is remote.

Effective July 31, 2019, the Company entered into an agreement to guarantee payment of all amounts due from its subsidiary, AANY, to the contract and certificate holders under the terms of a group annuity contract issued by AANY during August 2019.

## B – E. No Change

## F. All Other Contingencies

The Company and certain of its insurance subsidiaries have experienced increased service and administration complaints related to the conversion and administration of the block of life insurance business acquired in connection with Athene Holding Ltd.'s acquisition of Aviva USA Corporation and reinsured to affiliates of Global Atlantic Financial Group Ltd. The life insurance policies included in this block have been and are currently being administered by AllianceOne, a subsidiary of DXC Technology Company, which was retained by such Global Atlantic affiliates to provide services on such policies. AllianceOne also administers certain annuity policies that were on Aviva USA Corporation's legacy policy administration systems that were also converted in connection with the acquisition of Aviva USA Corporation and have experienced similar service and administration issues.

As a result of the difficulties experienced with respect to the administration of such policies, Athene received notifications from several state regulators, including but not limited to the New York Department of Financial Services (NYDFS), the California Department of Insurance (CDI) and the Texas Department of Insurance, indicating, in each case, that the respective regulator planned to undertake a market conduct examination or enforcement proceeding of the Company or one of its subsidiaries, as applicable, relating to the treatment of policyholders subject to Athene reinsurance agreements with affiliates of Global Atlantic and the conversion of such annuity policies, including the administration of such blocks by AllianceOne. On June 28, 2018, Athene Life Insurance Company of New York (ALICNY) entered into a consent order with the NYDFS resolving that matter in a manner that ultimately did not have a material impact on its financial condition, when considering AHL's indemnification from affiliates of Global Atlantic, which was passed to ALICNY in the form of a capital contribution in the third quarter of 2018. Global Atlantic is currently in negotiation with the CDI to resolve the pending action related to the converted life insurance policies. The Company does not expect any settlement to be material to its financial condition.

In addition to the foregoing, the Company has received inquiries, and expects to continue to receive inquiries, from other regulatory authorities regarding the conversion matter. In addition to the examinations and proceedings initiated to date, it is possible that other regulators may pursue similar formal examinations, inquiries or enforcement proceedings and that any examinations, inquiries and/or enforcement proceedings may result in fines, administrative penalties and payments to policyholders. The Company is not currently able to estimate the amount of any such fines, penalties or payments arising from these matters with reasonable certainty, but it is possible that such amounts may be material.

## NOTES TO FINANCIAL STATEMENTS

Pursuant to the terms of the reinsurance agreements between Athene and the relevant affiliates of Global Atlantic, the applicable affiliates of Global Atlantic have financial responsibility for the ceded life block and are subject to significant administrative service requirements, including compliance with applicable law. The agreements also provide for indemnification to Athene, including for administration issues.

On January 23, 2019, the Company received a letter from the NYDFS, with respect to a recent Pension Risk Transfer (PRT) transaction, which expressed concerns with the Company's interpretation and reliance upon certain exemptions from licensing in New York in connection with certain activities performed by employees in the PRT channel, including specific activities performed within New York. The Company is currently in discussions with the NYDFS to resolve its concerns. As of September 30, 2019 the Company has accrued an amount for its best estimate of a probable loss, which represents less than 4% of the Company's capital and surplus as of September 30, 2019.

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, 2019, had an asset value of \$379.6 million. 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 subsequently been triggered and on April 3, 2018, the Company filed its suit against the same defendants in Chancery Court in Delaware seeking substantially similar relief, which defendants have moved to dismiss and the Company has opposed. The Court heard oral arguments on February 13, 2019 and has taken the matter under advisement. The Court issued an Opinion on July 31, 2019, that did not address the merits, but found that Chancery Court did not have jurisdiction over the Company's claims and directed the Company to either amend its Complaint or transfer the matter to Delaware Superior Court. The matter has been transferred to the Delaware Superior Court. The motion to dismiss will be argued on December 18, 2019. 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 \$187.3 million as of September 30, 2019.

Following the Fifth Circuit Court of Appeals' June 21, 2018 vacatur of the Department of Labor Fiduciary Rule, federal and state regulators have increased focus on updating the processes and requirements tied to the sale of insurance and annuity products. The U.S. Securities and Exchange Commission (SEC), NAIC, and several states have taken action or are exploring options that may impact the Company and its subsidiaries.

On June 5, 2019, the SEC adopted a rulemaking package designed to enhance the quality and transparency of retail investors' relationships with investment advisers and broker-dealers. The rule package is effective on September 10, 2019 with a compliance date of June 30, 2020. The rulemaking package included: Regulation Best Interest - the Broker-Dealer Standard of Conduct; the new Form CRS Relationship Summary; and two separate interpretations under the Investment Advisers Act of 1940. The Company, along with the industry, is evaluating the regulation, which may affect the distribution of products by the Company and its subsidiaries.

On July 17, 2018, the NYDFS issued a regulation, Suitability and Best Interests in Life Insurance and Annuity Transactions, adopting a "best interest" standard for those licensed to sell life insurance and annuity products in New York. The regulation became effective on annuity transactions on August 1, 2019 and the Company's subsidiary, AANY, has taken appropriate actions to comply with the regulation's requirements. The regulation becomes effective on life insurance transactions on February 1, 2020. The NAIC has indicated it will issue an updated version of the Suitability in Annuity Transactions Model Regulation to include concepts of best interest in 2019, that if adopted, may affect the distribution of products by the Company and its subsidiaries. If the NAIC's rules do not align with the NYDFS rule or SEC rules, the distribution of products by the Company and its subsidiaries could be further complicated.

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 other contingencies related to pending litigation and regulatory matters are considered material in relation to the financial position of the Company.

**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 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

**Note 20. Fair Value Measurements**

A. Fair Value Measurements

(1) Fair value measurements at reporting date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
Bonds: Corporates .....		4,057,147			4,057,147
Bonds: Exchange traded funds .....		79,691,716			79,691,716
Bonds: CMBS .....		5,478			5,478
Bonds: RMBS .....		532,448			532,448
Common stocks unaffiliated .....	42,618,509	59,049,280	2,346,246		104,014,035
Derivative assets: Currency swaps .....		3,411,622			3,411,622
Derivative assets: Futures .....	3,653,811				3,653,811
Derivative assets: Forwards .....		6,137,532			6,137,532
Separate account assets: Variable products .....		29,666,631			29,666,631
<b>Total assets at fair value</b>	<b>46,272,319</b>	<b>182,551,854</b>	<b>2,346,246</b>		<b>231,170,419</b>
<b>b. Liabilities at fair value</b>					
Derivative liabilities: Options .....		1,629,324			1,629,324
Derivative liabilities: Futures .....	885,954				885,954
Derivative liabilities: Forwards .....		1,061,406			1,061,406
Separate account liabilities: Variable products .....		29,666,471			29,666,471
<b>Total liabilities at fair value</b>	<b>885,954</b>	<b>32,357,200</b>			<b>33,243,154</b>

There have been transfers between Level 1, Level 2, or Level 3 of the fair value hierarchy during 2019.

## NOTES TO FINANCIAL STATEMENTS

## (2) Fair value measurements in (Level 3) of the fair value hierarchy

Description for each class of asset or liability	Beginning Balance at 01/01/2019	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 09/30/2019
a. Assets										
Common stocks unaffiliated .....	2,489,736				(143,490)					2,346,246
<b>Total Assets</b>	<b>2,489,736</b>				<b>(143,490)</b>					<b>2,346,246</b>

(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

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)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Assets - Bonds .....	39,339,899,366	36,443,322,299	5,299,629	37,681,379,080	1,653,220,657		
Assets - Preferred stocks .....	113,368,244	107,180,890		113,368,244			
Assets - Common stocks unaffiliated .....	104,014,035	104,014,035	42,618,509	59,049,280	2,346,246		
Assets - Mortgage loans - first liens .....	8,438,218,062	8,118,248,239			8,438,218,062		
Assets - Mortgage loans - other than first liens .....	1,667,424,816	1,657,821,884			1,667,424,816		
Assets - Policy loans .....	174,800,105	174,800,105		174,800,105			
Assets - Cash and short - term investments .....	2,523,295,156	2,523,286,808	2,414,535,116	2,002,071	106,757,969		
Assets - Derivative assets .....	1,999,140,327	803,557,261	3,653,811	1,995,486,516			
Assets - Derivative collateral .....	9,246,174	9,246,174	9,246,174				
Assets - Other Invested Assets .....	2,367,208,688	2,311,113,481		462,252,611	128,727,949	1,776,228,128	
Assets - Separate account: variable products .....	29,666,631	29,666,631		29,666,631			
Assets - Separate account: group annuity .....	10,349,809,425	9,781,526,616	46,771,612	9,032,590,726	1,234,291,785	36,155,302	
Assets - Separate account: index-linked products ..	19,953,416	20,018,109	221,469	19,731,947			
Liabilities - Deposit-type contracts .....	430,030,372	386,337,136			430,030,372		
Liabilities - Derivative liabilities .....	8,385,090	14,542,239	969,779	3,693,150	3,722,161		
Liabilities - Derivative collateral .....	1,988,461,080	1,988,461,080	1,988,461,080				
Liabilities - Separate account: group annuity deposit-type contracts .....	1,457,768	1,507,372			1,457,768		

Bonds and short-term investments – The Company obtains the fair value for most marketable, public bonds without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, broker-dealer quotes, credit quality, issuer spreads, bids, offers, and other reference data. If the Company cannot value a public bond with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3. The Company values privately placed bonds based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer. In some instances, the Company uses a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer, and cash flow characteristics of the security. Privately placed fixed maturity securities are classified as Level 2 or 3.

Preferred stocks 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 and is classified as Level 2.

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.

## NOTES TO FINANCIAL STATEMENTS

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 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 reported in the Net Asset Value (NAV) column. 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 several 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 (variable products) – Separate account assets 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.

Separate account assets (group annuity) and separate account assets (index-linked products) – Financial instruments within these separate accounts classified as Level 2 and 3 or included in the NAV column are valued using the same fair value assumptions and methods utilized in the general account.

Deposit-type contracts (including separate account group annuity) – 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.

D. Not Practicable to Estimate Fair Value: NONE

E. Net Asset Value

The Company invests in certain non-fixed income, alternative investments in the form of limited partnerships (investment funds) which are reported at NAV. Adjustments to the carrying amount reflect the Company's pro rata ownership percentage of the operating results as indicated by NAV in the investment fund financial statements. The NAV from the investment fund financial statements can be on a lag of up to three months when investee information is not received in a timely manner. These investments are listed in the NAV column of the fair value tables above as this is the primary method for reporting fair value for these investments.

As of September 30, 2019, the Company has \$807.9M unfunded commitments to invest in these investment funds.

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

**Note 22. Events Subsequent**

Subsequent events have been considered through November 13, 2019 for the statutory statement dated September 30, 2019. There have been no Type I 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.

Type II events subsequent consisted of the following:

During November 2019, the Company borrowed \$300.0 million from the FHLB through their variable rate short-term federal funds program. The borrowing matures on May 4, 2020 and carries an interest rate of 1.79%, with interest due at maturity. This has been accounted for as borrowed money under SSAP No. 15. Additionally, the FHLB requires the borrower purchase member stock and post sufficient collateral to secure the borrowing.

**Note 23. Reinsurance**

Effective July 1, 2019, the Company entered into a modified coinsurance agreement with Athene Annuity Re Ltd. to cede 80% of certain index-linked deferred annuity business issued on or after the effective date of the treaty. The agreement is on a modified coinsurance basis, under which the Company retains the reserves and supporting assets relating to this business. These reserves and assets are held in a separate account and the reinsurance is recorded in the corresponding separate account. Modified coinsurance reserves for this agreement were \$0.5 million as of September 30, 2019.

Effective April 1, 2019, the Company entered into a modified coinsurance agreement with Athene Annuity Re Ltd. to cede 80% of certain pension risk transfer business issued on or after the effective date of the treaty. The agreement is on a modified coinsurance basis, under which the Company retains the reserves and supporting assets relating to this business. These reserves and assets are held in one or more separate accounts and the reinsurance is recorded in the corresponding separate account. Modified coinsurance reserves for this agreement were \$2.4 billion as of September 30, 2019.

On March 6, 2019, Scottish Re (U.S.), Inc. (Scottish Re), a reinsurer of the Company, was ordered into receivership for purposes of rehabilitation by the Court of Chancery of the State of Delaware. On May 16, 2019, the Iowa Insurance Division suspended Scottish Re's license to do business in Iowa. As of September 30, 2019, the Company has performed an impairment assessment on the reserve credit from Scottish Re. It was determined that the reserves are not impaired at this time primarily due to the Trust account held by Scottish Re for the benefit of the Company.

**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

## NOTES TO FINANCIAL STATEMENTS

**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 2019, the Company formed Athene Annuity and Life Company WY Group Annuity Dedicated Separate Account and Bristol-Myers Squibb Buy-Out Separate Account, insulated dedicated separate accounts that will support annuities payable under group fixed annuity contracts issued to an employer, 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, 2019, these separate accounts had assets of \$4.0 billion.

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