ANNUAL STATEMENT

OF THE

Athene Annuity and Life Company

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
DECEMBER 31, 2017

LIFE AND ACCIDENT AND HEALTH

2017

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	38,988,956,533		38,988,956,533	36,780,192,740
2. Stocks (Schedule D):				
2.1 Preferred stocks	99,055,975		99,055,975	59,708,225
2.2 Common stocks	402,043,544		402,043,544	384,427,228
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	3,759,406,453		3,759,406,453	3,774,870,132
3.2 Other than first liens	1,056,900,553		1,056,900,553	604,833,424
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ encumbrances)				
4.2 Properties held for the production of income (less $ encumbrances)	9,388,542		9,388,542	9,388,542
4.3 Properties held for sale (less $ encumbrances)	10,120,190		10,120,190	7,723,663
5. Cash ($ 392,251,127 , Schedule E - Part 1), cash equivalents ($ 24,500,161 , Schedule E - Part 2) and short-term investments ($ 2,759,348,932 , Schedule DA)	3,176,100,220		3,176,100,220	1,727,917,471
6. Contract loans (including $ premium notes)	210,007,248		210,007,248	232,860,992
7. Derivatives (Schedule DB)	538,873,546		538,873,546	513,693,447
8. Other invested assets (Schedule BA)	1,759,688,370	6	1,759,688,365	1,279,430,679
9. Receivables for securities	29,028,154		29,028,154	15,044,035
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets	81,823,229		81,823,229	36,168,114
12. Subtotals, cash and invested assets (Lines 1 to 11)	50,121,392,558	6	50,121,392,552	45,426,258,690
13. Title plants less $ charged off (for Title insurers only)				
14. Investment income due and accrued	435,527,575	105,255	435,422,321	372,902,336
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,049		2,049	5,306
15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)	8,862,199		8,862,199	8,985,651
15.3 Accrued retrospective premiums ($) and contracts subject to redetermination ($)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	159,277,853		159,277,853	187,189,338
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts	1,489,144,846		1,489,144,846	1,504,108,833
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	18,611,932		18,611,932	92,025,857
18.2 Net deferred tax asset				16,870,020
19. Guaranty funds receivable or on deposit	42,528		42,528	8,582
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	294,329		294,329	2,963,673
24. Health care ($) and other amounts receivable	6,023,951	4,783,498	1,240,453	
25. Aggregate write-ins for other than invested assets	351,644,951	1,669,899	349,975,052	332,624,415
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	52,590,824,773	6,558,657	52,584,266,116	47,943,942,700
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	2,349,017,849		2,349,017,849	40,721,571
28. Total (Lines 26 and 27)	54,939,842,622	6,558,657	54,933,283,965	47,984,664,271
DETAILS OF WRITE-INS				
1101. Derivative Collateral Asset	81,823,229		81,823,229	36,168,114
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	81,823,229		81,823,229	36,168,114
2501. Corporate Owned Life Insurance (COLI)	349,471,527		349,471,527	327,056,842
2502. Miscellaneous Assets	1,200,396	696,871	503,525	5,567,573
2503. Prepaid Expenses	973,028	973,028		
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	351,644,951	1,669,899	349,975,052	332,624,415

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Aggregate reserve for life contracts $ 43,240,460,487 (Exh. 5, Line 9999999) less $ included in Line 6.3 (including $ 34,608,235,124 Modco Reserve)	43,240,460,487	39,552,826,684
2.	Aggregate reserve for accident and health contracts (including $ 3,186,614 Modco Reserve)	5,382,796	6,002,064
3.	Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including $ 419,432,932 Modco Reserve)	521,821,966	620,596,467
4.	Contract claims:		
	4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11)	234,203,585	185,683,677
	4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11)	14,132	18,486
5.	Policyholders' dividends $ and coupons $ due and unpaid (Exhibit 4, Line 10)		
6.	Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
	6.1 Dividends apportioned for payment (including $ Modco)		
	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 $ 4,628 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of lines 4 and 14)	4,628	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 $ 2,137,442,635 ceded	2,137,442,635	2,192,286,994
	9.4 Interest maintenance reserve (IMR, Line 6)	120,206,620	118,021,468
10.	Commissions to agents due or accrued-life and annuity contracts $ 8,887,290 accident and health $ and deposit-type contract funds $	8,887,290	10,383,028
11.	Commissions and expense allowances payable on reinsurance assumed	2,241	
12.	General expenses due or accrued (Exhibit 2, Line 12, Col. 6)	12,233,187	9,587,185
13.	Transfers to Separate Accounts due or accrued (net) (including $ (144) accrued for expense allowances recognized in reserves, net of reinsured allowances)	671,373,538	738,264,515
14.	Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5)	9,464,094	9,767,340
15.1	Current federal and foreign income taxes, including $ on realized capital gains (losses)		
15.2	Net deferred tax liability	16,886,240	
16.	Unearned investment income	327,550	3,522,534
17.	Amounts withheld or retained by company as agent or trustee	5,080,821	2,381,598
18.	Amounts held for agents' account, including $ 1,581,067 agents' credit balances	1,581,067	2,501,079
19.	Remittances and items not allocated	75,724,525	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	43,647,206	44,337,726
22.	Borrowed money $ and interest thereon $		
23.	Dividends to stockholders declared and unpaid		
24.	Miscellaneous liabilities:		
	24.01 Asset valuation reserve (AVR, Line 16, Col. 7)	560,834,859	473,944,678
	24.02 Reinsurance in unauthorized and certified ($) companies		
	24.03 Funds held under reinsurance treaties with unauthorized and certified ($) reinsurers	1,449,285,954	1,492,046,322
	24.04 Payable to parent, subsidiaries and affiliates	20,013,267	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	67,810,242	2,494,301
	24.09 Payable for securities	83,136,860	24,171,446
	24.10 Payable for securities lending		
	24.11 Capital notes $ and interest thereon $		
25.	Aggregate write-ins for liabilities	2,282,774,076	1,374,426,761
26.	Total liabilities excluding Separate Accounts business (Lines 1 to 25)	51,568,599,864	46,971,030,518
27.	From Separate Accounts Statement	2,200,475,445	(99,705,289)
28.	Total liabilities (Lines 26 and 27)	53,769,075,309	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 (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1)	927,979,325	2,412,648,926
34.	Aggregate write-ins for special surplus funds		
35.	Unassigned funds (surplus)	226,229,331	(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 $ 148,542,404 in Separate Accounts Statement)	1,154,208,656	1,103,339,043
38.	Totals of Lines 29, 30 and 37 (Page 4, Line 55)	1,164,208,656	1,113,339,043
39.	Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	54,933,283,966	47,984,664,271
	DETAILS OF WRITE-INS		
2501.	Derivative Collateral Liability	2,227,195,423	1,319,432,451
2502.	Unclaimed Funds	18,802,686	21,145,602
2503.	Payable to Third Party Administrator	11,704,908	20,778,145
2598.	Summary of remaining write-ins for Line 25 from overflow page	25,071,059	13,070,563
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	2,282,774,076	1,374,426,761
3101.			
3102.			
3103.			
3198.	Summary of remaining write-ins for Line 31 from overflow page		
3199.	Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above)		
3401.			
3402.			
3403.			
3498.	Summary of remaining write-ins for Line 34 from overflow page		
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)		

SUMMARY OF OPERATIONS

		1 Current Year	2 Prior Year
1.	Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	1,533,886,635	1,130,998,048
2.	Considerations for supplementary contracts with life contingencies	3,409,074	2,886,290
3.	Net investment income (Exhibit of Net Investment Income, Line 17)	2,952,220,487	1,910,612,715
4.	Amortization of Interest Maintenance Reserve (IMR, Line 5)	12,484,107	14,146,888
5.	Separate Accounts net gain from operations excluding unrealized gains or losses	8,030,178	2,474,494
6.	Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	775,073,607	577,283,732
7.	Reserve adjustments on reinsurance ceded	655,284,862	872,272,924
8.	Miscellaneous Income:		
	8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	2,403,724	497,981
	8.2 Charges and fees for deposit-type contracts		
	8.3 Aggregate write-ins for miscellaneous income	23,426,162	20,040,363
9.	Total (Lines 1 to 8.3)	5,966,218,836	4,531,213,434
10.	Death benefits	(141,204)	(319,925)
11.	Matured endowments (excluding guaranteed annual pure endowments)		
12.	Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8)	177,702,613	186,020,044
13.	Disability benefits and benefits under accident and health contracts	722,296	337,370
14.	Coupons, guaranteed annual pure endowments and similar benefits		
15.	Surrender benefits and withdrawals for life contracts	500,684,758	438,064,279
16.	Group conversions		
17.	Interest and adjustments on contract or deposit-type contract funds	20,335,674	25,524,133
18.	Payments on supplementary contracts with life contingencies	7,838,717	5,005,894
19.	Increase in aggregate reserves for life and accident and health contracts	3,731,008,167	2,970,897,956
20.	Totals (Lines 10 to 19)	4,438,151,022	3,625,529,752
21.	Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1)	497,997,472	507,912,190
22.	Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	311,053	451,799
23.	General insurance expenses (Exhibit 2, Line 10, Cols. 1, 2, 3 and 4)	260,757,208	250,808,734
24.	Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3)	47,066,329	44,080,079
25.	Increase in loading on deferred and uncollected premiums		(1,535)
26.	Net transfers to or (from) Separate Accounts net of reinsurance	435,692,868	(4,060,575)
27.	Aggregate write-ins for deductions	59,331,138	58,236,401
28.	Totals (Lines 20 to 27)	5,739,307,090	4,482,956,845
29.	Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	226,911,746	48,256,590
30.	Dividends to policyholders	3	141
31.	Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	226,911,743	48,256,449
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	(73,122,463)	(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)	300,034,206	150,099,352
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 51,012,843 (excluding taxes of $ 20,766,844 transferred to the IMR)	(60,703,393)	(50,472,542)
35.	Net income (Line 33 plus Line 34)	239,330,813	99,626,810
	CAPITAL AND SURPLUS ACCOUNT		
36.	Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2)	1,113,339,043	1,108,932,084
37.	Net income (Line 35)	239,330,813	99,626,810
38.	Change in net unrealized capital gains (losses) less capital gains tax of $ (2,310,953)	73,359,951	85,280,558
39.	Change in net unrealized foreign exchange capital gain (loss)	13,927,223	(19,795,056)
40.	Change in net deferred income tax	(36,067,213)	(38,491,265)
41.	Change in nonadmitted assets	1,518,189	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	(86,890,180)	(71,443,687)
45.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1)		
46.	Surplus (contributed to) withdrawn from Separate Accounts during period		
47.	Other changes in surplus in Separate Accounts Statement	85,365	
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	(1,484,669,601)	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	(183,114,076)	(41,823,071)
52.	Dividends to stockholders		
53.	Aggregate write-ins for gains and losses in surplus	1,513,389,143	(28,216,815)
54.	Net change in capital and surplus for the year (Lines 37 through 53)	50,869,613	4,406,959
55.	Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	1,164,208,655	1,113,339,043
	DETAILS OF WRITE-INS		
08.301.	COLI Income	23,371,216	19,648,018
08.302.	Miscellaneous Income	54,946	392,345
08.303.			
08.398.	Summary of remaining write-ins for Line 8.3 from overflow page		
08.399.	Totals (Lines 08.301 thru 08.303 plus 08.398)(Line 8.3 above)	23,426,162	20,040,363
2701.	Funds Withheld Adjustment - Ceded	83,159,221	90,212,535
2702.	Transfer to IMR - Ceded	(22,285,349)	(26,244,093)
2703.	Transfer to IMR - MVA Benefits	(1,612,390)	(5,743,748)
2798.	Summary of remaining write-ins for Line 27 from overflow page	69,656	11,707
2799.	Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above)	59,331,138	58,236,401
5301.	SSAP 72 Surplus Reset	1,502,315,641	
5302.	Correction of Prior Period Error	11,592,419	(23,921,611)
5303.	Athene Re IV Tax Sharing Agreement	(518,917)	(4,295,204)
5398.	Summary of remaining write-ins for Line 53 from overflow page		
5399.	Totals (Lines 5301 thru 5303 plus 5398)(Line 53 above)	1,513,389,143	(28,216,815)

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	1,537,915,221	1,111,452,953
2.	Net investment income	2,724,388,270	1,669,876,168
3.	Miscellaneous income	682,722,828	590,139,216
4.	Total (Lines 1 through 3)	4,945,026,319	3,371,468,337
5.	Benefit and loss related payments	(216,701,576)	(408,643,434)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	502,583,845	346,490,540
7.	Commissions, expenses paid and aggregate write-ins for deductions	789,165,162	816,972,250
8.	Dividends paid to policyholders	3	141
9.	Federal and foreign income taxes paid (recovered) net of $ 20,539,292 tax on capital gains (losses)	(79,384,578)	(36,227,185)
10.	Total (Lines 5 through 9)	995,662,854	718,592,312
11.	Net cash from operations (Line 4 minus Line 10)	3,949,363,465	2,652,876,025
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	6,949,580,161	5,856,842,181
	12.2 Stocks	25,976,000	15,440,000
	12.3 Mortgage loans	1,295,228,844	880,894,717
	12.4 Real estate	8,291,994	744,493
	12.5 Other invested assets	202,331,587	207,907,623
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(4,526,505)	2,641,309
	12.7 Miscellaneous proceeds	57,773,402	273,993
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	8,534,655,484	6,964,744,316
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	9,393,177,496	8,546,513,085
	13.2 Stocks	61,241,518	16,108,225
	13.3 Mortgage loans	1,744,728,697	937,882,763
	13.4 Real estate		
	13.5 Other invested assets	496,905,651	260,668,954
	13.6 Miscellaneous applications	101,338,577	93,072,099
	13.7 Total investments acquired (Lines 13.1 to 13.6)	11,797,391,939	9,854,245,126
14.	Net increase (decrease) in contract loans and premium notes	(22,853,743)	18,304,733
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(3,239,882,712)	(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	(98,774,501)	(114,867,136)
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	837,476,498	528,620,775
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	738,701,997	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)	1,448,182,749	158,824,120
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	1,727,917,471	1,569,093,351
	19.2 End of year (Line 18 plus Line 19.1)	3,176,100,220	1,727,917,471

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

20.0001.	Capital contribution of stock compensation expense (financing)	17,646,040	13,772,240
20.0002.	Capital contribution of stock compensation expense (investing)	(1,494,451)	(1,915,124)
20.0003.	Capital contribution of stock compensation expense (operating)	(16,151,589)	(11,857,116)
20.0004.	Reinsurance activity settled in bonds (operating)	410,513,577	192,471,699
20.0005.	Reinsurance activity settled in bonds (investing)	(410,513,577)	(192,471,699)
20.0006.	Security exchanges - bond proceeds (investing)	426,342,445	319,662,169
20.0007.	Security exchanges - bonds acquired (investing)	(426,342,445)	(319,662,169)
20.0008.	Transfer from Schedule B to Schedule A - proceeds (investing)	15,627,634	3,446,863
20.0009.	Transfer from Schedule B to Schedule A - acquired (investing)	(15,627,634)	(3,446,863)
20.0010.	Transfer from Schedule D to Schedule BA - proceeds (investing)	134,033,354	27,632
20.0011.	Transfer from Schedule D to Schedule BA - acquired (investing)	(134,033,354)	(27,632)
20.0012.	Schedule BA distribution (operating)		5,335,374
20.0013.	Schedule BA distribution - proceeds (investing)	1,440,319	19,086,712

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

20.0014. Schedule BA distribution - acquired (investing)	(1,440,319)	(24,422,086)
20.0015. Interest capitalization (operating)	7,681,611	
20.0016. Interest capitalization (investing)	(7,681,611)	

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 less than $0.1 million and $0.4 million to the Company's net income for the years ended December 31, 2017 and 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 $97.2 million and decreased by $31.6 million for the years ended December 31, 2017 and 2016, respectively, and the Company's statutory surplus decreased by $66.2 million and $17.5 million as of December 31, 2017 and 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 $1.2 million and a decrease of $1.2 million to the Company's net income for the years ended December 31, 2017 and 2016, respectively. The Company's statutory surplus increased by $2.7 million and $1.5 million as of December 31, 2017 and 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 #	2017	2016
NET INCOME						
(1)	State basis (Page 4, Line 35, Columns 1 & 2)	XXX	XXX	XXX	239,330,813	99,626,810
(2)	State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
	Derivative Instruments Bulletin 06-01	86	4	38	(30,784)	(359,774)
	Derivative Instruments and Equity Indexed Reserves IAC 191-97	86, 51	2, 3	7, 1	97,182,368	(31,642,904)
	2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	51	3	1	1,180,426	(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	140,998,803	132,871,224
SURPLUS						
(5)	State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	1,164,208,656	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	(66,192,009)	(17,497,296)
	2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	51	3	1	2,674,683	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	1,227,725,982	1,129,342,082

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

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

C. Accounting Policy

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

(3) Common stocks are stated at market value except that investments in stocks of subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis. Federal Home Loan Bank (FHLB) stock is carried at fair value, which is presumed to be par because it can only be redeemed by the bank.

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

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

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

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

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

(9) Call option derivative assets that hedge the growth in interest credited to the hedged policy as a direct result of changes in the related indices are recorded at amortized cost. Replication synthetic asset transactions are reported at amortized cost. Derivative instruments used in hedging transactions that meet the criteria of a highly effective hedge shall be considered an effective hedge and are permitted to be valued and reported in a manner that is consistent with the hedged assets. All other derivative assets and liabilities are stated at fair value.

(10) The Company does not anticipate investment income as a factor in the premium deficiency calculation for either life or accident and health business.

(11) Unpaid losses and loss adjustment expenses on any accident and health business include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are periodically reviewed and any adjustment is reflected in the period determined.

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

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

D. Going Concern

Management's assessment of the relevant conditions through February 27, 2018 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 provision increased surplus by $5.9 million and the net impact of the correction of the reserve error increased surplus by $5.7 million in 2017. The total of these amounts represented 1% of ending capital and surplus as of both December 31, 2017 and 2016.

Note 3. Business Combinations and Goodwill

A. On October 2, 2013, Athene Annuity & Life Assurance Company (AADE) contributed Athene Annuity & Life Assurance Company of New York to the Company, which included remaining unamortized goodwill of $10.7 million. Pursuant to SSAP No. 68, *Business Combinations and Goodwill*, $5.3 million and $6.4 million of the goodwill was deemed an admitted asset at December 31, 2017 and 2016, respectively. The Company maintained AADE's original goodwill amortization schedule. There was $1.1 million of amortization in both 2017 and 2016.

B. Statutory Merger: NONE

C. Assumption Reinsurance: NONE

D. Impairment Loss: NONE

Note 4. Discontinued Operations: NONE

Note 5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

(1) The maximum and minimum lending rates for new mortgage loans originated during 2017 were 13.32% and 1.00%, respectively.

(2) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 980.34%.

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

NOTES TO FINANCIAL STATEMENTS

(4) Age analysis of mortgage loans and identification of mortgage loans in which the insurer is a participant or co-lender in a mortgage loan agreement

	Farm	Residential Insured	Residential All Other	Commercial Insured	Commercial All Other	Mezzanine	Total
a. Current Year							
1. Recorded Investment (All)							
(a) Current			543,653,618		3,148,890,654	1,056,900,553	4,749,444,825
(b) 30 - 59 Days Past Due			33,448,688				33,448,688
(c) 60 - 89 Days Past Due			15,192,906				15,192,906
(d) 90 - 179 Days Past Due			11,369,727				11,369,727
(e) 180+ Days Past Due			7,949,891				7,949,891
2. Accruing Interest 90 - 179 Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
4. Interest Reduced							
(a) Recorded Investment							
(b) Number of Loans							
(c) Percent Reduced							
5. Participant or Co-lender in a Mortgage Loan Agreement							
(a) Recorded Investment							
b. Prior Year							
1. Recorded Investment							
(a) Current			260,218,618		3,492,059,424	604,833,424	4,357,111,466
(b) 30 - 59 Days Past Due			1,110,656				1,110,656
(c) 60 - 89 Days Past Due			1,034,236				1,034,236
(d) 90 - 179 Days Past Due							
(e) 180+ Days Past Due					21,526,755		21,526,755
2. Accruing Interest 90 - 179 Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
3. Accruing Interest 180+ Days Past Due							
(a) Recorded Investment							
(b) Interest Accrued							
4. Interest Reduced							
(a) Recorded Investment							
(b) Number of Loans							
(c) Percent Reduced							
5. Participant or Co-lender in a Mortgage Loan Agreement							
(a) Recorded Investment							

(5) Investment in impaired loans with or without allowance for credit losses and impaired loans subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan

	Farm	Residential Insured	Residential All Other	Commercial Insured	Commercial All Other	Mezzanine	Total
a. Current Year							
1. With Allowance for Credit Losses							
2. No Allowance for Credit Losses							
3. Total (1 + 2)							
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan							
b. Prior Year							
1. With Allowance for Credit Losses							
2. No Allowance for Credit Losses					1,170,000		1,170,000
3. Total (1 + 2)					1,170,000		1,170,000
4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan							

(6) Investment in impaired loans - average recorded investment, interest income recognized, recorded investment on nonaccrual status and amount of interest income recognized using a cash-basis method of accounting

	Farm	Residential Insured	Residential All Other	Commercial Insured	Commercial All Other	Mezzanine	Total
a. Current Year							
1. Average Recorded Investment							
2. Interest Income Recognized							
3. Recorded Investments on Nonaccrual Status							
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting							
b. Prior Year							
1. Average Recorded Investment					1,170,000		1,170,000
2. Interest Income Recognized							
3. Recorded Investments on Nonaccrual Status							
4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting							

NOTES TO FINANCIAL STATEMENTS

(7) Allowance for Credit Losses

	Current Year	Prior Year
a) Balance at beginning of period	1,079,557	
b) Additions charged to operations	19,474	1,079,557
c) Direct write-downs charged against the allowances		
d) Recoveries of amounts previously charged off		
e) Balance at end of period	1,099,031	1,079,557

(8) Mortgage loans derecognized as a result of foreclosure: NONE

(9) The company recognizes interest income on its impaired loans upon receipt.

B. Debt Restructuring

	Current Year	Prior Year
(1) The total recorded investment in restructured loans, as of year end	10,444,954	10,475,541
(2) The realized capital losses related to these loans		
(3) Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings		

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

C. Reverse Mortgages: NONE

D. Loan-Backed Securities

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

(2) 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)
(2) 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	6,507,790	45,990	6,507,790	5,773,961	09/30/2017
74927B-AB-6	5,117,254	5,090,206	27,048	5,090,206	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
46629C-AA-5	628,253	602,843	25,410	602,843	534,117	12/31/2017
38375U-ZG-8	2,483,735	2,454,868	28,866	2,454,868	2,431,466	12/31/2017
45255R-AC-1	2,734,636	2,700,827	33,810	2,700,827	2,823,268	12/31/2017
38375U-TN-0	3,754,942	3,716,443	38,500	3,716,443	3,642,658	12/31/2017
61763D-AN-0	1,482,447	1,443,430	39,016	1,443,430	1,436,627	12/31/2017
94980X-AS-3	2,180,203	2,139,589	40,614	2,139,589	2,131,105	12/31/2017
61762B-CS-2	2,822,569	2,777,086	45,483	2,777,086	2,775,155	12/31/2017
38375B-KB-7	3,160,055	3,070,944	89,111	3,070,944	3,025,870	12/31/2017
02146S-AD-1	8,483,713	8,128,790	354,922	8,128,790	8,159,216	12/31/2017
Total	XXX	XXX	1,722,290	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 December 31, 2017.

a. The aggregate amount of unrealized losses:
   1. Less than 12 Months 13,628,026
   2. 12 Months or Longer 29,616,452

b. The aggregate related fair value of securities with unrealized losses:
   1. Less than 12 Months 1,453,246,313
   2. 12 Months or Longer 851,799,821

(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. Dollar Repurchase Agreements and/or Securities Lending Transactions: NONE

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing: NONE

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing: NONE

H. Repurchase Agreements Transactions Accounted for as a Sale: NONE

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale: NONE

J. 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, AREI (US Forest-WY), LLC and AAIA RML 3526 Massey Ford, 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 $0.6 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

K. Low-Income Housing Tax Credits: NONE

NOTES TO FINANCIAL STATEMENTS

L. Restricted Assets

(1) Restricted assets (including pledged)

	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)
a. Subject to contractual obligation for which liability is not shown							
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock							
i. FHLB capital stock	31,904,000				31,904,000	35,624,000	(3,720,000)
j. On deposit with states	6,730,298				6,730,298	6,614,074	116,224
k. On deposit with other regulatory bodies							
l. Pledged collateral to FHLB (including assets backing funding agreements)	903,780,228	887,275,841			903,780,228	984,796,516	(81,016,288)
m. Pledged as collateral not captured in other categories	153,906,641				153,906,641	108,622,258	45,284,383
n. Other restricted assets	8,464,935				8,464,935	10,231,107	(1,766,172)
o. Total Restricted Assets	1,104,786,102	887,275,841			1,104,786,102	1,145,887,955	(41,101,853)

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

	Current Year			
	8	9	Percentage	
Restricted Asset Category	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	10 Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11 Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown			0.000	0.000
b. Collateral held under security lending agreements			0.000	0.000
c. Subject to repurchase agreements			0.000	0.000
d. Subject to reverse repurchase agreements			0.000	0.000
e. Subject to dollar repurchase agreements			0.000	0.000
f. Subject to dollar reverse repurchase agreements			0.000	0.000
g. Placed under option contracts			0.000	0.000
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock			0.000	0.000
i. FHLB capital stock		31,904,000	0.058	0.058
j. On deposit with states		6,730,298	0.012	0.012
k. On deposit with other regulatory bodies			0.000	0.000
l. Pledged collateral to FHLB (including assets backing funding agreements)		903,780,228	1.645	1.645
m. Pledged as collateral not captured in other categories		153,906,641	0.280	0.280
n. Other restricted assets		8,464,935	0.015	0.015
o. Total Restricted Assets		1,104,786,102	2.011	2.011

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

(2) Detail of assets pledged as collateral not captured in other categories (contracts that share similar characteristics, such as reinsurance and derivatives, are reported in the aggregate)

	Gross (Admitted & Nonadmitted) Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
Description of Assets	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Securities backing trust agreements	72,083,412				72,083,412	72,454,144	(370,732)	72,083,412	0.131	0.131
Derivative collateral asset	81,823,229				81,823,229	36,168,114	45,655,115	81,823,229	0.149	0.149
Total (c)	153,906,641				153,906,641	108,622,258	45,284,383	153,906,641	0.280	0.280

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

NOTES TO FINANCIAL STATEMENTS

(3) Detail of other restricted assets (contracts that share similar characteristics, such as reinsurance and derivatives, are reported in the aggregate)

	Gross (Admitted & Nonadmitted) Restricted							8	Percentage	
	Current Year					6	7		9	10
	1	2	3	4	5					
Description of Assets	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity (a)	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Commercial Mortgages	8,464,935				8,464,935	10,231,107	(1,766,173)	8,464,935	0.015	0.015
Total (c)	8,464,935				8,464,935	10,231,107	(1,766,173)	8,464,935	0.015	0.015

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

(4) Collateral received and reflected as assets within the reporting entity's financial statements

	1	2	3	4
Collateral Assets	Book/Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted)*	% of BACV to Total Admitted Assets **
a. Cash, Cash Equivalents and Short-Term Investments	2,227,195,423	2,227,195,423	4.235 %	4.235 %
b. Schedule D, Part 1			0.000 %	0.000 %
c. Schedule D, Part 2, Section 1			0.000 %	0.000 %
d. Schedule D, Part 2, Section 2			0.000 %	0.000 %
e. Schedule B	10,502,723	8,186,785	0.020 %	0.020 %
f. Schedule A			0.000 %	0.000 %
g. Schedule BA, Part 1			0.000 %	0.000 %
h. Schedule DL, Part 1			0.000 %	0.000 %
i. Other			0.000 %	0.000 %
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	2,237,698,146	2,235,382,208	4.255 %	4.255 %

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

	1	2
	Amount	% of Liability to Total Liabilities *
k. Recognized Obligation to Return Collateral Asset	2,237,698,146	4.339 %

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

M. Working Capital Finance Investments: NONE

N. Offsetting and Netting of Assets and Liabilities: NONE

O. Structured Notes: NONE

P. 5* Securities

Investment	Number of 5* Securities		Aggregate BACV		Aggregate Fair Value	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
(1) Bonds - AC	1		11,036,690		11,036,690	
(2) LB&SS - AC	6	6	6,011,198	52,926,471	6,417,518	53,516,392
(3) Preferred Stock - AC						
(4) Preferred Stock - FV						
(5) Total (1+2+3+4)	7	6	17,047,888	52,926,471	17,454,208	53,516,392

AC - Amortized Cost FV - Fair Value

Q. Short Sales: NONE

R. Prepayment Penalty and Acceleration Fees

	General Account	Separate Account
1. Number of CUSIPs	56	N/A
2. Aggregate Amount of Investment Income	30,029,913	N/A

Note 6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company has no investments in Joint Venture, Partnerships or Limited Liability Companies representing more than 10% of its admitted assets.

B. The Company recognized other-than-temporary impairments of $1.1 million and $19.6 million as of December 31, 2017 and 2016, respectively, on partnerships and limited liability companies included in Schedule BA. The impairments were based on an assessment that future cash flows of affected limited partnerships would be less than the cost basis of the limited partnership. Fair value is determined by statements received from the partnerships and limited liability companies.

Note 7. Investment Income

A. Due and accrued income was excluded from surplus on the following basis:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default.

B. The total amount excluded was $0.1 million and $0.4 million as of December 31, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 8. Derivative Instruments

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

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

Variance Swaps: The Company has issued fixed indexed products. These contracts credit interest based on certain indices, primarily the Standard & Poor's 500® Composite Stock Price Index. The Company uses variance swaps to hedge the market risks from changes in volatility for these products. Under variance swaps, the Company and the counterparty agree to exchange amounts calculated based on a fixed rate (implied volatility at inception of transaction) and realized volatility over the life of the transaction (similar to an interest rate swap). Generally, no cash is exchanged at the outset of the contract and neither party makes principal payments. The parties with whom the Company enters into OTC variance swaps contracts are highly rated financial institutions which minimizes the credit risk associated with such contracts.

Interest Rate Swaps: The Company uses interest rate swaps to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Generally, no cash is exchanged at the outset of the contract and neither party makes principal payments.

The interest rate swaps that qualify for hedge accounting in accordance SSAP No. 86, *Derivatives*, are recorded in a manner consistent with the hedged asset or liability. Qualifying interest rate swaps hedging liabilities, are carried at amortized cost. Cash which is exchanged as the difference between fixed and floating interest rates is recognized in the statements of operations through investment income. If the contract is terminated prior to maturity, a realized gain or loss is reported in the statements of operations for the amount of cash exchanged in order to close the contract.

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

Futures are recorded at fair value of margin on deposit with the clearing broker and changes in this margin on deposit are recognized in the Summary of Operations through investment income.

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

The currency swaps that qualify for hedge accounting in accordance with SSAP No. 86 are recorded in a manner consistent with the hedged asset or liability. The change in the value of the hedged item due to fluctuations in foreign exchange rates is recorded as unrealized capital gains or losses until the time of sale. As such, the qualifying currency swap also records the change in value associated with fluctuations in foreign currency exchange rates in unrealized capital gains and losses.

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

Credit Default Swaps: Credit default swaps are used to synthetically create the characteristics of a bond, or hedge credit risk, referred to as a replication synthetic asset transaction (RSAT). An RSAT is created by coupling a bond with a credit default swap to create a synthetic instrument that is cheaper than its cost in the cash market or one which has better default characteristics. These transactions provide the Company with a periodic premium to compensate it for accepting credit risk and are used to enhance investment income and improve the default characteristics of the portfolio. The exposure amount of such agreement, which is usually the notional amount, is equal to the maximum proceeds that must be paid by a counterparty for a defaulted security. Should a credit event occur on a reference entity, a counterparty would be required to pay the notional amount in exchange for receipt of an obligation of the reference entity. Generally, there is no cash requirement at the initiation of the credit default swap contract.

Credit default swaps used in replication transactions are carried at amortized cost. The premiums received are accrued and recognized in the Summary of Operations through investment income over the life of the agreements. A capital loss would be recorded on the date of default, through the Summary of Operations, to reflect the difference between the notional amount paid and the fair value of the bonds received.

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

See Note 1 for further explanation of the accounting policy for derivatives.

D. There were no derivative contracts with financing premiums.

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

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

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

H. There were no derivative contracts with premium cost.

NOTES TO FINANCIAL STATEMENTS

Note. 9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

(1)

	As of End of Current Period			12/31/2016			Change		
	(1) Ordinary	(2) Capital	(3) (Col. 1 + 2) Total	(4) Ordinary	(5) Capital	(6) (Col. 4 + 5) Total	(7) (Col. 1 - 4) Ordinary	(8) (Col. 2 - 5) Capital	(9) (Col. 7 + 8) Total
(a) Gross Deferred Tax Assets	398,978,337		398,978,337	149,759,179		149,759,179	249,219,158		249,219,158
(b) Statutory Valuation Allowance Adjustment									
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	398,978,337		398,978,337	149,759,179		149,759,179	249,219,158		249,219,158
(d) Deferred Tax Assets Nonadmitted									
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	398,978,337		398,978,337	149,759,179		149,759,179	249,219,158		249,219,158
(f) Deferred Tax Liabilities	402,009,205	13,855,372	415,864,577	107,969,591	24,919,568	132,889,159	294,039,614	(11,064,196)	282,975,418
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	(3,030,868)	(13,855,372)	(16,886,240)	41,789,588	(24,919,568)	16,870,020	(44,820,456)	11,064,196	(33,756,260)

(2)

	As of End of Current Period			12/31/2016			Change		
	(1) Ordinary	(2) Capital	(3) (Col. 1 + 2) Total	(4) Ordinary	(5) Capital	(6) (Col. 4 + 5) Total	(7) (Col. 1 - 4) Ordinary	(8) (Col. 2 - 5) Capital	(9) (Col. 7 + 8) Total
Admission Calculation Components SSAP No. 101									
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	123,464,416		123,464,416	98,649,724		98,649,724	24,814,692		24,814,692
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	123,464,416		123,464,416	98,649,724		98,649,724	24,814,692		24,814,692
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	XXX	XXX	174,631,298	XXX	XXX	164,470,353	XXX	XXX	10,160,945
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	275,513,921		275,513,921	51,109,455		51,109,455	224,404,466		224,404,466
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	398,978,337		398,978,337	149,759,179		149,759,179	249,219,158		249,219,158

(3)

	2017	2016
Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	989.0%	963.0%
Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	1,750,410,547	1,595,844,775

(4)

	As of End of Current Period		12/31/2016		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col. 1 - 3) Ordinary	(6) (Col. 2 - 4) Capital
Impact of Tax Planning Strategies:						
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.						
1. Adjusted Gross DTAs amount from Note 9A1(c)	398,978,337		149,759,179		249,219,158	
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.00%	0.00%	3.60%	0.00%	-3.60%	0.00%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	398,978,337		149,759,179		249,219,158	
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.00%	0.00%	3.60%	0.00%	-3.60%	0.00%

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

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

No DTLs have been recognized with respect to life insurance policies owned by the Company insuring the lives of certain officers and employees. The Company intends to realize tax-exempt benefits upon the deaths of the insured lives. If, however, the Company surrendered all of the policies prior to the deaths of the insured lives, the Company would incur a tax liability of approximately $39.3 million on unprovided taxable temporary differences of approximately $187.3 million.

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

NOTES TO FINANCIAL STATEMENTS

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

	(1) As of End of Current Period	(2) 12/31/2016	(3) (Col. 1 - 2) Change
1. Current Income Tax			
(a) Federal	(73,122,463)	(101,842,903)	28,720,440
(b) Foreign			
(c) Subtotal	(73,122,463)	(101,842,903)	28,720,440
(d) Federal income tax on net capital gains	71,779,687	70,931,736	847,951
(e) Utilization of capital loss carry-forwards			
(f) Federal taxes allocated to prior period adjustments	(2,793,692)	(10,763,381)	7,969,689
(g) Federal and foreign income taxes incurred	(4,136,468)	(41,674,548)	37,538,080
2. Deferred Tax Assets:			
(a) Ordinary:			
(1) Discounting of unpaid losses			
(2) Unearned premium reserve			
(3) Policyholder reserves	286,096,061	14,118,982	271,977,079
(4) Investments	1,468,722	6,003,442	(4,534,720)
(5) Deferred acquisition costs	50,047,604	58,823,074	(8,775,470)
(6) Policyholder dividends accrual			
(7) Fixed Assets	4,351	1,609	2,742
(8) Compensation and benefits accrual	9,165,913	15,518,204	(6,352,291)
(9) Pension accrual			
(10) Receivables - nonadmitted	1,208,872	2,024,654	(815,782)
(11) Net operating loss carry-forward	42,327,509	34,070,880	8,256,629
(12) Tax credit carry-forward	6,794,558	16,586,768	(9,792,210)
(13) Other (including items <5% of total ordinary tax assets)	1,864,747	2,611,566	(746,819)
(99) Subtotal	398,978,337	149,759,179	249,219,158
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted			
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	398,978,337	149,759,179	249,219,158
(e) Capital:			
(1) Investments			
(2) Net capital loss carry-forward			
(3) Real estate			
(4) Other (including items <5% of total ordinary tax assets)			
(99) Subtotal			
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted			
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)			
(i) Admitted deferred tax assets (2d + 2h)	398,978,337	149,759,179	249,219,158
3. Deferred Tax Liabilities:			
(a) Ordinary:			
(1) Investments	119,319,983	104,592,637	14,727,346
(2) Fixed assets			
(3) Deferred and uncollected premium	1,861,492	3,146,835	(1,285,343)
(4) Policyholder reserves	280,632,360		280,632,360
(5) Other (including items <5% of total ordinary tax liabilities)	195,370	230,119	(34,749)
(99) Subtotal	402,009,205	107,969,591	294,039,614
(b) Capital:			
(1) Investments	13,855,372	24,919,568	(11,064,196)
(2) Real estate			
(3) Other (including items <5% of total capital tax liabilities)			
(99) Subtotal	13,855,372	24,919,568	(11,064,196)
(c) Deferred tax liabilities (3a99 + 3b99)	415,864,577	132,889,159	282,975,418
4. Net deferred tax assets/liabilities (2i - 3c)	(16,886,240)	16,870,020	(33,756,260)

Due to a change in the statutory tax rate, DTAs and DTLs decreased by $261.4 million and $277.2 million, respectively, resulting in a net decrease in the DTL of $15.8 million. In accordance with guidance provided by the NAIC, the decrease has been reported through change in net deferred income tax and change in net unrealized gains and losses within the Summary of Operations as applicable.

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

Change in Net Deferred Income Tax:

	2017	**2016**	**Change**
Adjusted gross deferred tax assets	398,978,337	149,759,179	249,219,158
Total deferred tax liabilities	(415,864,577)	(132,889,159)	(282,975,418)
Net deferred tax assets (liabilities)	(16,886,240)	16,870,020	(33,756,260)
Tax effect of unrealized gains (losses)			(2,310,953)
Change in net deferred income tax			(36,067,213)

NOTES TO FINANCIAL STATEMENTS

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

Reconciliation of Federal Income Tax Rate to Actual Effective Rate:

	2017	Effective Tax Rate
Provision computed at statutory rate	$75,936,301	35.0%
Permanent differences		
IMR	(775,880)	-0.4%
Nontaxable Income	(8,213,865)	-3.8%
Nondeductible expenses	684,308	0.3%
Affiliated expenses	4,749,258	2.2%
Non-admitted assets	531,366	0.2%
Specific reserves in surplus	(6,816)	0.0%
Prior year true-up and adjustments	13,592,736	6.4%
Unrealized gain ceded	(23,178,870)	-10.7%
Reinsurance adjustment A-791	(41,363,233)	-19.1%
Impact of tax rate change on cumulative unrealized gains (losses)	25,762,640	11.9%
Tax rate change	(15,787,200)	-7.3%
Total	$31,930,745	14.7%
Federal and foreign income tax benefit	($73,122,463)	-33.7%
Realized capital gains (losses) tax	71,779,687	33.1%
Federal taxes allocated to prior period adjustments	(2,793,692)	-1.3%
Change in net deferred income taxes	36,067,213	16.6%
Total statutory income taxes	$31,930,745	14.7%

E. The Company has the following carry forwards at December 31, 2017:

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

	Operations Loss Deductions	
Year Incurred	Amount	Expiring
2017	$ 84,616,470	2032
2016	$ 116,927,423	2031
2013 2nd short period	$ 15,671	2033

	General Business Credits	
Year Incurred	Amount	Expiring
2016	$ 7,961	2036
2015	$ 5,926	2035
2014	$ 2,463	2034
2013 2nd short period	$ 504	2033

	Foreign Tax Credit	
Year Incurred	Amount	Expiring
2016	$ 63,927	2026
2015	$ 96,127	2025
2014	$ 272,644	2024

	Charitable Contributions	
Year Incurred	Amount	Expiring
2016	$ 7,281	2021
2015	$ 4,501	2020
2014	$ 15,280	2019
2013 2nd short period	$ 1,959	2018

	AMT Credit Carryforward	
Year Incurred	Amount	Expiring
2015	6,345,006	None

(2) There are no federal income taxes available for recoupment in the event of future losses.

(3) There are no aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Code as of December 31, 2017 and 2016.

F. The Company files as a member of a consolidated federal income tax return with its parent company, AADE. The Company is a party to a written tax sharing agreement that has been approved by the Board of Directors. Allocation of tax benefits is based on separate returns. Losses are paid at the time they can be used in the consolidated return. Intercompany tax balances are settled quarterly.

The Company has also entered into a supplemental tax sharing agreement with Athene Re IV, whereby the Company is obligated to perform all of Athene Re IV's tax sharing obligations and is entitled to accept all of Athene Re IV's tax sharing benefits. Accordingly, any current taxes payable or receivable by Athene Re IV is reflected by the Company.

NOTES TO FINANCIAL STATEMENTS

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

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

G. Federal or Foreign Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total tax liability will significantly increase within 12 months of the reporting date.

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

A, B, C. The Company's various affiliated relationships, agreements and transactions are discussed within Notes 10A through 10F and the 2017 affiliated transactions are disclosed in Schedule Y, part 2.

The Company cedes a quota share of funding agreements and annuity business to Athene Life Re, Ltd. (ALRe), a Bermuda-domiciled affiliate. See disclosures in Schedule S and Schedule Y, part 2.

Some employees of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by 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 $17.6 million and $13.8 million in 2017 and 2016, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

D. As of December 31, 2017 and 2016, respectively, the Company reported $0.3 million and $3.0 million receivable due from affiliates and $20.0 million and $11.2 million payable due to affiliates. All intercompany balances shown as payable to or receivable from parent, subsidiaries and affiliates are settled within 45 days of their incurrence under the terms of the intercompany expense sharing agreements.

E. The Company has guaranteed the tenant obligations of a former affiliate, Aviva Investors Americas LLC, under a lease of premises located on the 21st floor of 375 Park Avenue, New York City, as disclosed in Note 14. The Company has been indemnified for any liability relating to this guarantee under the terms of the stock purchase agreement between Aviva plc and AHL. The Company has no exposure associated with this guarantee.

F. The Company participates in an investment management agreement with Athene Asset Management, L.P. (AAM), an affiliate, under which AAM has agreed to provide asset management services in exchange for management fees. The Company pays 30 basis points (bps) per annum on the Company's managed assets. The Company incurred AAM investment expenses of $139.0 million and $124.4 million in 2017 and 2016, respectively.

The Company participates in a Shared Services and Cost Sharing Agreement with certain other affiliated companies pursuant to which each party thereto agreed to provide certain financial, legal and other services to the other parties. The Company incurred related expenses under these agreements totaling $223.0 million and $208.4 million in 2017 and 2016, respectively.

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

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

I. The Company does not hold an investment in a subsidiary, controlled or affiliated company (SCA) that exceeds 10% of admitted assets.

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

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

L. The Company does not hold an investment in a downstream noninsurance holding company.

M. Subsidiary, Controlled or Affiliated (SCA) Investments

(1) Balance sheet value (admitted and nonadmitted) all SCAs (except 8bi entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
Total SSAP No. 97 8a Entities	XXX			
b. SSAP No. 97 8b(ii) Entities				
Total SSAP No. 97 8b(ii) Entities	XXX			
c. SSAP No. 97 8b(iii) Entities				
Centralife Annuities Services, Inc	100.0	0	0	0
Total SSAP No. 97 8b(iii) Entities	XXX	0	0	0
d. SSAP No. 97 8b(iv) Entities				
Total SSAP No. 97 8b(iv) Entities	XXX			
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	0	0	0
f. Aggregate Total (a+ e)	XXX	0	0	0

NOTES TO FINANCIAL STATEMENTS

(2) NAIC filing response information

SCA Entity (Should be same entities as shown in M(1) above.)	Type of NAIC Filing *	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resub-mission Required Y/N	Code **
a. SSAP No. 97 8a Entities						
Total SSAP No. 97 8a Entities	XXX	XXX		XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
Total SSAP No. 97 8b(ii) Entities	XXX	XXX		XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
Centralife Annuities Services, Inc	S1	06/30/2016	0	Y	N	N/A
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	0	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
Total SSAP No. 97 8b(iv) Entities	XXX	XXX		XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d)	XXX	XXX	0	XXX	XXX	XXX
f. Aggregate Total (a+ e)	XXX	XXX	0	XXX	XXX	XXX

* S1 - Sub-1, S2 - Sub-2 or RDF - Resubmission of Disallowed Filing

** I - Immaterial or M - Material

N. Investment in Insurance SCAs

The Company owns all of the outstanding capital stock of Athene Re IV, a special purpose financial captive life insurance company domiciled in the State of Vermont.

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

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

SCA Entity (Investments in Insurance SCA Entities)	Monetary Effect on NAIC SAP		Amount of Investment	
	Net Income Increase (Decrease)	Surplus Increase (Decrease)	Per Audited Statutory Equity	If the Insurance SCA Had Completed Statutory Financial Statements *
Athene Re IV	0	152,500,000	25,010,943	0

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

As of the issue date of this report, the 2017 statutory audit of Athene Re IV has not been completed.

3. If Athene Re IV had not been permitted to include the letters of credit in surplus, its risk-based capital would have been below Mandatory Control Level.

Note 11. Debt

A. Athene USA Corporation (AUSA) is the holder of a five-year, Unsecured Revolving Promissory Note dated May 1, 2016 (the Promissory Note) with a maximum principal amount not to exceed $200,000,000, among AUSA and certain of its subsidiaries, including the Company. The Promissory Note was approved by the Iowa Insurance Division. Interest shall accrue on the principal balance from time to time outstanding at a rate per annum equal to 1 month London Interbank Offered Rate + 162.5 bps. The Company shall pay such interest in arrears quarterly on the last day of each March, June, September and December, on any day any portion of the principal balance is repaid or prepaid. No amount has been drawn under the Promissory Note by the Company as of December 31, 2017.

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 $547.6 million as of December 31, 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 December 31, 2017 or 2016. The Company did not incur any interest expense on the short-term federal funds borrowing arrangement for either 2017 or 2016. There were no long-term advances outstanding as of December 31, 2017 or 2016. No collateral has been pledged on these advances for either 2017 or 2016. The Company did not incur any interest expense on the long-term advances for either 2017 or 2016.

NOTES TO FINANCIAL STATEMENTS

(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	21,904,000	21,904,000	
(d) Excess Stock			
(e) Aggregate Total (a+b+c+d)	31,904,000	31,904,000	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	1,500,000,000	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)	945,248,016	903,780,228	547,600,000
2. Current Year General Account Total Collateral Pledged	945,248,016	903,780,228	10,000,000
3. Current Year Separate Accounts Total Collateral Pledged			537,600,000
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)

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	547,600,000	10,000,000	537,600,000	547,600,000
(c) Other				XXX
(d) Aggregate Total (a+b+c)	547,600,000	10,000,000	537,600,000	547,600,000
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)

NOTES TO FINANCIAL STATEMENTS

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

A. Defined Benefit Plans: NONE

B, C, D. Not applicable.

E. Defined Contribution Plans

The Company is allocated a portion of the costs related to a qualified contribution savings and retirement plan sponsored by AUSA. The plan is a qualified 401(k) plan covering officers and employees. The plan provides only non-discretionary company matching contributions. Expenses allocated to the Company from the plans for AUSA's contributions amounted to $3.9 million and $3.3 million for 2017 and 2016, respectively.

F. Multiemployer Plans: NONE

G. Consolidated/Holding Company Plans: NONE

H. Postemployment Benefits and Compensated Absences

The Company participates in a post-retirement medical benefit plan sponsored by AUSA. The plan is unfunded and the benefits are generally based on a combination of age and years of service at retirement. The allocated expense amounted to $0.2 million for both 2017 and 2016.

The Company has deferred compensation plans for agents, officers and directors, which are not funded by the Company. The liabilities for these plans are included on Page 3, Line 21. These plans were frozen as of December 31, 2016.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17): NONE

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

(1) At December 31, 2017 the Company has authorized and issued 10.0 million shares of $1 par common stock which are outstanding and owned by AADE. The Company received additional paid-in capital of $17.6 million from its parent as discussed previously in Note 10 relating to stock compensation expense in accordance with SSAP No. 104R.

(2) Preferred stock: NONE

(3) The payment of dividends by the Company to its parent is regulated under Iowa law. Under Iowa law, the Company may pay dividends only from the earned surplus arising from its business and must receive the prior approval (or non-disapproval) of the Iowa Insurance Commissioner to pay any dividend that would exceed certain statutory limitations. In connection with the acquisition of Aviva USA during 2013, AHL entered into a Net Worth Maintenance Agreement to provide capital support to the Company such that AHL is obligated to maintain the Company's capital and surplus in an amount sufficient to maintain the Company's total adjusted capital to be at least 200% of company action level risk based capital. The agreement also provides that the Company will not pay any dividends if such dividends would cause the company action level risk based capital ratio to fall below 200%. In addition to the provision in the agreement regarding dividend payments, the Company has agreed with the Iowa Insurance Commissioner that it will not pay a dividend prior to August 2018 without the approval of the Commissioner, pursuant to the Iowa Insurance Commissioner's order approving AHL's acquisition of the Company.

(4) No dividends were paid by the Company during 2017.

(5) Within the limitations presented in item (3), above, the Company may pay dividends after August 2018 of $226.2 million.

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

(7) Unpaid advances to surplus: NONE

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

(9) Changes in balances of special surplus: NONE

(10) The portion of unassigned funds (surplus) represented or reduced by unrealized gains and (losses), net of capital gains tax is $73.4 million at December 31, 2017.

(11) Surplus Notes: NONE

(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

(1) As of December 31, 2017, the Company has unfunded commitments to invest in certain bonds and partnership interests. The total unfunded commitments are $768.4 million.

The Company has guaranteed the tenant obligations of a former affiliate, Aviva Investors Americas LLC, under a lease of premises located on the 21st floor of 375 Park Avenue, New York City. The Company has been indemnified for any liability relating to this guarantee under the terms of the stock purchase agreement between Aviva plc and AHL.

NOTES TO FINANCIAL STATEMENTS

(2)

(1) Nature and circumstances of guarantee and key attributes, including date and duration of agreement	(2) Liability recognition of guarantee. (Include amount recognized at inception. If no initial recognition, document exception allowed under SSAP No. 5R.)	(3) Ultimate financial statement impact if action under the guarantee is required	(4) Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be specifically noted.	(5) Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted
Guarantee the tenant obligations of former affiliate Aviva Investors Americas LLC under lease of premises located on the 21st floor of 375 Park Avenue, New York City. In addition to guaranteeing the payment of rent under the lease, the Company has guaranteed the payment of all additional rent due under the lease and agreed to indemnify the landlord from any out-of-pocket loss, costs or damages arising out of any failure by Aviva Investors Americas LLC to pay or perform any of its obligations under the lease including, without limitations, reasonable attorneys' fees and costs of collection. This guarantee arose due to the landlord's requirement that an entity with publicly available financial information serve as guarantor. The lease term runs through April 30, 2020.	....	Rent payable under the lease is $1,979,647 per annum.	....	The Company has been indemnified for any liability relating to this guarantee under the terms of the stock purchase agreement between Aviva plc and AHL. No liability has been recorded for the Company's obligation under this guarantee. Given the lack of performance risk by Aviva Investors Americas LLC and the existence of the indemnification, the fair value of the guarantee has been determined to be $0.
Total		XXX		XXX

(3) Only one guarantee has been made by the Company. Aggregate compilation is not necessary given the indemnification noted above.

B. Assessments

(1) Based on the 2017 National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) Report, the Company has identified insolvencies. The Company fulfilled premium-based guaranty funds assessments of $0.6 million during the current period. It is expected that the identified insolvencies will result in retrospective premium-based guaranty fund assessments against the Company. During 2017, future estimated costs to be assessed against the Company, from identified insolvencies from the NOLHGA Report were reduced by less than $0.1 million, which has been credited to operations in the current period and the liability reduced.

(2)

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end 8,582

b. Decreases current year:

(1)	(2)
Paid premium tax offset applied	446,477

c. Increases current year:

(1)	(2)
Change in accrued premium tax offset	480,423

d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end 42,528

(3) The Company does not have guaranty fund liabilities or assets related to assessments from insolvencies of entities that wrote long-term care contracts.

C. Gain Contingencies: NONE

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

E. Joint and Several Liabilities: NONE

NOTES TO FINANCIAL STATEMENTS

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 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 (8^{th} 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 the Company. Plaintiff did not appeal the district court's decision and this matter is concluded.

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. On December 29, 2017, Plaintiff and Aviva entered into a settlement terms sheet which, if approved, would resolve the matter against Aviva for a monetary payment that is immaterial to AHL. Aviva promptly asserted an indemnification claim against AHL for the nonmaterial amount pursuant to the SPA between Aviva and AHL. AHL believes it has meritorious defenses to Aviva's indemnification claim and has formally denied indemnification.

The Company's indirect subsidiary, Athene Life Insurance Company of New York (ALICNY), has experienced increased service and administration complaints related to the conversion and administration of the block of life insurance business reinsured to First Allmerica Financial Life Insurance Company (FAFLIC) or otherwise administered by FAFLIC on behalf of ALICNY. On April 5, 2017, ALICNY received notification from the New York Department of Financial Services (NYDFS) that it planned to undertake a market conduct examination of ALICNY for the period of January 1, 2012 through March 31, 2017, relating to the treatment of policyholders subject to the conversion of the block of life insurance to FAFLIC. On November 15, 2017, ALICNY received notification from the NYDFS that its examination of ALICNY had resulted in the identification of a significant number of asserted violations of New York insurance law associated with the life block. On January 30, 2018, ALICNY received a draft report of the Market Conduct Examination from the NYDFS that identified in more detail the violations asserted in the November 15, 2017 letter as well as certain other lesser violations. ALICNY and FAFLIC are currently in discussions with the NYDFS to resolve this matter, but there is no assurance that ALICNY will be able to resolve this matter in a favorable manner to ALICNY. The amount of any such fines, penalties or payments arising from the Market Conduct Examination cannot be estimated with reasonable certainty, but it is possible that such amounts may be material and may impact the Company's capital and surplus through its carrying value of subsidiaries.

On April 6, 2016, the U.S. Department of Labor (DOL) issued the fiduciary rule which imposes upon third parties who sell annuities within Employee Retirement Income Security Act of 1974 (as amended, ERISA) plans or to individual retirement account (IRA) holders a fiduciary duty to retirement investors. The requirements of the fiduciary rule were originally scheduled to begin to be implemented on April 10, 2017, with full implementation on January 1, 2018. The DOL delayed the applicability date of the fiduciary rule for 60-days to June 9, 2017 and, in addition to delaying the applicability date, the DOL adjusted the exemption requirements that apply to sales in the interim period starting June 9, 2017 until the full compliance date of January 1, 2018. On July 6, 2017, the DOL issued a request for information (RFI) regarding the fiduciary rule. The DOL indicated that the information gathered from the responses to the RFI "could form the basis of new exemptions or changes/revisions". Along with the request for comments about the fiduciary rule and its impact, the DOL asked for commentary regarding the potential impact of extending the January 1, 2018 full compliance date. At the end of November 2017, the DOL published an amendment to the rule extending the full compliance date from January 1, 2018 to July 1, 2019.

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: NONE

Note 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

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

	ASSETS		LIABILITIES	
	2017	2016	2017	2016
a. Swaps	272,611,042	519,401,640	1,294,914,660	468,875,564
b. Futures	2,142	4,711	1,180	72
c. Options	28,726,383,325	24,768,712,836	950,984,057	6,450,000
d. Total	28,998,996,509	25,288,119,187	2,245,899,897	475,325,636

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Note 17. Sale, Transfer and Servicing of Financial Assets and 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 Measurement

A.

(1) Fair value measurements at reporting date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total	Net Asset Value (NAV) Included in Level 2
a. Assets at fair value					
Bonds: CMBS		4,927		4,927	
Bonds: RMBS		460,128		460,128	
Common stocks: Unaffiliated		31,904,000	376,723	32,280,723	
Derivative assets: Currency Swaps		2,361,786		2,361,786	
Derivative assets: Interest Rate Swaps	39,319	73,199		112,518	
Derivative assets: Total Return Swaps		4,682,484		4,682,484	
Derivative assets: Variance Swaps		146,390		146,390	
Derivative assets: Futures	5,581,791			5,581,791	
Derivative assets: Forwards		64,861		64,861	
Separate account assets: Variable products		35,442,685		35,442,685	
Total assets at fair value	5,621,110	75,140,460	376,723	81,138,293	

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total	Net Asset Value (NAV) Included in Level 2
b. Liabilities at fair value					
Derivative liabilities: Interest Rate Swaps		99,530		99,530	
Derivative liabilities: Futures	205,438			205,438	
Derivative liabilities: Forwards		1,007,549		1,007,549	
Separate account liabilities: Variable products		35,442,541		35,442,541	
Total liabilities at fair value	205,438	36,549,620		36,755,058	

There were no transfers between Level 1 or Level 2 of the fair value hierarchy during 2017.

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

Description	Beginning Balance at 01/01/2017	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 12/31/2017
a. Assets										
Bonds: CMBS	461,106		(483,061)	(35,334)	57,289					
Common stocks: Unaffiliated				(197,628)	162,837	411,514				376,723
Total Assets	461,106		(483,061)	(232,962)	220,126	411,514				376,723

Transfers out of Level 3 are represented by NAIC Class 6 securities which are carried at lower of cost or fair value resulting in periodic transfers into and out of Level 3 financial instruments which are characterized as carried at fair value.

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

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

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

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

The levels of the fair value hierarchy are as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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)	Not Practicable (Carrying Value)	Net Asset Value (NAV) Included in Level 2
Assets - Bonds	41,185,124,899	38,988,956,533	5,507,309	39,322,797,441	1,856,820,149		
Assets - Preferred stocks	105,195,848	99,055,975		105,195,848			
Assets - Common stocks unaffiliated	32,280,723	32,280,723		31,904,000	376,723		
Assets - Mortgage loans - first liens	3,847,179,315	3,759,406,453			3,847,179,315		
Assets - Mortgage loans - other than first liens	1,063,534,773	1,056,900,553			1,063,534,773		
Assets - Policy loans	210,007,248	210,007,248		210,007,248			
Assets - Cash and short-term investments	3,176,078,913	3,176,100,220	3,105,142,134	70,936,779			
Assets - Derivative assets	2,426,851,097	538,873,546	5,621,110	2,421,229,987			
Assets - Derivative collateral assets	81,823,229	81,823,229	81,823,229				
Assets - Other invested assets	1,774,123,091	1,759,688,365		293,500,777	1,480,622,314		
Assets - Separate account: variable products	35,442,685	35,442,685		35,442,685			
Assets - Separate account: group annuity	2,285,156,972	2,268,883,176	361,616,181	1,748,658,183	174,882,608		
Liabilities - Deposit-type contracts	549,706,394	521,821,966		10,105,558	539,600,836		
Liabilities - Collateralized borrowings	8,186,785	10,502,723			8,186,785		
Liabilities - Derivative liabilities	134,107,193	67,810,242	14,108,048	115,209,815	4,789,330		
Liabilities - Derivative collateral liability	2,227,195,423	2,227,195,423	2,227,195,423				
Liabilities - Separate account: funding agreements	544,110,048	537,600,000		544,110,048			

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.

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 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. 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 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) – Financial instruments within this separate account classified as Level 2 and 3 are valued using the same fair value assumptions and methods utilized in the general account.

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.

NOTES TO FINANCIAL STATEMENTS

Separate account liabilities (funding agreements) – Fair value of the funding agreements within this separate account are calculated by discounting future cash flows using market rates on the valuation date, and are classified as Level 2.

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 51,162 life policies with statutory policy reserves of $1,444.5 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

(1) Carrying value of transferable and non-transferable state tax credits gross of any related tax liabilities and total unused transferable and non-transferable state tax credits by state and in total

(1) Description of State Transferable and Non-transferable Tax Credits	(2) State	(3) Carrying Value	(4) Unused Amount
Enhanced Capital Alabama Fund II Series 2008	AL	60,434	219,074
Enhanced Capital Connecticut Fund I, LLC	CT	603,983	281,702
Guaranty Fund Assessment Credits	Various	42,528	42,528
21F1999 - Total		706,945	543,304

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

(3) Impairment loss: NONE

(4) State tax credits admitted and nonadmitted

	Total Admitted	Total Nonadmitted
a. Transferable	664,417	
b. Non-transferable	42,528	

F. Subprime-Mortgage-Related Risk Exposure

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

The Company generally defines subprime whole mortgage loans as borrowers with impaired credit history and lower FICO scores. In 2017 and 2016, the Company invested in residential whole loans which consisted of borrowers with lower FICO scores. The price paid for the residential loans factored in the consideration of the borrower's ability to repay along with the overall credit profile of the loan. The Company will continue to monitor the performance of the subprime residential mortgage loans along with performance expectations.

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

(2) Direct exposure through investments in subprime mortgage loans

	(1) Book/Adjusted Carrying Value (excluding interest)	(2) Fair Value	(3) Value of Land and Buildings	(4) Other-Than-Temporary Impairment Losses Recognized	(5) Default Rate
a. Mortgages in the process of foreclosure	707,909	577,975	1,030,000		
b. Mortgages in good standing	126,509,146	133,667,971	187,313,830		
c. Mortgages with restructure terms					
d. Total	127,217,055	134,245,946	188,343,830		

NOTES TO FINANCIAL STATEMENTS

(3) Direct exposure through other investments

	(1) Actual Cost	(2) Book/Adjusted Carrying Value (excluding interest)	(3) Fair Value	(4) Other-Than-Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	916,208,545	950,939,446	1,017,091,436	
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investment in SCAs *				
f. Other assets				
g. Total	916,208,545	950,939,446	1,017,091,436	

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

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

G. Retained Assets: NONE

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

Note 22. Events Subsequent

Subsequent events have been considered through February 27, 2018 for the statutory statement dated December 31, 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

Gains on cession of inforce blocks of business are to be accounted for in accordance with Appendix A-791 of the NAIC Accounting Practices and Procedures Manual which requires that any increase in surplus (net of federal income tax) resulting from reinsurance agreements entered into or amended which involve the reinsurance of business issued prior to the effective date of the agreements shall be deferred and identified separately as a surplus item by the ceding company. Subsequent recognition of the surplus increase as income shall be reflected on a net of tax basis as earnings emerge from the business reinsured. Based on the emergence of earnings of previous reinsurance of inforce blocks of business in 2017 and 2016, $118.2 million and $56.4 million, respectively, was amortized into income.

The Company entered into a modified coinsurance agreement on April 1, 2017 with ALRe. The agreement cedes 80% of the 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 $1.8 billion as of December 31, 2017.

The Company entered into a coinsurance agreement on October 1, 2016 with Hannover Life Reassurance Company of America. The agreement cedes 80% of the guaranteed lifetime withdrawal benefit rider on 2016 and 2017 sales of certain fixed indexed annuity products, with an option to extend reinsurance to 2018 sales. The Company has recognized a reserve credit of $200.4 million and $90.9 million for this agreement as of December 31, 2017 and 2016, respectively. In addition, the Company maintains an other reinsurance liability equal to $11.0 million and $1.4 million as of December 31, 2017 and 2016, respectively, which is recorded with other liabilities on the balance sheet. As this agreement covers business issued prior to the effective date of the agreement, the initial after-tax gain on the agreement of $48.8 million was recognized directly into surplus in 2016 and is being amortized into income as part of the A-791 process described above.

A. Ceded Reinsurance Report

Section 1 - General Interrogatories

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

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

Section 2 - Ceded Reinsurance Report - Part A

(1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits? NO

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

Section 3 - Ceded Reinsurance Report - Part B

(1) What is the estimated amount of the aggregate reduction in surplus, for agreements not reflected in Section 2 above, of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary the Company may consider the current or anticipated experience of the business reinsured in making this estimate. $0

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

B. Uncollectible Reinsurance: NONE

C. Commutation of Ceded Reinsurance: NONE

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

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

NOTES TO FINANCIAL STATEMENTS

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

G. Ceding Entities That Utilize Captive Reinsurers to Assume Reserves Subject to the XXX/AXXX Captive Framework

The Company does not cede XXX/AXXX reserves to a captive affiliate with a Risk-Based Capital Shortfall or a non-zero Primary Security Shortfall.

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

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

Note 26. Intercompany Pooling Arrangements: NONE

Note 27. Structured Settlements: NONE

Note 28. Health Care Receivables: NONE

Note 29. Participating Policies

A. Participating policies were approximately 30.1% and 19.5% of the total life insurance inforce as of December 31, 2017 and 2016, respectively. All participating life insurance policies are included in reinsurance agreements with Athene Re IV or Accordia.

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

C. The amount of dividend expense incurred for the years ended December 31, 2017 and 2016, was less than $0.1 million.

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

Note 30. Premium Deficiency Reserves: NONE

Note 31. Reserves for Life Contracts and Annuity Contracts

(1) The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. The reserve for surrender values promised in excess of the legally computed reserves is shown in Exhibit 5, Miscellaneous Reserves.

The Company offers riders on its fixed annuities which provides for future withdrawal and death benefits. In accordance with the NAIC's Accounting Practices and Procedures Manual, the rider should be reserved for under the revised Actuarial Guideline 33 (AG33). The Company requested and received approval to use an alternative methodology under the Practical Consideration section of AG 33 from the Insurance Division, Department of Commerce of the State of Iowa for policies issued prior to January 1, 2014. The reserve held at December 31, 2017 was based on Actuarial Guideline 43 (AG43) for policies issued prior to January 1, 2014, the approved alternative method for these contracts. For policies issued January 1, 2014 and after, the reserve was based on Actuarial Guideline 33 (AG33).

(2) Mean reserves for substandard policies are determined by computing the regular mean reserve for the policy and holding in addition one half of the extra premium charge for the year. For payout annuities involving life contingencies, reserve for substandard policies are calculated using rated ages instead of the true issue ages of the insureds.

(3) As of December 31, 2017, the Company had $1.1 billion of insurance in force for which the gross premiums were less than the net premiums according to the standard of valuation set by the State of Iowa. Reserves to cover the above shortfall in premium totaled $23.8 million at December 31, 2017, are calculated annually, and were included in reserves on Page 3, Line 1 (Exhibit 5, Miscellaneous Reserves).

(4) The tabular interest at December 31, 2017, (Page 7, Line 4), tabular less actual reserve released (Page 7, Line 5) and tabular cost (Page 7, Line 9) have been determined by formula as described in the NAIC instructions for Page 7.

(5) The tabular interest on funds not involving life contingencies is calculated as the product of the mean fund balance and the average valuation interest rate.

(6) There are no significant "Other Increases (net)" on Page 7, Line 7 or Exhibit 7, Line 4, as of December 31, 2017.

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

	(1) General Account	(2) Separate Account with Guarantees	(3) Separate Account Nonguaranteed	(4) Total	(5) % of Total
A. Subject to discretionary withdrawal:					
(1) With market value adjustment	32,035,856,338			32,035,856,338	67.0
(2) At book value less current surrender charge of 5% or more	3,932,216,377			3,932,216,377	8.2
(3) At fair value			35,442,541	35,442,541	0.1
(4) Total with market value adjustment or at fair value (total of 1 through 3)	35,968,072,715		35,442,541	36,003,515,256	75.2
(5) At book value without adjustment (minimal or no charge or adjustment)	5,727,119,676			5,727,119,676	12.0
B. Not subject to discretionary withdrawal	3,346,160,431	2,764,421,804		6,110,582,235	12.8
C. Total (gross: direct + assumed)	45,041,352,822	2,764,421,804	35,442,541	47,841,217,167	100.0
D. Reinsurance ceded	1,364,495,929			1,364,495,929	
E. Total (net)* (C) - (D)	43,676,856,893	2,764,421,804	35,442,541	46,476,721,238	

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

NOTES TO FINANCIAL STATEMENTS

F. Life & Accident & Health Annual Statement:

	Amount
1. Exhibit 5, Annuities Section, Total (net)	42,876,790,233
2. Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net)	278,244,694
3. Exhibit 7, Deposit-Type Contracts, Line 14, Column 1	521,821,966
4. Subtotal	43,676,856,893
Separate Accounts Annual Statement:	
5. Exhibit 3, Line 0299999, Column 2	2,262,000,256
6. Exhibit 3, Line 0399999, Column 2	
7. Policyholder dividend and coupon accumulations	
8. Policyholder premiums	
9. Guaranteed interest contracts	537,600,000
10. Other contract deposit funds	264,089
11. Subtotal	2,799,864,345
12. Combined Total	46,476,721,238

Note 33. Premium and Annuity Considerations Deferred and Uncollected

A. Deferred and uncollected life insurance premiums and annuity considerations as of the current period, were as follows:

Type	(1) Gross	(2) Net of Loading
(1) Industrial		
(2) Ordinary new business		
(3) Ordinary renewal	7,546,740	8,862,197
(4) Credit Life		
(5) Group Life		
(6) Group Annuity		
(7) Totals	7,546,740	8,862,197

Note 34. Separate Accounts

A. Separate Account Activity

(1) The Company maintains three separate account arrangements. The first separate account, Separate Account – Funding Agreements, contains funding agreement policies issued to the FHLB. The second separate account, ALAC Separate Account I, consists of individual variable annuities of a non-guaranteed return nature. The third separate account, Group Annuity Commingled Separate Account, supports annuities payable under group fixed annuity contracts issued to various employers, or trusts established by such employers, in respect of those employers' pension plans.

(2) In accordance with the products/transactions recorded within the separate account, some assets are considered legally insulated whereas others are not legally insulated from the general account. The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general account. As of December 31, 2017 and 2016, the Company's separate account statements included legally insulated assets of $2,344.7 million and $35.6 million, respectively. The assets legally insulated from the general account as of December 31, 2017, are attributed to the following products/transactions:

(1) Product/Transaction	(1) Legally Insulated Assets	(2) Separate Account Assets (Not Legally Insulated)
Separate Account - Funding Agreements		4,352,040
Separate Account I - Variable Annuities	35,442,685	
Group Annuity Commingled Separate Account	2,309,223,124	
Total	2,344,665,809	4,352,040

(3) The Company's variable annuity product guarantees a minimum death benefit. The Company's general account has not paid towards separate account guarantees for the past five years. The Company's variable annuity separate account has not paid risk charges for the past five years.

The Company's Group Annuity Commingled Separate Account liabilities are guaranteed by the general account. The Company's general account has not paid towards separate account guarantees as of December 31, 2017. To compensate the general account for the risk taken, the separate account has paid risk charges of $1.9 million as of December 31, 2017.

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

B. General Nature and Characteristics of Separate Accounts Business

Separate Account - Funding Agreements: The funding agreement policies are secured by the assets in the Company's general account which are not subject to claims that arise out of any other business of the Company. The funding agreement policies may not be accelerated by the holder unless there is a default under the agreement, but the Company may, in the case of funding agreements issued to the FHLB, retire the funding agreement policies at any time. The assets and liabilities of this separate account are carried at book value.

ALAC Separate Account I: Net investment experience of this separate account is credited directly to the policyholder and can be positive or negative, as determined by the performance and/or fair value of the investments held in the Separate Account I – Variable Annuities. These variable annuities generally provide an incidental death benefit of the greater of account value or premium paid. The assets and liabilities of these accounts are carried at market value. This business has been included in column 4 of the table below.

Group Annuity Commingled Separate Account: During 2017, the Company formed the Group Annuity Commingled Separate Account. 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. The assets and liabilities of this separate account are carried at amortized cost.

NOTES TO FINANCIAL STATEMENTS

Information regarding the separate accounts of the Company is as follows. All amounts are for separate accounts as of or for the year ended December 31, 2017.

	(1) Indexed	(2) Nonindexed Guarantee Less than/equal to 4%	(3) Nonindexed Guarantee More than 4%	(4) Nonguaranteed Separate Accounts	(5) Total
(1) Premiums, considerations or deposits as of the end of current period		450,195,200		74,527	450,269,727
Reserves as of the end of current period					
(2) For accounts with assets at:					
a. Fair value				35,442,541	35,442,541
b. Amortized cost	306,400,000	2,226,821,804	231,200,000		2,764,421,804
c. Total reserves*	306,400,000	2,226,821,804	231,200,000	35,442,541	2,799,864,345
(3) By withdrawal characteristics:					
a. Subject to discretionary withdrawal:					
1. With market value adjustment					
2. At book value without market value adjustment and with current surrender charge of 5% or more					
3. At fair value				35,442,541	35,442,541
4. At book value without market value adjustment and with current surrender charge less than 5%					
5. Subtotal				35,442,541	35,442,541
b. Not subject to discretionary withdrawal	306,400,000	2,226,821,804	231,200,000		2,764,421,804
c. Total	306,400,000	2,226,821,804	231,200,000	35,442,541	2,799,864,345

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

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

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

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

a. Transfers to Separate Accounts (Page 4, Line 1.4) 449,931,977

b. Transfers from Separate Accounts (Page 4, Line 10) 12,923,514

c. Net transfers to or (From) Separate Accounts (a) - (b) 437,008,463

(2) Reconciling adjustments:

Premium market adjustment .... (1,315,595)

(3) Transfers as reported in the Summary of Operations of the Life, Accident & Health Annual Statement (1c) + (2) = (Page 4, Line 26) 435,692,868

Note 35. Loss/Claim Adjustment Expenses: NONE