

QUARTERLY STATEMENT

OF THE

Athene Annuity & Life Assurance Company

TO THE

Insurance Department

OF THE

STATE OF

**FOR THE QUARTER ENDED
JUNE 30, 2018**

LIFE AND ACCIDENT AND HEALTH

2018

STATEMENT AS OF JUNE 30, 2018 OF THE Athene Annuity & Life Assurance Company

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	10,086,192,230		10,086,192,230	5,986,005,031
2. Stocks:				
2.1 Preferred stocks	41,749,875		41,749,875	26,750,000
2.2 Common stocks	1,279,266,269	37,854	1,279,228,415	1,245,814,871
3. Mortgage loans on real estate:				
3.1 First liens	864,682,121		864,682,121	391,187,905
3.2 Other than first liens.....	634,127,512		634,127,512	638,009,525
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$76,765,833), cash equivalents (\$4,518,041) and short-term investments (\$727,691,532)	808,975,406		808,975,406	615,729,655
6. Contract loans (including \$ premium notes)	3,151,560		3,151,560	1,381,815
7. Derivatives	64,841,774		64,841,774	87,736,369
8. Other invested assets	1,090,584,127		1,090,584,127	930,211,726
9. Receivables for securities	1,985,443		1,985,443	3,300,711
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets	10,514,250		10,514,250	2,599,813
12. Subtotals, cash and invested assets (Lines 1 to 11)	14,886,070,567	37,854	14,886,032,713	9,928,727,421
13. Title plants less \$ charged off (for Title insurers only)				
14. Investment income due and accrued	104,240,671	453,381	103,787,289	50,509,192
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
15.3 Accrued retrospective premiums (\$) and contracts subject to redetermination (\$)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	66,359,287		66,359,287	64,880,771
16.2 Funds held by or deposited with reinsured companies	2,642,251,649		2,642,251,649	2,628,443,465
16.3 Other amounts receivable under reinsurance contracts	1,307,650,880		1,307,650,880	493,431,126
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	17,501,883		17,501,883	
18.2 Net deferred tax asset	24,437,191		24,437,191	23,370,184
19. Guaranty funds receivable or on deposit	794,128		794,128	858,513
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	262,830		262,830	167,030
24. Health care (\$) and other amounts receivable	540,193		540,193	517,656
25. Aggregate write-ins for other than invested assets	1,234,856	708,968	525,889	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	19,051,344,137	1,200,203	19,050,143,934	13,190,905,356
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	14,322,763		14,322,763	14,213,512
28. Total (Lines 26 and 27)	19,065,666,900	1,200,203	19,064,466,698	13,205,118,867
DETAILS OF WRITE-INS				
1101. Derivative collateral asset	10,514,250		10,514,250	2,599,813
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	10,514,250		10,514,250	2,599,813
2501. Miscellaneous assets	1,234,856	708,968	525,889	
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	1,234,856	708,968	525,889	

STATEMENT AS OF JUNE 30, 2018 OF THE Athene Annuity & Life Assurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$ 12,234,174,196 less \$ included in Line 6.3 (including \$ 6,739,406,912 Modco Reserve)	12,234,174,196	7,364,718,604
2. Aggregate reserve for accident and health contracts (including \$ Modco Reserve)		
3. Liability for deposit-type contracts (including \$ 3,229,311,684 Modco Reserve)	3,344,298,975	3,274,516,206
4. Contract claims:		
4.1 Life	22,071,704	17,338,623
4.2 Accident and health		
5. Policyholders' dividends \$ and coupons \$ due and unpaid		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$ Modco)	38,416	38,416
6.2 Dividends not yet apportioned (including \$ Modco)		
6.3 Coupons and similar benefits (including \$ Modco)		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ discount; including \$ accident and health premiums		
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		
9.2 Provision for experience rating refunds, including the liability of \$ accident and health experience rating refunds of which \$ is for medical loss ratio rebate per the Public Health Service Act		
9.3 Other amounts payable on reinsurance, including \$ 85,952,180 assumed and \$ 1,339,764,218 ceded	1,425,716,398	575,881,291
9.4 Interest Maintenance Reserve	51,708,913	57,117,911
10. Commissions to agents due or accrued-life and annuity contracts \$ 100,145, accident and health \$ 595,925 and deposit-type contract funds \$	696,070	869,383
11. Commissions and expense allowances payable on reinsurance assumed	25,958,194	10,487,903
12. General expenses due or accrued	2,435,293	1,928,928
13. Transfers to Separate Accounts due or accrued (net) (including \$ 57,941 accrued for expense allowances recognized in reserves, net of reinsured allowances)	57,941	(5,581)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes	3,695,422	2,888,344
15.1 Current federal and foreign income taxes, including \$ on realized capital gains (losses)		25,311,591
15.2 Net deferred tax liability		
16. Unearned investment income	50,073	49,399
17. Amounts withheld or retained by company as agent or trustee	237,841	161,143
18. Amounts held for agents' account, including \$ agents' credit balances		
19. Remittances and items not allocated	6,846,639	4,905,908
20. Net adjustment in assets and liabilities due to foreign exchange rates		
21. Liability for benefits for employees and agents if not included above		
22. Borrowed money \$ and interest thereon \$		
23. Dividends to stockholders declared and unpaid		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve	191,590,439	200,065,765
24.02 Reinsurance in unauthorized and certified (\$) companies		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$) reinsurers		
24.04 Payable to parent, subsidiaries and affiliates	9,624,712	7,792,775
24.05 Drafts outstanding		
24.06 Liability for amounts held under uninsured plans		
24.07 Funds held under coinsurance		
24.08 Derivatives	34,030,933	6,032,144
24.09 Payable for securities	146,409,891	173,908,851
24.10 Payable for securities lending		
24.11 Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	68,063,246	119,240,612
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	17,567,705,298	11,843,248,218
27. From Separate Accounts Statement	14,322,763	14,213,512
28. Total liabilities (Lines 26 and 27)	17,582,028,061	11,857,461,729
29. Common capital stock	2,500,000	2,500,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds		
32. Surplus notes		
33. Gross paid in and contributed surplus	1,144,439,554	986,780,264
34. Aggregate write-ins for special surplus funds		
35. Unassigned funds (surplus)	335,499,083	358,376,873
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 29 \$)		
36.2 shares preferred (value included in Line 30 \$)		
37. Surplus (Total Lines 31+32+33+34+35-36) (including \$ in Separate Accounts Statement)	1,479,938,637	1,345,157,138
38. Totals of Lines 29, 30 and 37	1,482,438,637	1,347,657,138
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	19,064,466,698	13,205,118,867
DETAILS OF WRITE-INS		
2501. Derivative collateral liability	42,904,000	96,110,545
2502. Unclaimed funds	21,658,339	19,629,159
2503. Collateralized borrowing	3,500,908	3,500,908
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	68,063,246	119,240,612
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)		
3401.		
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page		
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)		

STATEMENT AS OF JUNE 30, 2018 OF THE Athene Annuity & Life Assurance Company

SUMMARY OF OPERATIONS

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	4,281,430,301	4,105,952	51,207,186
2. Considerations for supplementary contracts with life contingencies	80,521,904	98,594	258,471
3. Net investment income	244,022,948	187,692,956	391,158,525
4. Amortization of Interest Maintenance Reserve (IMR)	5,149,926	5,224,377	15,446,782
5. Separate Accounts net gain from operations excluding unrealized gains or losses			
6. Commissions and expense allowances on reinsurance ceded	149,174,593	22,884,304	68,655,070
7. Reserve adjustments on reinsurance ceded	584,092,600	(475,519,664)	(830,810,140)
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	268,252	283,588	499,400
8.2 Charges and fees for deposit-type contracts			
8.3 Aggregate write-ins for miscellaneous income	64,045,642	82,730,156	143,089,573
9. Totals (Lines 1 to 8.3)	5,408,706,166	(172,499,738)	(160,495,133)
10. Death benefits	538,438	(50,270)	236,137
11. Matured endowments (excluding guaranteed annual pure endowments)			118,163
12. Annuity benefits	32,096,298	25,900,635	55,045,803
13. Disability benefits and benefits under accident and health contracts			
14. Coupons, guaranteed annual pure endowments and similar benefits			
15. Surrender benefits and withdrawals for life contracts	95,794,955	63,001,245	114,510,774
16. Group conversions			
17. Interest and adjustments on contract or deposit-type contract funds	58,457,526	12,757,090	49,544,149
18. Payments on supplementary contracts with life contingencies	1,303,449	369,895	1,334,384
19. Increase in aggregate reserves for life and accident and health contracts	4,830,454,658	(281,689,178)	(317,784,681)
20. Totals (Lines 10 to 19)	5,018,645,323	(179,710,582)	(96,995,270)
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	1,902,545	2,790,409	5,436,117
22. Commissions and expense allowances on reinsurance assumed	267,568,464	6,046,016	22,764,858
23. General insurance expenses	14,062,104	17,819,827	33,831,187
24. Insurance taxes, licenses and fees, excluding federal income taxes	6,933,901	6,905,551	11,139,318
25. Increase in loading on deferred and uncollected premiums			
26. Net transfers to or (from) Separate Accounts net of reinsurance	75,927	(527,219)	(921,924)
27. Aggregate write-ins for deductions	145,499,112	(19,684,870)	(44,545,299)
28. Totals (Lines 20 to 27)	5,454,687,376	(166,360,869)	(69,291,013)
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(45,981,210)	(6,138,869)	(91,204,120)
30. Dividends to policyholders	16,892	18,872	32,740
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(45,998,102)	(6,157,740)	(91,236,861)
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(13,102,928)	(4,952,111)	(28,673,632)
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)	(32,895,174)	(1,205,629)	(62,563,229)
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ (3,760,298) (excluding taxes of \$ 5,720,587 transferred to the IMR)	(4,481,221)	8,259,998	86,819,214
35. Net income (Line 33 plus Line 34)	(37,376,395)	7,054,368	24,255,985
CAPITAL AND SURPLUS ACCOUNT			
36. Capital and surplus, December 31, prior year	1,347,657,138	1,272,419,957	1,272,419,957
37. Net income (Line 35)	(37,376,395)	7,054,368	24,255,985
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ 2,900,057	16,440,540	32,750,352	35,690,969
39. Change in net unrealized foreign exchange capital gain (loss)	(8,327,740)	(3,475,160)	(4,304,824)
40. Change in net deferred income tax	3,967,064	3,129,173	(38,510,647)
41. Change in nonadmitted assets	(16,331)	10,018	(648,007)
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	8,475,326	(22,343,126)	(5,240,069)
45. Change in treasury stock			
46. Surplus (contributed to) withdrawn from Separate Accounts during period			
47. Other changes in surplus in Separate Accounts Statement			
48. Change in surplus notes			
49. Cumulative effect of changes in accounting principles			
50. Capital changes:			
50.1 Paid in			
50.2 Transferred from surplus (Stock Dividend)			
50.3 Transferred to surplus			
51. Surplus adjustment:			
51.1 Paid in	157,659,290	15,135,069	21,830,321
51.2 Transferred to capital (Stock Dividend)			
51.3 Transferred from capital			
51.4 Change in surplus as a result of reinsurance	(1,455,904)	(3,403,050)	54,958,330
52. Dividends to stockholders			
53. Aggregate write-ins for gains and losses in surplus	(4,584,350)	(9,278,026)	(12,794,878)
54. Net change in capital and surplus for the year (Lines 37 through 53)	134,781,499	19,579,616	75,237,181
55. Capital and surplus, as of statement date (Lines 36 + 54)	1,482,438,637	1,291,999,573	1,347,657,138
DETAILS OF WRITE-INS			
08.301. Funds withheld adjustment - assumed	64,001,853	82,679,421	142,937,333
08.302. Miscellaneous income	43,789	50,735	152,240
08.303.			
08.398. Summary of remaining write-ins for Line 8.3 from overflow page			
08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above)	64,045,642	82,730,156	143,089,573
2701. Reserve adjustments on reinsurance assumed	167,280,595		
2702. Transfer to IMR - ceded	(19,174,892)	(21,452,260)	(47,274,095)
2703. Transfer to IMR - assumed	(2,887,564)	1,900,628	2,997,803
2798. Summary of remaining write-ins for Line 27 from overflow page	280,974	(133,238)	(269,007)
2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	145,499,112	(19,684,870)	(44,545,299)
5301. Correction of prior period error	(7,800,187)	(9,278,026)	(7,110,456)
5302. Tax sharing agreement	3,215,837		(5,684,422)
5303.			
5398. Summary of remaining write-ins for Line 53 from overflow page			
5399. Totals (Lines 5301 through 5303 plus 5398)(Line 53 above)	(4,584,350)	(9,278,026)	(12,794,878)

STATEMENT AS OF JUNE 30, 2018 OF THE Athene Annuity & Life Assurance Company

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	949,135,157	4,204,546	51,465,656
2. Net investment income	197,975,778	164,141,649	333,511,797
3. Miscellaneous income	147,552,967	22,283,436	65,886,564
4. Total (Lines 1 to 3)	1,294,663,902	190,629,631	450,864,018
5. Benefit and loss related payments	(565,635,545)	491,537,602	776,922,248
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	12,405	(513,742)	(920,107)
7. Commissions, expenses paid and aggregate write-ins for deductions	272,665,294	31,922,888	70,124,772
8. Dividends paid to policyholders	16,892	18,872	38,923
9. Federal and foreign income taxes paid (recovered) net of \$ 12,117,806 tax on capital gains (losses)	28,454,999	(10,714,295)	(20,955,104)
10. Total (Lines 5 through 9)	(264,485,955)	512,251,325	825,210,732
11. Net cash from operations (Line 4 minus Line 10)	1,559,149,857	(321,621,694)	(374,346,714)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	775,598,327	561,635,762	1,332,665,051
12.2 Stocks	2,481,052		97,528,257
12.3 Mortgage loans	71,430,086	83,351,733	275,944,886
12.4 Real estate			
12.5 Other invested assets	63,439,353	98,559,540	359,342,257
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	1,271,166	(897,962)	(997,793)
12.7 Miscellaneous proceeds	19,067,178	165,265,217	255,772,954
12.8 Total investment proceeds (Lines 12.1 to 12.7)	933,287,162	907,914,289	2,320,255,612
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,774,151,306	1,563,514,379	3,847,325,670
13.2 Stocks	12,215,587	26,546,745	26,546,749
13.3 Mortgage loans	244,662,312	310,057,769	470,506,726
13.4 Real estate			
13.5 Other invested assets	205,986,151	74,378,922	40,842,434
13.6 Miscellaneous applications	35,413,396	12,121,472	3,336,874
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,272,428,752	1,986,619,286	4,388,558,452
14. Net increase (or decrease) in contract loans and premium notes	65,816	(54,302)	(132,450)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(1,339,207,406)	(1,078,650,696)	(2,068,170,391)
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	4,254,191		
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities	17,061,348	1,450,712,639	2,760,479,473
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	(48,012,239)	16,779,143	39,162,709
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(26,696,700)	1,467,491,781	2,799,642,182
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)	193,245,751	67,219,392	357,125,077
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	615,729,655	258,604,577	258,604,577
19.2 End of period (Line 18 plus Line 19.1)	808,975,406	325,823,969	615,729,655

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

20.0001. Capital contribution of stock compensation expense (financing)	5,605,872	15,135,069	21,830,321
20.0002. Capital contribution of stock compensation expense (investing)	(4,478,957)	(12,351,719)	(17,690,500)
20.0003. Capital contribution of stock compensation expense (operating)	(1,126,914)	(2,783,350)	(4,139,821)
20.0004. Capital contribution - bonds acquired (investing)	(147,799,227)		
20.0005. Capital contribution (financing)	147,799,227		
20.0006. Reinsurance activity settled in bonds (operating)	24,242,787		55,307,550
20.0007. Assumed reinsurance activity settled in bonds (investing)	7,447,709	31,519,338	37,520,478
20.0008. Ceded reinsurance activity settled in bonds (investing)	(31,690,496)	(31,519,338)	(92,828,028)
20.0009. Security exchanges and asset in kind trades - bond proceeds (investing)	269,293,317		61,207,789
20.0010. Security exchanges and asset in kind trades - bonds acquired (investing)	(269,293,317)		(61,207,789)

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

20.0011. Schedule BA distribution other invested assets - proceeds (investing)			25,894,816
20.0012. Schedule BA distribution bonds - acquired (investing)			(175,382,482)
20.0013. Schedule BA distribution other invested assets - acquired (investing)			(25,894,816)
20.0014. Schedule BA distribution bonds - proceeds (investing)			175,382,482
20.0015. Transfer from Schedule D to Schedule BA - proceeds (investing)		4,095,995	4,095,995
20.0016. Transfer from Schedule D to Schedule BA - acquired (investing)		(4,095,995)	(4,095,995)
20.0017. Reinsurance inception (operating)	3,201,373,635		
20.0018. Reinsurance inception miscellaneous proceeds (investing)	21,655,012		
20.0019. Reinsurance inception bonds - acquired (investing)	(2,966,500,705)		
20.0020. Reinsurance inception stocks - acquired (investing)	(7,284,310)		
20.0021. Reinsurance inception mortgage loans - acquired (investing)	(296,054,380)		
20.0022. Reinsurance inception other invested assets - acquired (investing)	(4,206,743)		
20.0023. Reinsurance inception contract loans - acquired (investing)	(1,703,929)		
20.0024. Reinsurance inception (financing)	52,721,420		

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of **Athene Annuity & Life Assurance Company** (the Company) have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Delaware.

The Department of Insurance of the State of Delaware (the Department) recognizes only statutory accounting practices prescribed or permitted by the State of Delaware for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Delaware Insurance Law. The NAIC's *Accounting Practices & Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Delaware. The Department has the right to permit other specific practices that deviate from prescribed practices.

Effective December 31, 2014, the Company received a permitted practice to use the standard scenario to determine the reserve on its variable annuity policies and thus did not calculate the stochastic scenario reserve as required under Actuarial Guideline 43. The Company does not believe this difference in valuation method has any impact on the calculated reserves. Therefore, the Company's net income and statutory surplus are not affected as a result of this permitted practice.

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

	SSAP #	F/S Page	F/S Line #	June 30, 2018	December 31, 2017
NET INCOME					
(1) State basis (Page 4, Line 35, Columns 1 & 3)	XXX	XXX	XXX	(37,376,395)	24,255,985
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP: Standard scenario on variable annuities	.51	...3	...1	0	0
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	(37,376,395)	24,255,985
SURPLUS					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	1,482,438,637	1,347,657,138
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP: Standard scenario on variable annuities	.51	...3	...1	0	0
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	1,482,438,637	1,347,657,138

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

C. Accounting Policy

(1) – (5) No Change

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

(7) – (13) No Change

D. Going Concern

Management's assessment of the relevant conditions through August 14, 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 an error within prior period Annual Statements relating to reserves. After consideration of materiality and in accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, this correction was recorded directly to surplus. The impact of the correction of reserves decreased surplus by \$7.8 million in 2018. This represented less than 1% of ending capital and surplus as of both June 30, 2018 and December 31, 2017.

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

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

B. Debt Restructuring: No Change

C. Reverse Mortgages: NONE

D. Loan-Backed Securities

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

(2) No other-than-temporary impairment was recognized on loan-backed securities due to the intent to sell or inability or lack of intent to retain the investment for a period of time sufficient to recover the amortized cost basis.

NOTES TO FINANCIAL STATEMENTS

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

1 CUSIP	2 Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	3 Present Value of Projected Cash Flows	4 Recognized Other-Than- Temporary Impairment	5 Amortized Cost After Other-Than- Temporary Impairment	6 Fair Value at time of OTTI	7 Date of Financial Statement Where Reported
466306-AA-5	13,604,536	13,561,709	42,827	13,561,709	13,549,896	03/31/2018
45254N-LL-9	8,403,876	8,319,325	84,551	8,319,325	8,153,759	03/31/2018
362341-MC-0	2,174,536	2,125,616	48,920	2,125,616	2,124,584	03/31/2018
41161G-AC-7	4,421,927	4,385,653	36,275	4,385,653	4,416,893	06/30/2018
Total	XXX	XXX	212,573	XXX	XXX	XXX

- (4) The following table shows the gross unrealized losses and fair values of loan-backed securities, which have not been impaired to fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2018.

a. The aggregate amount of unrealized losses:	
1. Less than 12 Months	33,260,776
2. 12 Months or Longer	6,232,616
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 Months	1,891,302,031
2. 12 Months or Longer	191,109,908

- (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 – K. No Change

L. Restricted Assets

In conjunction with assumed reinsurance agreements, there has been an increase of approximately \$3,591.2 million in assets in reinsurance trusts since December 31, 2017.

M – R. No Change

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

Note 7. Investment Income: No Change

Note 8. Derivative Instruments

A – G. In conjunction with assumed reinsurance agreements, derivative volume has increased substantially since December 31, 2017, however the nature of the derivatives and hedging strategies employed by the Company have not changed.

H. There were no derivative contracts with premium cost.

Note 9. Income Taxes: No Change

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

Some employees of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by Athene Holding Ltd. (AHL), an indirect parent of the Company, for which the Company has no legal obligation. Salary expense of Athene Employee Services LLC is 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 \$5.6 million and \$21.8 million for the six months ended June 30, 2018 and for the year ended December 31, 2017, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

During February 2018, Athene Life Re Ltd. (ALRe) formed a subsidiary Bermuda reinsurer, Athene Annuity Re Ltd. (AARE) which has been licensed with the Bermuda Monetary Authority. During 2018, pursuant to a Contribution Agreement, AHL contributed Athene USA Corporation (AUSA), the direct parent of the Company, and its subsidiaries to AHL's wholly owned subsidiary ALRe.

The Company recaptured, amended, and entered into new reinsurance agreements with affiliates during 2018. See Note 23, Reinsurance for details of those changes.

During June 2018, the Company received a \$152.1 million capital contribution from its direct parent, AUSA.

Note 11. Debt

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 million, among AUSA and certain of its subsidiaries, including the Company. The Promissory Note was approved by the Delaware Department of Insurance. 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 basis points. 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. On April 19, 2018, the Company drew an advance of \$75 million under the Promissory Note. The Company incurred interest expense on the Promissory Note of \$0.5 million for the six months ended June 30, 2018. The Company repaid the \$75 million advance on June 29, 2018, resulting in no amount outstanding under the Promissory Note as of June 30, 2018. No amount was drawn under the Promissory Note during the year ended December 31, 2017.

Note 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans: NONE

Note 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations: No Change

NOTES TO FINANCIAL STATEMENTS

Note 14. Liabilities, Contingencies and Assessments

- A. Contingent Commitments: No Change
- B. Assessments: No Change
- C. Gain Contingencies: NONE
- D. Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits: NONE
- E. Joint and Several Liabilities: NONE
- F. All Other Contingencies

On July 18, 2017 a putative class action Complaint was filed in the United States District Court for the Northern District of Georgia, Atlanta Division by Jon Bruce Hughes, Individually and on Behalf of all Others Similarly Situated against the Company. Plaintiff filed an Amended Complaint July 20, 2017, which added the Company's Third-Party Administrator, McCamish, as a named Defendant. The Company and McCamish have filed Motions to Dismiss that are fully briefed, but the Court has yet to set a hearing. The Court has entered a Stipulated Order that extends court deadlines while the parties engage in settlement discussions for monetary relief that is immaterial to the Company. The Company believes the allegations are unfounded and it has meritorious defenses to the claims set forth in the Complaint and intends to vigorously defend the litigation. In light of the inherent uncertainties involved in the matter aforementioned, reasonably possible losses, if any, cannot be estimated at this time.

On September 12, 2016, Jack Holzer and Mary Bruesh-Holzer, filed suit in Jackson County, Missouri against several defendants including the Company, as successor-in-interest to Business Men's Assurance Company of America (BMA). Mr. Holzer allegedly sustained injuries due to asbestos exposure from 1966 to 1973 while working in an office building in Kansas City, Missouri then owned by BMA. Plaintiffs assert strict liability and negligence claims against the Company, and the Company is the last remaining material defendant. The Company is insured for costs, fees and compensatory damages under several primary and excess general liability policies issued to BMA, and has rights to indemnity for costs, fees and damages, including punitive damages. The Company authorized the insurers to resolve the matter and the insurers were able to do so therefore, avoiding the March 6, 2018 scheduled trial. The carriers have paid the settlement amount and the court will dismiss the action with prejudice in the near future. The settlement did not have a material impact on the financial statements.

On December 28, 2012, John D. Perdue, Treasurer of the State of West Virginia (the Treasurer), filed suit against Liberty Life Insurance Company (Liberty), now the Company. The Complaint alleges that Liberty failed to conduct annual searches to identify deceased insureds to whom benefits were owed and failed to timely escheat unclaimed death benefits owed to deceased insureds for whom claims were not paid pursuant to West Virginia's Unclaimed Property Act (the UPA). Based on the alleged failure to comply with the UPA, the Treasurer seeks to assess fines, penalties, interest and attorneys' fees against Liberty for its purported willful, fraudulent and/or negligent conduct. The Treasurer further seeks injunctive relief requiring Liberty to implement and adopt policies and procedures to identify deceased insureds. The Treasurer filed virtually identical civil actions against more than sixty other life insurance companies doing business in the State of West Virginia. The defendant insurers collectively filed motions to dismiss which were granted on December 27, 2013. The Treasurer appealed the dismissal order and on June 16, 2015, the West Virginia Supreme Court reversed. Liberty subsequently filed an answer to the Treasurer's complaint on November 9, 2015 and also filed counter-claims for declaratory relief asserting that the Treasurer's claims violated the primary jurisdiction of the West Virginia Insurance Commissioner, the due process clauses of the United States and West Virginia constitutions and the excessive fines and penalties clauses of the West Virginia constitution. The parties engaged in a mediation, and the Treasurer made a settlement demand for a non-material amount, which was rejected. The matter is currently being litigated, discovery is ongoing, and no trial date has yet been set.

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

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

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

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

On April 6, 2016, the 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 DOL delayed the applicability date of the fiduciary rule to June 9, 2017 and the full compliance date to July 1, 2019. On March 15, 2018 the U.S. Court of Appeals Fifth Circuit issued an opinion vacating, in their entirety, the DOL Fiduciary Rule and its associated package of new and amended prohibited transaction exemptions. On June 21, 2018, the Fifth Circuit Court of Appeals issued a mandate officially vacating as a whole the DOL's 2016 Fiduciary Rule, including the Best Interest Contract Exemption, and the DOL's other related 2016 prohibited transaction exemptions.

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

NOTES TO FINANCIAL STATEMENTS

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	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
a. Swaps	58,243,990	.....	263,551,163	..... 43,159,656
b. Futures	409	..... 451	.....	.....
c. Options & Forwards	2,333,551,938	.....2,080,933,246	..... 157,497,980	..... 53,044,881
d. Total	2,391,796,337	.....2,080,933,697	..... 421,049,143	..... 96,204,537

(2) The Company's futures, swaps, options, and forwards have off-balance sheet risk.

(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.

(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 Extinguishments of Liabilities: NONE

Note 18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans: NONE

Note 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators: NONE

Note 20. Fair Value Measurement

A.

(1) Fair Value Measurements at Reporting Date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Total	Net Asset Value (NAV) Included in Level 2
a. Assets at fair value					
Bonds.....		683,716		683,716	
Common stocks unaffiliated	1,009,343	705,674	544,822	2,259,839	
Derivative assets: Options		62,093,030		62,093,030	
Derivative assets: Futures	1,395,308			1,395,308	
Derivative assets: Forwards		327,445		327,445	
Separate account assets: Variable products		14,322,763		14,322,763	
Total assets at fair value	2,404,651	78,132,628	544,822	81,082,101	

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: Currency Swaps		2,749,346		2,749,346	
Derivative liabilities: Total Return Swaps		4,861		4,861	
Derivative liabilities: Options		6,562		6,562	
Derivative liabilities: Forwards		9,421,736		9,421,736	
Separate account liabilities: Variable products		14,380,704		14,380,704	
Total liabilities at fair value		26,563,209		26,563,209	

There were no transfers between Level 1, Level 2, or Level 3 of the fair value hierarchy during the quarter ended June 30, 2018.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Description	Ending Balance as of Prior Quarter End	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 for Current Quarter End
a. Assets										
Common stocks unaffiliated				(4,483)	14,056	535,249				544,822
Total Assets				(4,483)	14,056	535,249				544,822

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

The levels of the fair value hierarchy are as follows:

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

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

Level 2 inputs include the following:

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

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

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

B. Other Fair Value Disclosures: NONE

C. Aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)	Net Asset Value (NAV) Included in Level 2
Assets - Bonds	10,105,553,911	10,086,192,230	123,200,267	8,755,123,281	1,227,230,363		
Assets - Preferred stocks	44,586,075	41,749,875		44,586,075			
Assets - Common stocks unaffiliated	2,259,839	2,259,839	1,009,343	705,674	544,822		
Assets - Mortgage loans - first liens	887,880,325	864,682,121			887,880,325		
Assets - Mortgage loans - other than first liens	626,112,986	634,127,512			626,112,986		
Assets - Cash, cash equivalents and short-term investments	808,983,503	808,975,406	481,909,788	317,073,715	10,000,000		
Assets - Policy loans	3,151,560	3,151,560		3,151,560			
Assets - Derivative assets	65,399,306	64,841,774	1,395,308	64,003,998			
Assets - Derivative collateral assets	10,514,250	10,514,250	10,514,250				
Assets - Other invested assets	1,090,493,308	1,090,584,127		10,185,075	1,080,308,233		
Assets - Separate account: variable products	14,322,763	14,322,763		14,322,763			
Liabilities - Collateralized borrowings	3,515,898	3,500,908			3,515,898		
Liabilities - Derivative liabilities	33,876,680	34,030,933		33,876,680			
Liabilities - Deposit-type contracts	3,278,434,435	3,344,298,975		3,123,909,705	154,524,730		
Liabilities - Derivative collateral liability	42,904,000	42,904,000	42,904,000				

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 is 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.

Mortgage loans – The Company estimates mortgage loans on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

Policy loans – The fair value of policy loans classified as Level 2 is equal to the carrying value of the loans, which are collateralized by the cash surrender value of the associated insurance contracts.

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates, and correlation of the inputs. The Company considers and incorporates counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure.

NOTES TO FINANCIAL STATEMENTS

The Company also evaluates and includes its own nonperformance risk in valuing derivatives. The majority of the Company's derivatives trade are in liquid markets; therefore, the Company can verify model inputs and model selection does not involve significant management judgment and are classified within Level 2. If the Company cannot verify model inputs and model selection does involve significant management judgment, the derivatives are classified as Level 3.

Other invested assets – Within other invested assets, partnerships are valued based on net asset value information provided by the general partner or related asset manager. These partnership interests usually include multiple underlying investments for which either observable market prices or other valuation methods are used to determine the fair value. These investments are classified as Level 3 due to the limited market activity and price transparency inherent in the market for such investments. Other than partnerships, other invested assets may include surplus notes and other investments with bond or stock characteristics and the Company attempts to value these using commercial pricing services, which would be classified as Level 2 assets. If the Company cannot value with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3 assets.

Separate account assets (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 separate account assets accrue directly to the policyowners and are not included in the Company's revenues and expenses or surplus.

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

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

D. Not Practical to Estimate Fair Value: NONE

Note 21. Other Items: No Change

Note 22. Events Subsequent

Subsequent events have been considered through August 14, 2018 for the statutory statement dated June 30, 2018. There have been no Type I events subsequent to the close of the books and accounts for this statement that have a material effect on the financial condition of the Company.

Type II events subsequent consisted of the following:

During July 2018, the Company received capital contributions of \$7.9 million and \$15 million from its direct parent, AUSA.

During July 2018, the Company made a \$15 million capital contribution to its wholly-owned subsidiary, Athene Annuity and Life Company (AAIA).

Note 23. Reinsurance

Effective January 1, 2018, the Company entered into a coinsurance agreement with AAIA to assume 50% of all retail annuity business issued by AAIA on or after January 1, 2018. The Company subsequently entered into a retrocession modified coinsurance agreement with AARe effective January 1, 2018 to cede an 80% quota share of this AAIA retail annuity business.

Effective January 1, 2018, the Company recaptured a modified coinsurance agreement originally entered into with ALRe on August 1, 2017. This agreement retroceded 80% of the assumed Lincoln National Life Insurance Company business issued on or after August 1, 2017. The modified coinsurance reserves that were recaptured from ALRe were \$168.7 million as of January 1, 2018.

Effective January 1, 2018, the Company recaptured a retrocession modified coinsurance agreement originally entered into with ALRe on November 1, 2012, which was subsequently amended on December 31, 2012 and January 1, 2016. This treaty retroceded 80% of the assumed Liberty Bankers Life Insurance Company annuity business, 89% of the assumed Athene Annuity & Life Assurance Company of New York annuity business and 80% of the assumed Royal Neighbors of America annuity business. The Company subsequently entered into a retrocession modified coinsurance agreement with AARe effective January 1, 2018 to cede the same quota shares of these blocks of business. The modified coinsurance reserves that were recaptured from ALRe and ceded to AARe were \$2,168.0 million as of January 1, 2018.

Effective January 1, 2018, the Company recaptured a retrocession modified coinsurance agreement originally entered into with ALRe on December 16, 2011. This agreement retroceded 80% of the assumed Transamerica Life Insurance Company annuity business. The Company subsequently entered into a retrocession modified coinsurance agreement with AARe effective January 1, 2018 to cede the same 80% quota share of this business. The modified coinsurance reserves that were recaptured from ALRe and ceded to AARe were \$674.3 million as of January 1, 2018.

Effective January 1, 2018, the Company recaptured a modified coinsurance agreement originally entered into with ALRe on April 29, 2011. This agreement ceded 75% of the inforce (as of April 29, 2011) and future annuity business, which was increased to 80% on January 1, 2014. The Company subsequently entered into a modified coinsurance agreement with AARe effective January 1, 2018 to cede the same 80% quota share of the annuity business. The modified coinsurance reserves that were recaptured from ALRe and ceded to AARe were \$2,995.6 million as of January 1, 2018.

Effective April 1, 2018, the Company recaptured a modified coinsurance agreement originally entered into with ALRe on April 1, 2015. This agreement ceded 100% of the Funding Agreement business issued on or after April 1, 2015. The Company subsequently entered into a new modified coinsurance agreement with ALRe effective April 1, 2018 to cede the same 100% quota share of the Funding Agreement business. The modified coinsurance reserves that were recaptured and ceded to ALRe were \$3,124.8 million as of April 1, 2018.

Effective June 1, 2018, the Company entered into two quota share reinsurance agreements, one coinsurance and one modified coinsurance, with Voya Insurance and Annuity Company (VIAC) to assume a 20% quota share of all fixed annuity business issued by VIAC prior to the effective date of the treaty. The reserves that were assumed from VIAC were \$3,494.6 million across the two treaties as of June 1, 2018.

Effective June 1, 2018, the Company entered into a quota share coinsurance agreement with VIAC to assume a 20% quota share of all guaranteed minimum income benefit (GMIB) rider policies issued by VIAC on or after the effective date of the treaty.

Effective June 1, 2018, the Company entered into a quota share modified coinsurance agreement with Reliastar Life Insurance Company (RLI) to assume a 20% quota share all fixed annuity business issued by RLI prior to the effective date of the treaty. The reserves that were assumed from RLI were \$88.9 million as of June 1, 2018.

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

NOTES TO FINANCIAL STATEMENTS

Note 27. Structured Settlements: NONE

Note 28. Health Care Receivables: NONE

Note 29. Participating Policies: No Change

Note 30. Premium Deficiency Reserves: NONE

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

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

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

Note 34. Separate Accounts: No Change

Note 35. Loss/Claim Adjustment Expenses: NONE