

**QUARTERLY STATEMENT**

**OF THE**

**Athene Annuity & Life Assurance Company**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

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

LIFE AND ACCIDENT AND HEALTH

FRATERNAL BENEFIT SOCIETIES

**2019**

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE Athene Annuity & 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 .....	14,487,726,670		14,487,726,670	10,987,478,024
2. Stocks:				
2.1 Preferred stocks .....	221,327,180		221,327,180	87,168,478
2.2 Common stocks .....	1,282,190,595	37,729	1,282,152,866	1,239,963,516
3. Mortgage loans on real estate:				
3.1 First liens .....	2,388,748,477		2,388,748,477	1,754,476,638
3.2 Other than first liens.....	554,742,556		554,742,556	574,868,675
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 (\$ .....(105,429,231) ), cash equivalents (\$ ..... ) and short-term investments (\$ .....988,057,188 ) .....	882,627,957		882,627,957	922,628,925
6. Contract loans (including \$ ..... premium notes) .....	2,851,449		2,851,449	3,030,136
7. Derivatives .....	146,826,433		146,826,433	41,745,123
8. Other invested assets .....	1,495,580,887	669,120	1,494,911,767	1,277,187,859
9. Receivables for securities .....	12,542,290		12,542,290	860,049
10. Securities lending reinvested collateral assets .....				
11. Aggregate write-ins for invested assets .....				5,599,813
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	21,475,164,494	706,849	21,474,457,645	16,895,007,236
13. Title plants less \$ ..... charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	143,833,786	324,161	143,509,625	112,390,019
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 .....	65,609,645		65,609,645	61,843,716
16.2 Funds held by or deposited with reinsured companies .....	2,582,582,351		2,582,582,351	2,598,123,428
16.3 Other amounts receivable under reinsurance contracts .....	1,913,937,924		1,913,937,924	2,213,913,972
17. Amounts receivable relating to uninsured plans .....				
18.1 Current federal and foreign income tax recoverable and interest thereon .....	68,825,651		68,825,651	8,960,618
18.2 Net deferred tax asset .....	67,984,706	34,592,325	33,392,381	16,561,755
19. Guaranty funds receivable or on deposit .....	547,151		547,151	622,756
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 .....				
24. Health care (\$ ..... ) and other amounts receivable .....	10,495,795		10,495,795	10,180,877
25. Aggregate write-ins for other than invested assets .....	1,524,474	347,502	1,176,972	
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	26,330,505,976	35,970,836	26,294,535,140	21,917,604,376
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	13,807,268		13,807,268	12,509,189
28. Total (Lines 26 and 27) .....	26,344,313,244	35,970,836	26,308,342,408	21,930,113,565
<b>DETAILS OF WRITE-INS</b>				
1101. Derivative collateral asset .....				5,599,813
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) .....				5,599,813
2501. Miscellaneous assets .....	1,524,474	347,502	1,176,972	
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) .....	1,524,474	347,502	1,176,972	

STATEMENT AS OF SEPTEMBER 30, 2019 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 \$ .....18,791,854,149 less \$ ..... included in Line 6.3 (including \$ .....12,678,830,158 Modco Reserve)	18,791,854,149	14,819,372,234
2. Aggregate reserve for accident and health contracts (including \$ ..... Modco Reserve)		
3. Liability for deposit-type contracts (including \$ .....3,428,181,373 Modco Reserve)	3,585,965,037	3,076,990,414
4. Contract claims:		
4.1 Life	47,502,072	38,735,718
4.2 Accident and health		
5. Policyholders' dividends/refunds to members \$ ..... and coupons \$ ..... due and unpaid		
6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year - estimated amounts:		
6.1 Policyholders' dividends and refunds to members apportioned for payment (including \$ ..... Modco)	34,951	34,951
6.2 Policyholders' dividends and refunds to members not yet apportioned (including \$ ..... Modco)		
6.3 Coupons and similar benefits (including \$ ..... Modco)		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ ..... discount; including \$ ..... 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 \$ .....51,790,996 assumed and \$ .....1,584,205,108 ceded	1,635,996,104	2,068,395,746
9.4 Interest Maintenance Reserve	41,271,956	40,024,458
10. Commissions to agents due or accrued-life and annuity contracts \$ .....226,327, accident and health \$ .....457,373 and deposit-type contract funds \$ .....	683,700	625,739
11. Commissions and expense allowances payable on reinsurance assumed	32,555,489	26,739,586
12. General expenses due or accrued	1,152,043	1,894,516
13. Transfers to Separate Accounts due or accrued (net) (including \$ .....(12,449) accrued for expense allowances recognized in reserves, net of reinsured allowances)	(12,449)	(38,887)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes	199,933	222,956
15.1 Current federal and foreign income taxes, including \$ ..... on realized capital gains (losses)		
15.2 Net deferred tax liability		
16. Unearned investment income	35,999	37,417
17. Amounts withheld or retained by reporting entity as agent or trustee	286,438	221,440
18. Amounts held for agents' account, including \$ ..... agents' credit balances		
19. Remittances and items not allocated	22,255,033	4,640,310
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	307,428,247	188,720,053
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	16,280,629	12,282,872
24.05 Drafts outstanding		
24.06 Liability for amounts held under uninsured plans		
24.07 Funds held under coinsurance		
24.08 Derivatives	17,228,881	23,225,271
24.09 Payable for securities	46,797,293	17,291,748
24.10 Payable for securities lending		
24.11 Capital notes \$ ..... and interest thereon \$ .....		
25. Aggregate write-ins for liabilities	172,639,532	54,126,844
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	24,720,155,039	20,373,543,387
27. From Separate Accounts Statement	13,807,268	12,509,189
28. Total liabilities (Lines 26 and 27)	24,733,962,307	20,386,052,576
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	1,183,959,318	1,173,317,219
34. Aggregate write-ins for special surplus funds		
35. Unassigned funds (surplus)	387,920,783	368,243,769
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)	1,571,880,101	1,541,560,989
38. Totals of Lines 29, 30 and 37	1,574,380,101	1,544,060,989
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	26,308,342,408	21,930,113,565
<b>DETAILS OF WRITE-INS</b>		
2501. Derivative collateral liability	150,655,749	34,203,242
2502. Unclaimed funds	21,765,033	19,848,946
2503. Miscellaneous liability	218,750	74,656
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	172,639,532	54,126,844
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)		
3401. ....		
3402. ....		
3403. ....		
3498. Summary of remaining write-ins for Line 34 from overflow page		
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)		

**SUMMARY OF OPERATIONS**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts	906,745,617	4,162,938,258	4,544,539,834
2. Considerations for supplementary contracts with life contingencies	32,520,579	89,317,443	101,196,070
3. Net investment income	583,234,544	396,799,230	570,865,523
4. Amortization of Interest Maintenance Reserve (IMR)	2,940,254	9,304,529	11,655,776
5. Separate Accounts net gain from operations excluding unrealized gains or losses			
6. Commissions and expense allowances on reinsurance ceded	303,548,504	247,774,546	352,651,506
7. Reserve adjustments on reinsurance ceded	2,924,297,422	1,842,640,324	2,991,614,340
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	349,780	394,890	482,947
8.2 Charges and fees for deposit-type contracts			
8.3 Aggregate write-ins for miscellaneous income	89,109,621	98,166,876	123,352,495
9. Totals (Lines 1 to 8.3)	4,842,746,321	6,847,336,095	8,696,358,491
10. Death benefits	826,447	788,595	820,805
11. Matured endowments (excluding guaranteed annual pure endowments)			
12. Annuity benefits	99,870,116	62,750,291	93,938,215
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	392,381,323	219,725,622	355,472,765
16. Group conversions			
17. Interest and adjustments on contract or deposit-type contract funds	64,017,859	90,468,330	117,192,745
18. Payments on supplementary contracts with life contingencies	8,408,460	3,593,464	5,555,006
19. Increase in aggregate reserves for life and accident and health contracts	3,970,301,916	5,955,042,059	7,415,652,696
20. Totals (Lines 10 to 19)	4,535,806,121	6,332,368,360	7,988,632,232
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	2,694,992	2,941,565	4,056,640
22. Commissions and expense allowances on reinsurance assumed	362,244,023	380,058,125	516,954,148
23. General insurance expenses and fraternal expenses	20,871,219	21,337,557	28,705,001
24. Insurance taxes, licenses and fees, excluding federal income taxes	1,151,669	10,852,469	1,901,778
25. Increase in loading on deferred and uncollected premiums			
26. Net transfers to or (from) Separate Accounts net of reinsurance	(297,794)	(395,952)	(449,200)
27. Aggregate write-ins for deductions	(88,742,853)	136,935,248	144,700,016
28. Totals (Lines 20 to 27)	4,833,727,377	6,884,097,372	8,684,500,615
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	9,018,944	(36,761,277)	11,857,875
30. Dividends to policyholders and refunds to members	22,326	24,391	31,077
31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	8,996,618	(36,785,668)	11,826,798
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	62,171,153	(15,526,722)	(21,067,775)
33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(53,174,535)	(21,258,946)	32,894,574
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ 63,897 (excluding taxes of \$ 1,968,405 transferred to the IMR)	(782,170)	(4,553,836)	(14,708,060)
35. Net income (Line 33 plus Line 34)	(53,956,704)	(25,812,782)	18,186,514
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year	1,544,060,989	1,347,657,138	1,347,657,138
37. Net income (Line 35)	(53,956,704)	(25,812,782)	18,186,514
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ 5,067,896	135,352,489	78,679,527	(5,646,321)
39. Change in net unrealized foreign exchange capital gain (loss)	84,598	(987,476)	(12,720,213)
40. Change in net deferred income tax	56,490,847	3,059,096	1,685,873
41. Change in nonadmitted assets	(34,316,610)	(392,660)	(470,354)
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	(118,708,194)	(29,252,423)	11,827,831
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	10,642,099	183,621,510	186,536,955
51.2 Transferred to capital (Stock Dividend)			
51.3 Transferred from capital			
51.4 Change in surplus as a result of reinsurance	35,140,008	(893,319)	(2,842,812)
52. Dividends to stockholders	(409,420)		
53. Aggregate write-ins for gains and losses in surplus		(4,584,350)	(153,621)
54. Net change in capital and surplus for the year (Lines 37 through 53)	30,319,112	203,437,124	196,403,851
55. Capital and surplus, as of statement date (Lines 36 + 54)	1,574,380,101	1,551,094,261	1,544,060,989
<b>DETAILS OF WRITE-INS</b>			
08.301. Funds withheld adjustment - assumed	89,064,706	98,069,411	123,200,908
08.302. Miscellaneous income	44,915	97,465	151,587
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)	89,109,621	98,166,876	123,352,495
2701. Reserve adjustments on reinsurance assumed	(85,544,497)	160,507,741	156,178,381
2702. Transfer to IMR - ceded	(1,166,801)	(20,851,353)	(8,748,508)
2703. Transfer to IMR - assumed	(1,777,150)	(3,228,694)	(3,543,516)
2798. Summary of remaining write-ins for Line 27 from overflow page	(254,404)	507,554	813,659
2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above)	(88,742,853)	136,935,248	144,700,016
5301. Correction of prior period error		(7,800,187)	(7,800,187)
5302. Tax sharing agreement		3,215,837	7,646,566
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)	(153,621)

STATEMENT AS OF SEPTEMBER 30, 2019 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
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	939,266,196	839,438,653	1,232,918,856
2. Net investment income .....	548,304,883	342,362,903	504,308,288
3. Miscellaneous income .....	301,600,910	245,477,400	349,442,323
4. Total (Lines 1 to 3) .....	1,789,171,989	1,427,278,957	2,086,669,467
5. Benefit and loss related payments .....	(2,527,973,214)	(1,638,275,517)	(2,560,483,810)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	(324,232)	(338,741)	(415,894)
7. Commissions, expenses paid and aggregate write-ins for deductions .....	378,939,759	403,003,776	535,711,159
8. Dividends paid to policyholders .....	22,326	24,391	34,542
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 4,310,455 tax on capital gains (losses) .....	124,068,488	21,330,680	8,143,155
10. Total (Lines 5 through 9) .....	(2,025,266,873)	(1,214,255,412)	(2,017,010,847)
11. Net cash from operations (Line 4 minus Line 10) .....	3,814,438,862	2,641,534,368	4,103,680,314
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	2,053,810,598	1,550,145,021	2,658,230,104
12.2 Stocks .....		2,481,052	2,265,625
12.3 Mortgage loans .....	732,393,540	134,433,313	279,487,683
12.4 Real estate .....			
12.5 Other invested assets .....	145,481,469	79,882,469	138,698,410
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	1,639,061	1,207,122	1,226,644
12.7 Miscellaneous proceeds .....	35,105,358	9,934,563	3,361,078
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	2,968,430,026	1,778,083,540	3,083,269,544
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	5,629,106,160	3,065,924,289	4,570,403,569
13.2 Stocks .....	134,156,017	35,715,586	55,899,850
13.3 Mortgage loans .....	1,349,192,173	745,635,116	1,317,514,776
13.4 Real estate .....			
13.5 Other invested assets .....	339,185,830	238,909,453	441,606,009
13.6 Miscellaneous applications .....	20,103,088	127,205,885	182,876,503
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	7,471,743,269	4,213,390,329	6,568,300,707
14. Net increase (or decrease) in contract loans and premium notes .....	(178,687)	53,673	(55,608)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(4,503,134,556)	(2,435,360,462)	(3,484,975,555)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....			
16.2 Capital and paid in surplus, less treasury stock .....		27,200,772	12,200,772
16.3 Borrowed funds .....			
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	508,974,623	4,605,064	(274,881,109)
16.5 Dividends to stockholders .....			
16.6 Other cash provided (applied) .....	139,720,104	(31,723,100)	(71,203,180)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	648,694,726	82,737	(333,883,517)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(40,000,968)	206,256,643	284,821,242
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	922,628,925	637,807,683	637,807,683
19.2 End of period (Line 18 plus Line 19.1) .....	882,627,957	844,064,326	922,628,925

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

20.0001. Reinsurance activity settled in bonds (operating) .....	61,127,650	60,016,132	133,316,729
20.0002. Assumed reinsurance activity settled in bonds (investing) .....	8,665,008	12,581,349	18,094,971
20.0003. Ceded reinsurance activity settled in bonds (investing) .....	(69,792,658)	(72,597,481)	(151,411,700)
20.0004. Capital contribution of stock compensation expense (financing) .....	10,642,099	8,621,510	11,536,955
20.0005. Capital contribution of stock compensation expense (investing) .....	(7,803,928)	(6,893,235)	(9,072,918)
20.0006. Capital contribution of stock compensation expense (operating) .....	(2,838,171)	(1,728,275)	(2,464,037)
20.0007. Security exchanges and asset in kind trades - bond proceeds (investing) .....	603,301,045	345,057,909	435,680,744
20.0008. Security exchanges and asset in kind trades - loan proceeds (investing) .....		35,000,000	35,000,000
20.0009. Security exchanges and asset in kind trades - bonds acquired (investing) .....	(603,301,045)	(380,057,909)	(470,680,744)
20.0010. Security exchanges - stocks proceeds (investing) .....	215,427		4,490,427

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

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

20.0011. Security exchanges – stocks acquired (investing)	(215,427)		(4,490,427)
20.0012. Dividends paid – Schedule BA distribution (investing)	409,420		
20.0013. Dividends paid (financing)	(409,420)		
20.0014. Reinsurance inception (operating)		3,201,373,635	3,201,373,635
20.0015. Reinsurance inception miscellaneous proceeds (investing)		21,655,012	21,655,012
20.0016. Reinsurance inception bonds – acquired (investing)	(2,966,500,705)		(2,966,500,705)
20.0017. Reinsurance inception stocks – acquired (investing)	(7,284,310)		(7,284,310)
20.0018. Reinsurance inception mortgage loans – acquired (investing)	(296,054,380)		(296,054,380)
20.0019. Reinsurance inception other invested assets – acquired (investing)	(4,206,743)		(4,206,743)
20.0020. Reinsurance inception contract loans – acquired (investing)	(1,703,929)		(1,703,929)
20.0021. Reinsurance inception (financing)		52,721,420	52,721,420
20.0022. Capital contribution – bonds acquired (investing)	(147,799,227)		(147,799,228)
20.0023. Capital contribution – stocks acquired (investing)			(15,000,000)
20.0024. Capital contribution (financing)		147,799,227	162,799,228
20.0025. Schedule BA distribution other invested assets – proceeds (investing)		3,938,766	4,922,322
20.0026. Schedule BA distribution other invested assets – acquired (investing)		(3,938,766)	(4,922,322)

## NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies and Going Concern**

## A. Accounting Practices

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

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

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

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

	SSAP #	F/S Page	F/S Line #	September 30, 2019	December 31, 2018
<b>NET INCOME</b>					
(1) State basis (Page 4, Line 35, Columns 1 & 3)	XXX	XXX	XXX	.... (53,956,704)	.....18,186,514
(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	.... (53,856,704)	.....18,186,514
<b>SURPLUS</b>					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	..1,574,380,101	..1,544,060,989
(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	..1,574,380,101	..1,544,060,989

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

## C. Accounting Policy

(1) No Change

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

(3) – (5) No Change

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

(7) – (13) No Change

## D. Going Concern

Management's assessment of the relevant conditions through November 13, 2019 does 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: NONE****Note 3. Business Combinations and Goodwill**

Effective December 31, 2018, Athene Life Insurance Company (ALIC), a stock life insurance company domiciled in the State of Delaware, merged with and into the Company. The transaction was accounted for as a statutory merger. Prior to the merger, the Company owned 100% of the outstanding capital stock of ALIC and accounted for ALIC as an investment in affiliated common stock carried at ALIC's statutory capital and surplus. The Company remained as the surviving entity, and no changes were made to the Company's capital stock.

In accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*, the Company restated the prior year to date column of the accompanying financial statements and disclosures as if the merger occurred on January 1, 2017.

**Note 4. Discontinued Operations: NONE****Note 5. Investments**

A – C. No Change

## D. Loan-Backed Securities

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

## NOTES TO FINANCIAL STATEMENTS

- (2) 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.

	1 Amortized Cost Basis Before Other-than- Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss		3 Fair Value 1 - (2a + 2b)
		2a Interest	2b Non-interest	
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 .....	66,796,557	10,524,490		56,272,067
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 .....	66,796,557	10,524,490		56,272,067
OTTI recognized 3rd Quarter				
g. Intent to sell .....				
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 .....				
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 .....		10,524,490		

- (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
02660T-FK-4 .....	4,295,458	4,251,774	43,685	4,251,774	4,240,806	03/31/2019
12543W-AA-6 .....	3,222,980	3,197,476	25,504	3,197,476	3,146,369	03/31/2019
59024K-AF-0 .....	5,131,504	5,101,714	29,791	5,101,714	5,095,190	06/30/2019
86360J-AN-1 .....	2,437,207	2,396,983	40,223	2,396,983	2,260,096	09/30/2019
Total	XXX	XXX	139,203	XXX	XXX	XXX

- (4) The following table shows the gross unrealized losses and fair values of loan-backed securities, which have not been impaired to fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2019.

a. The aggregate amount of unrealized losses:	
1. Less than 12 Months .....	25,709,079
2. 12 Months or Longer .....	45,336,211
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 Months .....	1,541,307,891
2. 12 Months or Longer .....	668,327,245

- (5) A full analysis of all relevant qualitative considerations was completed in reaching the conclusion that the impairments were not other-than-temporary, including the intent and ability to hold the investment for a period of time sufficient to allow for a recovery in value. Specific events that may influence the operations of the issuer and impaired earnings potential are reviewed in addition to length of time and extent to which the fair value has been less than cost.

E – F. No Change

## NOTES TO FINANCIAL STATEMENTS

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

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

(2) Type of Repo Trades Used

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

(3) Original (Flow) & Residual Maturity

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

**ENDING BALANCE**

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

(7) Collateral Pledged – Secured Borrowing

	FIRST QUARTER				SECOND QUARTER			
	1	2	3	4	5	6	7	8
	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....								
c. Securities (BACV) .....	XXX	XXX	XXX		XXX	XXX	XXX	
d. Nonadmitted Subset (BACV) .....	XXX	XXX	XXX		XXX	XXX	XXX	

	THIRD QUARTER				FOURTH QUARTER			
	9	10	11	12	13	14	15	16
	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....	273,829,906	273,829,906	273,829,906	273,829,906				
c. Securities (BACV) .....	XXX	XXX	XXX	273,829,906	XXX	XXX	XXX	
d. Nonadmitted Subset (BACV) .....	XXX	XXX	XXX		XXX	XXX	XXX	

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

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

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

	FIRST QUARTER				SECOND QUARTER			
	1	2	3	4	5	6	7	8
	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....								

	THIRD QUARTER				FOURTH QUARTER			
	9	10	11	12	13	14	15	16
	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE	MINIMUM	MAXIMUM	AVERAGE DAILY BALANCE	ENDING BALANCE
a. Cash .....								
b. Securities (FV) .....	85,000,000	85,000,000	85,000,000	85,000,000				

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

H – R. No Change

## NOTES TO FINANCIAL STATEMENTS

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

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

**Note 8. Derivative Instruments**

A – G. No Change

H. There were no derivative contracts with premium cost.

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

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

Some employees of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by Athene Holding Ltd., 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 \$10.6 million and \$11.5 million for the nine months ended September 30, 2019 and for the year ended December 31, 2018, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

During 2018, the Company received capital contributions from its direct parent, AUSA, totaling \$175 million, and the Company made a \$15 million capital contribution to its wholly-owned subsidiary, Athene Annuity and Life Company (AAIA).

**Note 11. Debt**

A. No Change

B. FHLB (Federal Home Loan Bank) Agreements

(1) Through its membership in the FHLB of Indianapolis, the Company's predecessor by merger, ALIC, had issued funding agreements in exchange for cash advances. On August 11, 2016, ALIC provided the FHLB of Indianapolis with notice of its withdrawal of membership. The merger of ALIC effective December 31, 2018 terminates ALIC's membership in the FHLB of Indianapolis. The Company holds FHLB Class B Membership Stock which is available for redemption on August 12, 2021. There are no remaining funding agreement liabilities with the FHLB of Indianapolis.

(2) FHLB Capital Stock

a. Aggregate Totals

1. Current Year	1 Total 2+3	2 General Account	3 Separate Accounts
(a) Membership Stock - Class A .....			
(b) Membership Stock - Class B .....	\$4,490,900	\$4,490,900	
(c) Activity Stock .....			
(d) Excess Stock .....			
(e) Aggregate Total .....	\$4,490,900	\$4,490,900	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer .....	\$0	XXX	XXX

  

2. Prior Year-end	1 Total 2+3	2 General Account	3 Separate Accounts
(a) Membership Stock - Class A .....			
(b) Membership Stock - Class B .....	\$4,490,900	\$4,490,900	
(c) Activity Stock .....			
(d) Excess Stock .....			
(e) Aggregate Total .....	\$4,490,900	\$4,490,900	
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer .....	\$0	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

	Current Year Total	Not Eligible for Redemption	Less Than 6 Months	6 Months to Less Than 1 Year	1 to Less Than 3 Years	3 to 5 Years
Membership Stock						
Class A .....						
Class B .....	\$4,490,900				\$4,490,900	

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)

## NOTES TO FINANCIAL STATEMENTS

## (3) Collateral Pledged to FHLB

## a. Amount Pledged as of Reporting Date

The Company did not have any amounts pledged to FHLB as of September 30, 2019 and December 31, 2018.

## b. Maximum Amount Pledged During Reporting Period

	1	2	3
	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
1. Current Year Total General and Separate Accounts Maximum Collateral Pledged (Lines 2+3).....			
2. Current Year General Account Maximum Collateral Pledged .....			
3. Current Year Separate Accounts Maximum Collateral Pledged .....			
4. Prior Year-end Total General and Separate Accounts Maximum Collateral Pledged .....	\$39,895,873	\$39,489,961	\$24,900,000

## (4) Borrowing from FHLB

The Company had no borrowings from FHLB as of September 30, 2019 and December 31, 2018.

**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**

During June 2019, the Company's direct subsidiary, AAIA, distributed 100% of its membership interests in Athene Securities, LLC to the Company through a dividend of \$0.4 million. The Company then immediately distributed 100% of the membership interests in Athene Securities, LLC to its direct parent, AUSA, through a dividend of \$0.4 million.

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

A – E. No Change

F. All Other Contingencies

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 resolved the matter at mediation on August 15, 2019 for an immaterial amount.

In 2000 and 2001, two insurance companies which were subsequently merged into the Company's subsidiary AAIA purchased from American General Life Insurance Company (American General) broad based variable corporate-owned life insurance (COLI) policies that, as of September 30, 2019, had an asset value of \$379.6 million. In January 2012, the COLI policy administrator delivered to AAIA a supplement to the existing COLI policies and advised that American General and ZC Resource Investment Trust (ZC Trust) had unilaterally implemented changes set forth in the supplement that if effective, would: (1) potentially negatively impact the crediting rate for the policies and (2) change the exit and surrender protocols set forth in the policies. In March 2013, AAIA filed suit against American General, ZC Trust, and ZC Resource LLC in Chancery Court in Delaware, seeking, among other relief, a declaration that the changes set forth in the supplement were ineffectual and in breach of the parties' agreement. The parties filed cross motions for judgment as a matter of law, and the court granted defendants' motion and dismissed without prejudice on ripeness grounds. The issue that negatively impacts the crediting rate for one of the COLI policies has subsequently been triggered and on April 3, 2018, AAIA filed its suit against the same defendants in Chancery Court in Delaware seeking substantially similar relief, which defendants have moved to dismiss and AAIA has opposed. The Court heard oral arguments on February 13, 2019 and has taken the matter under advisement. The Court issued an Opinion on July 31, 2019, that did not address the merits, but found that Chancery Court did not have jurisdiction over AAIA's claims and directed AAIA to either amend its Complaint or transfer the matter to Delaware Superior Court. The matter has been transferred to the Delaware Superior Court. The motion to dismiss will be argued on December 18, 2019. If the supplement is ultimately deemed to be effective, the purported changes to the policies could impair the AAIA's ability to access the value of guarantees associated with the policies. The value of the guarantees included within the asset value reflected above is \$187.3 million as of September 30, 2019.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

**Note 15. Leases:** NONE

**Note 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk:** No Change

**Note 17. Sale, Transfer and Servicing of Financial Assets and 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 Measurements**

A. Fair Value Measurements

(1) Fair Value Measurements at Reporting Date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
Bonds: Corporates .....		708,657			708,657
Bonds: Exchange traded funds.....		40,757,000			40,757,000
Bonds: RMBS.....			696,490		696,490
Common stocks unaffiliated.....	777,716	4,678,603	148,360		5,604,679
Derivative assets: Options .....		116,626,083			116,626,083
Derivative assets: Futures .....	2,242,831				2,242,831
Derivative assets: Forwards .....		9,585,160			9,585,160
Separate account assets: Variable products .....		13,807,268			13,807,268
<b>Total assets at fair value/NAV</b>	<b>3,020,547</b>	<b>186,162,771</b>	<b>844,850</b>		<b>190,028,168</b>

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>b. Liabilities at fair value</b>					
Derivative liabilities: Currency swaps .....		153,996			153,996
Derivative liabilities: Total Return Swaps.....		4,628			4,628
Derivative liabilities: Options .....		165,242			165,242
Derivative liabilities: Forwards .....		10,208,151			10,208,151
Separate account liabilities: Variable products .....		13,794,819			13,794,819
<b>Total liabilities at fair value</b>		<b>24,326,836</b>			<b>24,326,836</b>

There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during 2019.

## NOTES TO FINANCIAL STATEMENTS

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

Description	Beginning Balance at 01/01/2019	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 9/30/2019
a. Assets										
Common stocks unaffiliated.....	147,651				709					148,360
Bonds:RMBS.....						696,490				696,490
<b>Total Assets</b>	<b>147,651</b>				<b>709</b>	<b>696,490</b>				<b>844,850</b>

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

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

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

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

The levels of the fair value hierarchy are as follows:

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

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

Level 2 inputs include the following:

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

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

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)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Assets - Bonds .....	15,083,913,899	14,487,726,670	13,039,073	13,304,888,602	1,765,986,224		
Assets - Preferred stocks .....	231,442,032	221,327,180		69,777,385	161,664,647		
Assets - Common stocks unaffiliated .....	5,604,679	5,604,679	777,716	4,678,603	148,360		
Assets - Mortgage loans - first liens .....	2,489,540,363	2,388,748,477			2,489,540,363		
Assets - Mortgage loans - other than first liens .....	552,742,818	554,742,556			552,742,818		
Assets - Cash and short-term investments.....	882,927,595	882,627,957	532,239,181	254,999,352	95,689,062		
Assets - Policy loans .....	2,851,449	2,851,449		2,851,449			
Assets - Derivative assets .....	158,691,037	146,826,433	2,242,831	156,448,206			
Assets - Other invested assets .....	1,501,570,346	1,494,911,767		64,234,515	27,500,911	1,409,834,920	
Assets - Separate account: variable products .....	13,807,268	13,807,268		13,807,268			
Liabilities - Deposit-type contracts .....	3,680,335,375	3,585,965,037		3,339,672,992	280,662,383		
Liabilities - Derivative liabilities .....	7,590,417	17,228,881		7,590,417			
Liabilities - Derivative collateral liability .....	150,655,749	150,655,749	150,655,749				

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.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates, and correlation of the inputs. The Company considers and incorporates counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. The Company also evaluates and includes its own nonperformance risk in valuing derivatives. The majority of the Company's derivatives trade are in liquid markets; therefore, the Company can verify model inputs and model selection does not involve significant management judgment and are classified within Level 2. If the Company cannot verify model inputs and model selection does involve significant management judgment, the derivatives are classified as Level 3.

Other invested assets – Within other invested assets, partnerships are valued based on net asset value information provided by the general partner or related asset manager. These partnership interests usually include multiple underlying investments for which either observable market prices or other valuation methods are used to determine the fair value. These investments are reported in the Net Asset Value (NAV) column. Other than partnerships, other invested assets may include surplus notes and other investments with bond or stock characteristics and the Company attempts to value these using 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.

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 are calculated by discounting best estimate cash flows based on mortality and market interest rate assumptions. Fair value of 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

E. Net Asset Value

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

As of September 30, 2019, the Company has \$624.0 million unfunded commitments to invest in these investment funds.

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

**Note 22. Events Subsequent**

Subsequent events have been considered through November 13, 2019 for the statutory statement dated September 30, 2019. There have been no Type I or Type II events subsequent to the close of the books and accounts for this statement that have a material effect on the financial condition of the Company.

**Note 23. Reinsurance**

Effective July 1, 2019, the Company recaptured a modified coinsurance agreement originally entered into with Reliastar Life Insurance Company (RLI) on June 1, 2018. This agreement assumed a 20% quota share of an existing block of fixed annuity business. The modified coinsurance reserves that were recaptured by RLI were \$82.7 million as of July 1, 2019.

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

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

**Note 26. Intercompany Pooling Arrangements:** NONE

**Note 27. Structured Settlements:** NONE

**Note 28. Health Care Receivables:** NONE

**Note 29. Participating Policies:** No Change

**Note 30. Premium Deficiency Reserves:** NONE

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

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

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

**Note 34. Separate Accounts:** No Change

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