

NLV Financial Corporation and Subsidiaries

**Quarterly Performance Review and
Consolidated Financial Statements**

First Quarter 2018

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Index

	Page
Quarterly Financial Performance Review and Consolidated Financial Statements (Unaudited)	
Quarterly Financial Performance Review	3
Basis of Presentation: Consolidated Financial Statements	11
Consolidated Balance Sheets	12
Consolidated Statements of Operations	13
Consolidated Statements of Changes in Stockholder's Equity	14
Consolidated Statements of Cash Flows	15

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

About the Company

NLV Financial Corporation (“NLVF”) through its subsidiaries (collectively, the “Company”, “we”, “our”) offers life insurance policies, annuity contracts and investment products and services. The Company’s principal insurance product lines include whole life, term life, universal life, indexed universal life, variable universal life, fixed annuities, indexed annuities and variable annuities.

In 1999, National Life Insurance Company (“NLIC”) reorganized from a mutual to a stock insurance company as part of a reorganization into a mutual insurance holding company structure in order, among other things, to compete more effectively, have a more flexible and cost-effective capital structure, and be part of an enterprise which is better positioned to make strategic acquisitions. Concurrent with the reorganization into a mutual insurance holding company structure, NLIC created a Closed Block of life insurance and annuity policies to provide reasonable assurance to owners of policies in the Closed Block that assets will be available to provide for the continuation of dividend payments following the reorganization. National Life Holding Company, a Vermont mutual insurance holding company, owns 100% of the outstanding common stock of NLVF, an intermediate stock insurance holding company incorporated under the laws of the state of Delaware. NLVF directly owns 100% of the outstanding common stock of NLIC, Sentinel Asset Management, Inc. (“Sentinel Investments”), Equity Services, Inc. (“ESI”), Catamount Reinsurance Company, and certain other subsidiaries, and indirectly owns 100% of the outstanding common stock of Life Insurance Company of the Southwest (“LSW”) and Longhorn Reinsurance Company, which are both wholly owned by NLIC. NLVF indirectly owns National Life Distribution, LLC (“NLD”), whose sole member is LSW.

Prior to October 27, 2017, the Company also distributed and provided investment advisory and administrative services to the Sentinel Group Funds, Inc. through Sentinel Asset Management, Inc. (“SAMI”) and its subsidiaries. On October 27, 2017, the Company executed the sale of certain assets under management, related to the investment advisory and investment management services provided to the mutual fund business, to Touchstone Investments, a subsidiary of Western & Southern Financial Group.

Distribution

Our target market is middle America customers comprised primarily of families, small business owners, multicultural markets, and K-12 educators. Our strategy is to leverage our living benefit riders in both our life insurance and 403(b) products to provide peace of mind to everyone we touch. The Company markets and distributes its products throughout the United States through three principal channels: Career, Affiliated Independent and Institutional Markets.

- **Career:** The Career channel consists of agents who specialize in selling products to the middle and emerging affluent markets, professionals, business owners and other affluent individuals for financial and business planning purposes.
- **Affiliated Independent:** The Affiliated Independent channel consists of agents who primarily offer life insurance, annuity, and mutual fund products to the middle and emerging affluent markets, for purposes of providing for the financial consequences of specific life events, such as death, retirement, college funding, and chronic or long term illness. While these agents have access to all products, certain agents sell life insurance and annuity products with an emphasis on the 403(b) qualified tax deferred retirement savings market for individuals employed by public schools.
- **Institutional Markets:** Institutional Markets works directly with institutional clients, issuing funding agreements directly with Federal Home Loan Banks in Boston and Dallas. Additionally, Institutional Markets works directly with fixed income asset managers to provide stable value wrap products to their stable value portfolios. In the future, business partners may expand to include banks, corporations, consultants and certain brokers in order to increase Institutional Markets product offerings.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

Overview

This Quarterly Financial Performance Review provides an overview of NLVF's results of operations for the three months ended March 31, 2018 and 2017 and, where appropriate, factors that may affect NLVF's future financial performance. This review should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements as of and for the years ended December 31, 2017 and 2016. The discussion below, unless otherwise noted, is prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Our fixed indexed life and annuity products may experience significant period to period income statement volatility due to changes in external market-related factors that are not aligned with the long-term results of these products. In addition to net income, we use core earnings and pre-tax operating income, both non-GAAP financial measures, to evaluate our financial performance. Pre-tax operating income equals net income before taxes and net realized gains (losses) on investments. Core earnings equal pre-tax operating income before changes in the fair value of derivatives and embedded derivatives. As these items fluctuate from period to period in a manner unrelated to core operations, we believe measures excluding their impact are useful in analyzing operating trends. We believe the combined presentation and discussion of pre-tax operating income, core earnings, and net income provides information that will enhance readers' understanding of our underlying results, operating trends and profitability. A non-GAAP reconciliation of core earnings, pre-tax operating income and net income is presented on page 7.

Quarterly Financial Performance Review

Core earnings for the first quarter of 2018 decreased \$5.2 million, or 11%, to \$40.8 million compared to \$46.0 million in the first quarter of 2017. The decrease was primarily due to annuity spread compression, higher operating expenses, and increases in Guaranteed Lifetime Income Rider ("GLIR") reserves associated with growth in our indexed annuity business. These decreases in core earnings were partially offset by higher policy and contract charges, driven by significant growth in our indexed universal life business.

Each of the components of core earnings and the factors that contributed to the changes for the three months ended March 31, 2018 compared to the same period in 2017 are described in detail below.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Quarterly Financial Performance Review

<i>(in thousands)</i>	For the Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Insurance premiums	\$ 43,889	\$ 47,163
Policy and contract charges	151,618	132,996
Mutual fund commissions and fee income	12,896	23,615
Net investment income	269,918	258,191
Change in value of trading equity securities	(225)	707
Other income	6,403	6,442
Total revenues	484,499	469,114
Benefits and expenses:		
Decrease in policy liabilities	(58,788)	(19,767)
Policy benefits	160,652	124,228
Policyholders' dividends and dividend obligations	9,184	16,091
Interest credited to policyholder account liabilities	150,084	133,474
Operating expenses	84,621	79,437
Interest expense	10,094	10,040
Policy acquisition expenses and amortization of present value of future profits, net	87,838	79,565
Total benefits and expenses	443,685	423,068
Core earnings	\$ 40,814	\$ 46,046

Insurance premiums include considerations on traditional whole, term life insurance and disability income contracts. Deposits received for investment-type products such as fixed annuities, fixed index annuities and universal life policies, which comprise the majority of our new sales, are not included in premiums. Revenue from universal life products is reflected in policy and contract charges. Premium income decreased to \$43.9 million for the three months ended March 31, 2018, from \$47.2 million for the same period in 2017. The decrease was driven by lower sales of whole life products and lower renewal premiums due to the expected run-off of the Closed Block.

Policy and contract charges include fees charged on indexed universal life products, variable annuities, premium loads, cost of insurance charges, surrender charges, and rider charges. Policy and contract charges increased \$18.6 million, or 14%, to \$151.6 million for the three months ended March 31, 2018 from \$133.0 million for the same period in 2017. The increase was driven by an increase in overall account value due primarily to continued strong sales of indexed universal life products.

Mutual fund commissions and fee income in the three months ended March 31, 2018 consist of dealer concessions earned by the Company's affiliated broker-dealer, Equity Services, Inc. Prior to the October 27, 2017 sale of assets under management related to the mutual fund business, mutual fund fees also included mutual fund administration and asset management fees earned by the Company's affiliated administrator and investment advisor, Sentinel Administrative Services, Inc. and Sentinel Asset Management, Inc., respectively. Revenues from mutual fund commissions and fee income decreased \$10.7 million to \$12.9 million for the three months ended March 31, 2018 compared to \$23.6 million for the same period in 2017. This decrease was primarily due to the sale of the mutual fund business, and was largely offset by a corresponding decrease in mutual fund commissions, which are reported within policy acquisition expenses and amortization of present value of future profits, net.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

Net investment income includes interest income on our portfolio of bonds, mortgage loans, contract loans and short-term investments, as well as amortization of premium or accretion of discount on bonds, dividends from preferred and common stock, and partnership income. For the non-GAAP measure of core earnings, net investment income excludes income from options that economically hedge our indexed products; such income is included as a component of interest credited in the presentation of core earnings. Net investment income on a core earnings basis increased \$11.7 million, or 4.5%, to \$269.9 million for the three months ended March 31, 2018 from \$258.2 million for the same period in 2017. The increase was primarily driven by an increase in the size of the bond and mortgage portfolio, due to the overall growth of our in-force business.

The table below provides a breakdown of the components of net investment income, excluding income on options that economically hedge our indexed products:

<i>(in thousands)</i>	For the Three Months Ended	
	March 31,	
	2018	2017
Net investment income		
Bonds	\$ 220,026	\$ 210,391
Preferred stocks	241	348
Common stocks	493	417
Mortgage loans	37,345	35,170
Policy loans	9,783	10,427
Real estate	1,648	1,819
Partnerships	8,816	7,348
Derivatives	(830)	(1,690)
Other invested assets	696	606
Total gross investment income	278,218	264,836
Less: Investment expenses	(8,300)	(6,645)
Net investment income	\$ 269,918	\$ 258,191

Policy reserves reflect the impact of changes in the product liability reserves for whole and term life insurance, disability income insurance and the additional reserves held on certain annuities. The change in policy reserves decreased \$39.0 million for the three months ended March 31, 2018, respectively, from the same period in 2017. The decrease was attributable to higher releases of reserves related to surrender and benefit payments. The three months ended March 31, 2018 included a reserve release related to the surrender of certain large whole life policies, which more than offset the surrender benefits paid, resulting in a gain in the current period from surrender activity.

Policy benefits include death benefits for life insurance policies, policy surrenders for whole life policies and disability income benefits. In addition, policy benefits include a small amount of miscellaneous benefits such as payments on life-contingent immediate annuities and premium waiver benefits due to disability. For the three months ended March 31, 2018, policy benefits increased \$36.5 million, or 29.3%, to \$160.7 million from \$124.2 million for the same period in 2017. The increase was primarily driven by the surrender of certain large whole life policies, which were more than offset by the release of the related reserves, as noted above.

Policyholders' dividends and dividend obligations consist of the pro rata amount of dividends earned that will be paid or credited at the next policy anniversary and policyholder dividend obligations ("PDO") primarily arising from the Closed Block. Dividends are based on a scale that is designed to reflect the relative contribution of each group of policies to the Company's overall operating results. The dividend scales are approved annually by the Board of Directors. For the non-GAAP measure of core earnings, policyholders' dividends and dividend obligations exclude amounts related to current period net realized capital gains (losses). Policyholders' dividends and dividend obligations included in core earnings decreased \$6.9 million for the three months ended

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

March 31, 2018 from the same period in 2017. This decrease was related to lower earnings in the Closed Block compared to prior year.

Interest credited to policyholder account liabilities represents amounts credited to universal life insurance, fixed deferred annuities and indexed products, as well as the change in reserves related to guaranteed lifetime benefit riders. For the non-GAAP presentation of core earnings, interest credited also includes income on options that economically hedge our indexed products. For the three months ended March 31, 2018, core interest credited increased \$16.6 million to \$150.1 million from \$133.5 million for the same period in 2017. The increase was primarily due to increased GLIR reserves associated with the growth in our indexed annuity business.

Operating expenses consist primarily of administrative and maintenance expenses related to servicing the business and overhead needs of the Company's operations. Operating expenses increased \$5.2 million, or 6.5%, to \$84.6 million for the three months ended March 31, 2018, from \$79.4 million for the same period in 2017. The increase included an increase in premium taxes due to continued sales growth and increased software maintenance costs, partially offset by lower depreciation expense due to 2017 impairments of capitalized software projects.

Interest expense consists of interest paid on the Company's surplus notes and senior notes. Interest expense totaled \$10.1 million and \$10.0 million for the three months ended March 31, 2018 and 2017, respectively.

Policy acquisition expenses and amortization of present value of future profits, net includes commissions and other costs that are directly related to the successful acquisition of new or renewal business. Policy acquisition expenses are net of amounts deferred on life and annuity sales and include the amortization of amounts previously deferred. For the non-GAAP presentation of core earnings, policy acquisition expenses exclude amortization of DAC related to net realized capital gains (losses) on assets that support policy reserves, and amortization of DAC related to other non-core earnings. Policy acquisition expenses increased to \$87.8 million for the three months ended March 31, 2018, from \$79.6 million for the same period in 2017. The increase was driven primarily by higher gross profits in the current period.

Net Income Reconciliation

<i>(in thousands)</i>	For the Three Months Ended	
	2018	2017
Net income	\$ 47,848	\$ 41,173
Net realized capital losses (gains), net of offsets	463	(1,436)
Income tax expense on operations	11,344	15,272
Pre-tax operating income	59,655	55,009
Net effect of derivatives, embedded derivatives and other market effects	(18,841)	(8,963)
Core earnings	\$ 40,814	\$ 46,046

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Quarterly Financial Performance Review

Net realized capital losses, net of offsets as presented in pre-tax operating income were \$463 thousand for the three months ended March 31, 2018 compared to net gains of \$1.4 million for the same period in 2017. Further details are provided in the table below:

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2018	2017
Bonds and other debt securities		
Gross gains	\$ 1,466	\$ 4,072
Gross losses	(713)	(700)
Mortgage Loans		
Gross gains	42	107
Other than temporary declines	—	(734)
Real Estate		
Gross gains	—	122
Partnerships		
Gross losses	—	(118)
Other		
Gross gains	116	6
Gross losses	—	(317)
Net realized capital gains, U.S. GAAP basis	911	2,438
Offsets included for core earnings presentation:		
Amortization of deferred acquisition costs	(1,485)	(84)
Interest credited	20	(145)
Policyholder dividend obligation	(32)	—
Income tax benefit (expense)	123	(773)
Net realized capital (losses) gains, net of offsets	\$ (463)	\$ 1,436

Income tax on operations is the federal income tax expense less any taxes for net realized capital gains (losses). The federal income tax expense for the first quarter of 2018 was \$11.3 million, which represented an effective tax rate of 19%, compared to income tax expense of \$15.3 million, which represented an effective tax rate of 28% for the same period in 2017. The change in effective tax rates was primarily due to tax reform changes enacted in December 2017.

Net effect of derivatives, embedded derivatives and other market effects contributed \$18.8 million to pre-tax operating income for the three months ended March 31, 2018 compared to \$9.0 million for the same period in 2017. These non-core earnings reflect the net impact from the change in the interest rates that influence the values of the embedded derivatives and related options, changes in our portfolio earned rates, and the overall movement of equity market indices including the Standard & Poor's ("S&P") 500 index.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

Prospective Information

Forward-looking statements contained in the following discussion are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors. The following uncertainties, among others, may have such an effect:

- Difficult conditions in the global capital markets and the economy;
- Significant market valuation fluctuations of the Company's investments, including some that are relatively illiquid;
- Subjectivity in determining the amount of allowances and impairments taken on certain Company investments;
- Defaults on commercial mortgages held by the Company;
- Exposure to mortgage-backed securities;
- Impairments of other institutions;
- Changes in interest rates;
- Effectiveness of the Company's hedging strategies;
- Impact of economic conditions on customers and vendors;
- Downgrades or potential downgrades in the Company's ratings;
- Changes in accounting rules;
- Adverse regulatory and legislative developments;
- Litigation and regulatory investigations;
- Effectiveness of the Company's risk management policies and procedures;
- Availability of reinsurance;
- Failure of counterparties to perform under reinsurance agreements and other contracts with the Company;
- Significant competition in the Company's businesses;
- Sensitivity of the amount of statutory capital the Company must hold to factors outside of the Company's control;
- Adequacy of the Company's reserves for future policy benefits and claims;
- Deviations from assumptions regarding future mortality, morbidity, lapse rates, and interest rates used in calculating reserve amounts and pricing the Company's products;
- Ability to attract and retain career agents, independent agents and key personnel;

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

- Ability to raise additional capital;
- Costs related to future pension obligations;
- Impact of international tension between the United States and other nations, terrorist attacks and ongoing military and other actions;
- Pandemics or other catastrophic events; and
- A computer system failure or security breach.

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates, and beliefs. We do not intend, and do not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

Our goals over the next several years include continuing responsible growth across all of our product lines and expanding our institutional business, as well as improving the efficiency and effectiveness of the overall organization. The Company will continue to deliver new and innovative products and riders, and partner with distributors who share our mission, values, and purpose. We will also continue to invest in our technology infrastructure to improve services for all our key stakeholders.

We will continue to effectively manage our investment portfolio to maximize risk-adjusted returns and to maintain targeted duration matching of our product obligations and related investments.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Basis of Presentation: Consolidated Financial Statements

Basis of Presentation

The following unaudited NLVF condensed consolidated financial information represents the financial position as of March 31, 2018 and December 31, 2017 and the results of operations for the three months ended March 31, 2018 and 2017, respectively. The unaudited NLVF consolidated financial information has been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The unaudited NLVF condensed consolidated financial information should be read in conjunction with the audited NLVF Consolidated Financial Statements as of and for the years ended December 31, 2017 and 2016. In the Quarterly Financial Performance Review, certain non-GAAP measures are used to provide a clearer understanding of how management views and manages our operations.

The preparation of financial information requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues, and benefits and expenses during the reporting periods. The most significant estimates include those used in determining estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and universal life-type contracts; policy liabilities; valuation of investments and derivative instruments; embedded derivatives; evaluation of other-than-temporary impairments on available-for-sale securities; valuations related to benefit plans; and litigation and regulatory contingencies. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the debt or equity markets could have a material impact on the consolidated financial statements. Future events including, but not limited to, changes in the levels of mortality, morbidity, interest rates, persistency, asset valuations and defaults, could cause actual results to differ from the estimates used in the financial statements. Although management believes the amounts presented represent its best estimates, actual results could differ from those estimates.

The results of past accounting periods are not necessarily indicative of the results to be expected in future periods.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

<i>(in thousands)</i>	As of March 31, 2018	As of December 31, 2017
Assets:		
Cash and investments:		
Available-for-sale debt securities	\$ 19,751,402	\$ 20,048,333
Available-for-sale equity securities	40,063	35,839
Trading equity securities	22,682	19,812
Mortgage loans	3,349,518	3,350,570
Policy loans	886,855	877,927
Real estate investments	25,019	24,465
Derivative assets	760,846	993,249
Other invested assets	931,919	960,415
Short term investments	248,880	228,480
Cash and restricted cash	266,425	284,070
Total cash and investments	26,283,609	26,823,160
Deferred policy acquisition costs	1,726,226	1,539,129
Accrued investment income	231,588	217,982
Premiums and fees receivable	11,082	22,577
Amounts recoverable from reinsurers	116,718	122,889
Property and equipment, net	153,635	153,110
Corporate owned life insurance	422,600	420,069
Other assets	87,679	94,611
Separate account assets	808,724	814,928
Total assets	\$ 29,841,861	\$ 30,208,455
Liabilities:		
Policy liabilities:		
Policy benefit liabilities	\$ 4,282,300	\$ 4,408,663
Policyholder account liabilities	19,886,787	19,485,437
Policyholders' deposits	99,100	97,900
Policy claims payable	78,755	68,645
Policyholders' dividends and dividend obligations	116,296	184,931
Total policy liabilities	24,463,238	24,245,576
Amounts payable to reinsurers	24,836	23,457
Derivative liabilities	394,455	566,986
Other liabilities and accrued expenses	530,004	682,703
Pension and other post-retirement benefit obligations	178,740	194,257
Deferred income taxes	140,629	181,517
Federal income tax payable	49,682	66,109
Debt	452,700	452,638
Separate account liabilities	808,724	814,928
Total liabilities	\$ 27,043,008	\$ 27,228,171
Stockholder's equity:		
Class A common stock, 2,000 shares authorized, no shares issued and outstanding	\$ —	\$ —
Class B common stock, par value of \$0.01, 1,001 shares authorized, 100 shares issued and outstanding	—	—
Preferred stock, 500 shares authorized, no shares issued and outstanding	—	—
Retained earnings	2,639,729	2,591,881
Accumulated other comprehensive income	159,124	388,403
Total stockholder's equity	\$ 2,798,853	\$ 2,980,284
Total liabilities and stockholder's equity	\$ 29,841,861	\$ 30,208,455

The accompanying management's discussion of results of operations contains unaudited information.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)

<i>(in thousands)</i>	For the Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Insurance premiums	\$ 43,889	\$ 47,163
Policy and contract charges	151,618	132,996
Mutual fund commissions and fee income	12,896	23,615
Net investment income	245,342	351,983
Net realized capital gains	911	2,438
Change in value of trading equity securities	(225)	707
Other income	6,403	6,442
Total revenues	460,834	565,344
Benefits and expenses:		
Decrease in policy liabilities	(58,788)	(19,767)
Policy benefits	160,652	124,228
Policyholders' dividends and dividend obligations	9,216	16,091
Interest credited to policyholder account liabilities	95,963	210,236
Operating expenses	84,621	79,436
Interest expense	10,094	10,040
Policy acquisition expenses and amortization of present value of future profits, net	100,007	87,861
Total benefits and expenses	401,765	508,125
Income before income taxes	59,069	57,219
Income tax expense	11,221	16,046
Net income	\$ 47,848	\$ 41,173

The accompanying management's discussion of results of operations contains unaudited information.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholder's Equity (Unaudited)

<i>(in thousands)</i>	Class A Common Stock	Class B Common Stock	Preferred Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
January 1, 2017	\$ —	\$ —	\$ —	\$ 2,399,476	\$ 139,077	\$ 2,538,553
Comprehensive income:						
Net income	—	—	—	41,173	—	41,173
Change in unrealized gains on available-for-sale securities, net	—	—	—	—	23,738	23,738
Change in cash flow hedge on debt issuance, net	—	—	—	—	8	8
Change in additional minimum pension liability, net	—	—	—	—	2,818	2,818
Total comprehensive income						67,737
March 31, 2017	\$ —	\$ —	\$ —	\$ 2,440,649	\$ 165,641	\$ 2,606,290

<i>(in thousands)</i>	Class A Common Stock	Class B Common Stock	Preferred Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
January 1, 2018	\$ —	\$ —	\$ —	\$ 2,591,881	\$ 388,403	\$ 2,980,284
Comprehensive income:						
Net income	—	—	—	47,848	—	47,848
Change in unrealized gains on available-for-sale securities, net	—	—	—	—	(231,351)	(231,351)
Change in cash flow hedge on debt issuance, net	—	—	—	—	10	10
Change in additional minimum pension liability, net	—	—	—	—	2,062	2,062
Total comprehensive income						(181,431)
March 31, 2018	\$ —	\$ —	\$ —	\$ 2,639,729	\$ 159,124	\$ 2,798,853

The accompanying management's discussion of results of operations contains unaudited information.

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 47,848	\$ 41,173
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	20,055	7,822
Interest credited to policyholder account liabilities	95,963	210,236
Amortization of deferred policy acquisition costs	74,677	64,080
Policy and contract charges	(151,618)	(132,996)
Net realized capital losses	(911)	(2,438)
Change in fair value of derivatives	24,419	(94,553)
Change in corporate owned life insurance policies	(2,531)	(1,543)
Amortization of present value of future profits of insurance acquired	—	726
Depreciation	6,878	7,500
Other	6,738	3,876
Changes in assets and liabilities:		
Accrued investment income	(13,606)	(13,393)
Deferred policy acquisition costs	(118,107)	(97,049)
Policy liabilities	(22,430)	(17,115)
Other assets and liabilities	(58,612)	61,244
Net cash (used) provided by operating activities	(91,237)	37,570
Cash flows from investing activities:		
Proceeds from sales, maturities and repayments of investments	713,840	775,534
Cost of investments acquired	(947,513)	(1,284,524)
Property and equipment additions	(14,167)	(9,600)
Change in policy loans	(8,928)	1,051
Change in short term investments	(20,400)	157,539
Change in short term broker collateral	(51,410)	33,490
Other	8,401	(7,917)
Net cash used by investing activities	(320,177)	(334,427)
Cash flows from financing activities:		
Policyholders' deposits	622,214	558,452
Policyholders' withdrawals	(290,072)	(258,132)
Advances from Federal Home Loan Banks	152,682	—
Repayments to Federal Home Loan Banks	(59,864)	(35,732)
Change in other deposits	(31,191)	11,614
Net cash provided by financing activities	393,769	276,202
Net decrease in cash	(17,645)	(20,655)
Cash and restricted cash:		
Beginning of year	284,070	244,500
End of year	\$ 266,425	\$ 223,845

The accompanying management's discussion of results of operations contains unaudited information.