

NLV Financial Corporation and Subsidiaries

**Quarterly Performance Review and
Consolidated Financial Statements**

Second 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	12
Consolidated Balance Sheets	13
Consolidated Statements of Operations	14
Consolidated Statements of Changes in Stockholder's Equity	15
Consolidated Statements of Cash Flows	16

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, fixed interest universal life, indexed universal life, variable universal life, fixed interest rate annuities, and fixed 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 payment of policy benefits, including 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. (“SAMI”), 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 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) individual annuity products to provide peace of mind to everyone we touch. We market and distribute our products throughout the United States through three principal channels: Career, Affiliated Independent and Institutional Markets.

- **Career:** The Career channel consists of producing and general 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, and chronic or long-term illness. While the 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.

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 and six months ended June 30, 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 second quarter of 2018 decreased \$11.8 million, or 16%, to \$61.9 million compared to \$73.7 million in the second quarter of 2017. Excluding the impact of refinement in the composition of assets used to support our indexed universal life products, which resulted in a favorable adjustment to deferred acquisition costs in the second quarter of 2017, core earnings were \$2.3 million higher than the prior year quarter. This increase was primarily due to higher earnings from life policy charge revenues and investment income, partially offset by higher operating expenses related to the growing volume of business.

Each of the components of core earnings and the factors that contributed to the changes for the three and six months ended June 30, 2018 compared to the same periods 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		For the Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues:				
Insurance premiums	\$ 45,638	\$ 48,813	\$ 89,527	\$ 95,976
Policy and contract charges	158,387	137,433	310,005	270,429
Mutual fund commissions and fee income	12,581	23,772	25,477	47,387
Net investment income	289,285	270,848	559,203	529,039
Change in value of trading equity securities	569	502	344	1,209
Other income	8,046	6,180	14,449	12,622
Total revenues	514,506	487,548	999,005	956,662
Benefits and expenses:				
Decrease in policy liabilities	(28,242)	(5,396)	(87,030)	(25,163)
Policy benefits	129,472	102,026	290,124	226,254
Policyholders' dividends and dividend obligations	12,611	17,065	21,795	33,156
Interest credited to policyholder account liabilities	154,187	143,980	304,271	277,454
Operating expenses	78,636	77,532	163,257	156,969
Interest expense	10,265	9,791	20,359	19,831
Policy acquisition expenses and amortization of present value of future profits, net	95,684	68,900	183,522	148,465
Total benefits and expenses	452,613	413,898	896,298	836,966
Core earnings	\$ 61,893	\$ 73,650	\$ 102,707	\$ 119,696

Insurance premiums include considerations on traditional whole, term life insurance and disability income contracts. Premium income decreased to \$45.6 million and \$89.5 million for the three and six months ended June 30, 2018, respectively, from \$48.8 million and \$96.0 million for the same periods in 2017. These decreases were driven by lower sales of whole life products and lower renewal premiums due to the expected run-off of the Closed Block. 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.

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 \$21.0 million, or 15%, to \$158.4 million for the three months ended June 30, 2018 from \$137.4 million for the same period in 2017. For the six months ended June 30, 2018, these charges increased \$39.6 million, or 15%, to \$310.0 million from \$270.4 million for the same period in 2017. These increases were 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 June 30, 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 \$11.2 million to \$12.6 million for the three months ended June 30, 2018 compared to \$23.8 million for the same period in 2017. For the six months ended June 30, 2018, revenues from mutual fund commissions and fee income decreased \$21.9 million to \$25.5 million from \$47.4 million for the same period in 2017. These decreases were primarily due to the sale of the mutual fund business and were 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 \$18.5 million, or 7%, to \$289.3 million for the three months ended June 30, 2018 from \$270.8 million for the same period in 2017. For the six months ended June 30, 2018, net investment income on a core earnings basis increased \$30.2 million, or 6%, to \$559.2 million from \$529.0 million for the same period in 2017. These increases were primarily driven by higher partnership income in the current year and 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 June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net investment income				
Bonds	\$ 223,706	\$ 217,910	\$ 443,732	\$ 428,301
Preferred stocks	241	241	482	589
Common stocks	603	384	1,096	801
Mortgage loans	37,160	36,707	74,505	71,877
Policy loans	10,341	10,281	20,124	20,708
Real estate	4,294	1,909	5,942	3,728
Partnerships	20,654	11,749	29,470	19,097
Derivatives	102	(1,518)	(728)	(3,208)
Other invested assets	590	(212)	1,286	394
Total gross investment income	297,691	277,451	575,909	542,287
Less: Investment expenses	(8,406)	(6,603)	(16,706)	(13,248)
Net investment income	\$ 289,285	\$ 270,848	\$ 559,203	\$ 529,039

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 \$22.8 million and \$61.8 million for the three and six months ended June 30, 2018, respectively, from the same periods in 2017. These decreases were attributable to higher releases of reserves related to surrender and benefit payments. Reserve releases related to the surrender of certain large whole life policies, which more than offset the surrender benefits paid, resulted in a gain in the current quarter and year-to-date 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 June 30, 2018, policy benefits increased \$27.5 million, or 27%, to \$129.5 million from \$102.0 million for the same period in 2017. For the six months ended June 30, 2018, policy benefits increased \$63.8 million, or 28%, to \$290.1 million from \$226.3 million for the same period in 2017. These increases were 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

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

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 \$4.5 million and \$11.4 million for the three and six months ended June 30, 2018 from the same periods in 2017. These decreases were 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 June 30, 2018, core interest credited increased \$10.2 million to \$154.2 million from \$144.0 million for the same period in 2017. For the six months ended June 30, 2018, core interest credited increased \$26.8 million to \$304.3 million from \$277.5 million for the same period in 2017. These increases were primarily due to growth in our indexed annuity business, including increases in the reserve for guaranteed lifetime benefit riders.

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 \$1.1 million, or 1%, to \$78.6 million for the three months ended June 30, 2018, from \$77.5 million for the same period in 2017. For the six months ended June 30, 2018, operating expenses increased \$6.3 million, or 4%, to \$163.3 million from \$157.0 million for the same period in 2017. These increases included increases 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 \$10.3 million and \$20.4 million for the three and six months ended June 30, 2018 and 2017, respectively compared to \$9.8 million and \$19.8 million for the same periods in 2017.

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 \$95.7 million for the three months ended June 30, 2018, from \$68.9 million for the same period in 2017. For the six months ended June 30, 2018, policy acquisition expenses increased to \$183.5 million from \$148.5 million for the same period in 2017. These increases were primarily driven by higher gross profits on universal life and annuity products in the current period, due to the continued strong growth of our in-force business.

Net Income Reconciliation

(in thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 50,273	\$ 49,776	\$ 98,121	\$ 90,949
Net realized capital losses (gains), net of offsets	1,068	(2,191)	1,531	(3,627)
Income tax expense on operations	12,068	17,722	23,412	32,994
Pre-tax operating income	63,409	65,307	123,064	120,316
Net effect of derivatives, embedded derivatives and other market effects	(1,516)	8,343	(20,357)	(620)
Core earnings	\$ 61,893	\$ 73,650	\$ 102,707	\$ 119,696

NLV FINANCIAL CORPORATION AND SUBSIDIARIES
Quarterly Financial Performance Review

Net realized capital losses, net of offsets as presented in pre-tax operating income were \$1.1 million for the three months ended June 30, 2018 compared to net realized capital gains of \$2.2 million for the same period in 2017. For the six months ended June 30, 2018, net realized capital losses were \$1.5 million compared to net realized capital gains of \$3.6 million for the same period in 2017. Further details are provided in the table below:

<i>(in thousands)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Bonds and other debt securities				
Gross gains	\$ 5,785	\$ 7,179	\$ 7,251	\$ 11,251
Gross losses	(3,583)	(1,348)	(4,296)	(2,048)
Mortgage loans				
Gross gains	77	240	119	347
Gross losses	—	(31)	—	(31)
Other than temporary declines	(346)	—	(346)	(734)
Real estate				
Gross gains	—	—	—	122
Gross losses	—	(600)	—	(600)
Partnerships				
Gross losses	(7)	—	(7)	(118)
Other than temporary declines	(4,331)	—	(4,331)	—
Other				
Gross gains	21	20	137	26
Gross losses	(40)	(841)	(40)	(1,158)
Net realized capital (losses) gains, U.S. GAAP basis	(2,424)	4,619	(1,513)	7,057
Offsets included for core earnings presentation:				
Amortization of deferred acquisition costs	1,143	(360)	(342)	(444)
Interest credited	(58)	(609)	(38)	(754)
Policyholder dividend obligation	(3)	142	(35)	142
Income tax benefit (expense)	274	(1,601)	397	(2,374)
Net realized capital (losses) gains, net of offsets	\$ (1,068)	\$ 2,191	\$ (1,531)	\$ 3,627

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 second quarter of 2018 was \$12.1 million, which represented an effective tax rate of 19%, compared to income tax expense of \$17.7 million, which represented an effective tax rate of 27% for the same period in 2017. The federal income tax expense for the six months ended June 30, 2018 was \$23.4 million, which represented an effective tax rate of 19%, compared to income tax expense of \$33.0 million, which represented an effective tax rate of 27% 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 \$1.5 million to pre-tax operating income for the three months ended June 30, 2018 compared to a reduction to pre-tax operating income of \$8.3 million for the same period in 2017. The year-to-date net market effect contributed \$20.4 million and less than \$1.0 million to pre-tax operating income for the six months ended June 30, 2018 and 2017, respectively. 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

Cash Flow Information

Net cash used by operations was \$145.0 million in the six months ended June 30, 2018, compared to \$97.7 million of net cash provided by operations in the same period in the prior year. The decrease was primarily due to a decrease in operating cash from changes in other assets and liabilities, compared to an increase in the prior year period, as well as higher acquisition expenditures related to increased sales and higher benefit payments in the current year.

Net cash used in investing activities decreased to \$471.9 million in the six months ended June 30, 2018, compared to \$721.8 million in the same period in the prior year. The decrease reflected the net investing activity resulting from the decrease in net cash provided by operations and in net cash provided by financing activities.

Net cash provided by financing activities was \$579.5 million in the six months ended June 30, 2018, compared to \$719.6 million in the same period of 2017. The decrease was due to net repayments of FHLB funding agreements in the current year period, compared to net issuances in the prior year period. Our Institutional Markets FHLB activity is approached opportunistically, so the volume of funding agreements issued depends on pricing and the availability of desirable assets to support these liabilities. This decrease was partially offset by higher policyholders' deposits, net of withdrawals, which resulted primarily from higher sales of universal life products.

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;
- Differing interpretations in the methodologies, estimations and assumptions for the valuation of fixed maturity, equity and trading securities;
- Subjectivity in determining the amount of allowances and impairments taken on certain of the Company's' investments;
- Defaults on commercial mortgages held by the Company and volatilities in performance;
- Exposure to structured finance securities;
- Exposure to alternative investments;
- Exposure to mortgage-backed securities;
- Impairments of other institutions;
- Changes in interest rates and exposure to credit spreads;
- Effectiveness of the Company's hedging strategies and availability of hedging instruments;
- 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;
- Changes in tax laws and the interpretation thereof;
- Inability to pay guaranteed policy benefits;
- Effectiveness of the Company's risk management policies and procedures;
- Lack of available, affordable or adequate reinsurance;
- Failure of counterparties to perform under reinsurance agreements, hedging instruments, and other contracts with the Company;

NLV FINANCIAL CORPORATION AND SUBSIDIARIES

Quarterly Financial Performance Review

- Significant competition in the Company's businesses;
- Sensitivity of the amount of statutory capital the Company must hold to factors outside of their control;
- Adequacy of the Company's reserves for future policy benefits and claims;
- Deviations from assumptions regarding future mortality, morbidity, and interest rates used in calculating reserve amounts and pricing the Company's products;
- Ability to attract and retain independent agents, career agents, and key personnel;
- 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/or
- 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 markets 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 manage our investment portfolio with the objective of maximizing risk-adjusted returns and maintaining 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 June 30, 2018 and December 31, 2017 and the results of operations for the three and six months ended June 30, 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 June 30, 2018	As of December 31, 2017
Assets:		
Cash and investments:		
Available-for-sale debt securities	\$ 19,448,296	\$ 20,048,333
Available-for-sale equity securities	41,450	35,839
Trading equity securities	24,186	19,812
Mortgage loans	3,551,839	3,350,570
Policy loans	893,009	877,927
Real estate investments	24,770	24,465
Derivative assets	692,400	993,249
Other invested assets	941,767	960,415
Short term investments	144,003	228,480
Cash and restricted cash	246,612	284,070
Total cash and investments	26,008,332	26,823,160
Deferred policy acquisition costs	1,865,549	1,539,129
Accrued investment income	225,550	217,982
Premiums and fees receivable	9,611	22,577
Amounts recoverable from reinsurers	113,311	122,889
Corporate owned life insurance	427,521	420,069
Federal income tax receivable	6,992	—
Other assets	94,227	94,611
Separate account assets	803,536	814,928
Total assets	\$ 29,712,678	\$ 30,208,455
Liabilities:		
Policy liabilities:		
Policy benefit liabilities	\$ 4,215,105	\$ 4,408,663
Policyholder account liabilities	20,154,795	19,485,437
Policyholders' deposits	96,131	97,900
Policy claims payable	72,406	68,645
Policyholders' dividends and dividend obligations	82,614	184,931
Total policy liabilities	24,621,051	24,245,576
Amounts payable to reinsurers	29,950	23,457
Derivative liabilities	329,605	566,986
Other liabilities and accrued expenses	511,087	682,703
Pension and other post-retirement benefit obligations	179,074	194,257
Deferred income taxes	90,003	181,517
Federal income tax payable	—	66,109
Debt	452,762	452,638
Separate account liabilities	803,536	814,928
Total liabilities	\$ 27,017,068	\$ 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	2,690,002	2,591,881
Accumulated other comprehensive income	5,608	388,403
Total stockholder's equity	\$ 2,695,610	\$ 2,980,284
Total liabilities and stockholder's equity	\$ 29,712,678	\$ 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		For the Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues:				
Insurance premiums	\$ 45,638	\$ 48,813	\$ 89,527	\$ 95,976
Policy and contract charges	158,387	137,433	310,005	270,429
Mutual fund commissions and fee income	12,581	23,772	25,477	47,387
Net investment income	350,508	327,992	595,850	679,975
Net realized capital gains (losses)	(2,424)	4,619	(1,513)	7,057
Change in value of trading equity securities	569	502	344	1,209
Other income	8,046	6,180	14,448	12,622
Total revenues	573,305	549,311	1,034,138	1,114,655
Benefits and expenses:				
Decrease in policy liabilities	(28,242)	(5,396)	(87,030)	(25,163)
Policy benefits	129,472	102,026	290,124	226,254
Policyholders' dividends and dividend obligations	12,614	16,923	21,830	33,014
Interest credited to policyholder account liabilities	212,169	183,954	308,132	394,190
Operating expenses	78,636	88,309	163,257	167,745
Interest expense	10,265	9,791	20,359	19,831
Policy acquisition expenses and amortization of present value of future profits, net	96,323	84,606	196,330	172,467
Total benefits and expenses	511,237	480,213	913,002	988,338
Income before income taxes	62,068	69,098	121,136	126,317
Income tax expense	11,795	19,322	23,015	35,368
Net income	\$ 50,273	\$ 49,776	\$ 98,121	\$ 90,949

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	—	—	—	90,949	—	90,949
Change in unrealized gains on available-for-sale securities, net	—	—	—	—	107,136	107,136
Change in cash flow hedge on debt issuance, net	—	—	—	—	18	18
Change in additional minimum pension liability, net	—	—	—	—	4,535	4,535
Total comprehensive income						202,638
June 30, 2017	\$ —	\$ —	\$ —	\$ 2,490,425	\$ 250,766	\$ 2,741,191

<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	—	—	—	98,121	—	98,121
Change in unrealized gains on available-for-sale securities, net	—	—	—	—	(387,261)	(387,261)
Change in cash flow hedge on debt issuance, net	—	—	—	—	20	20
Change in additional minimum pension liability, net	—	—	—	—	4,446	4,446
Total comprehensive income						(284,674)
June 30, 2018	\$ —	\$ —	\$ —	\$ 2,690,002	\$ 5,608	\$ 2,695,610

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 Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 98,121	\$ 90,949
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	10,236	15,278
Interest credited to policyholder account liabilities	308,132	394,190
Amortization of deferred policy acquisition costs	144,598	124,506
Policy and contract charges	(310,005)	(270,429)
Net realized capital losses	1,513	(7,057)
Change in fair value of derivatives	(36,194)	(151,381)
Change in corporate owned life insurance policies	(7,452)	(3,777)
Amortization of present value of future profits of insurance acquired	—	1,435
Depreciation	14,307	15,792
Other	744	2,670
Changes in assets and liabilities:		
Accrued investment income	(7,568)	(7,511)
Deferred policy acquisition costs	(237,529)	(197,851)
Policy liabilities	(35,293)	(8,187)
Other assets and liabilities	(88,633)	99,052
Net cash (used) provided by operating activities	(145,023)	97,679
Cash flows from investing activities:		
Proceeds from sales, maturities and repayments of investments	1,691,818	1,701,636
Cost of investments acquired	(2,138,675)	(2,377,125)
Property and equipment additions	(25,219)	(17,002)
Change in policy loans	(15,083)	(3,533)
Change in short term investments	84,477	(65,654)
Change in short term broker collateral	(78,951)	58,770
Other	9,723	(18,863)
Net cash used by investing activities	(471,910)	(721,771)
Cash flows from financing activities:		
Policyholders' deposits	1,273,433	1,137,858
Policyholders' withdrawals	(647,013)	(550,578)
Advances from Federal Home Loan Banks	152,682	111,600
Repayments to Federal Home Loan Banks	(171,865)	(39,482)
Change in other deposits	(27,762)	62,185
Net cash provided by financing activities	579,475	719,588
Net (decrease) increase in cash	(37,458)	95,496
Cash and restricted cash:		
Beginning of year	284,070	244,500
End of year	\$ 246,612	\$ 339,996

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