

THRIVENT VARIABLE ANNUITY ACCOUNT B

Statement of Additional Information

Dated April 30, 2018

For

Flexible Premium Deferred

Variable Annuity Contract

Issued by

THRIVENT FINANCIAL FOR LUTHERANS

Service Center:

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Appleton, WI 54919-0001
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This Statement of Additional Information (“SAI”) is not a prospectus, but should be read in conjunction with the Prospectus dated April 30, 2018 (the “Prospectus”) for Thrivent Variable Annuity Account B (the “Variable Account”) describing a flexible premium deferred variable annuity contract (the “Contract”) previously offered by Thrivent Financial for Lutherans (“Thrivent Financial”) to persons eligible for membership in Thrivent Financial.

Much of the information contained in this SAI expands upon subjects discussed in the Prospectus. A copy of the Prospectus may be obtained by writing to us at 4321 North Ballard Road, Appleton, Wisconsin 54919-0001, by calling 1-800-847-4836, or by accessing the Securities and Exchange Commission’s Web site at www.sec.gov.

Capitalized terms used in this SAI that are not otherwise defined herein shall have the meanings given to them in the Prospectus.

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INTRODUCTION

The Contract is issued by Thrivent Financial. Thrivent Financial, a fraternal benefit society owned and operated for its members, was organized under Internal Revenue Code section 501(c)(8) and established in 1902 under the laws of the State of Wisconsin. Thrivent Financial is currently licensed to transact life insurance business in all 50 states and the District of Columbia. The Contract may be sold to or in connection with retirement plans that may or may not qualify for special federal tax treatment under the Internal Revenue Code. Annuity payments under the Contract are deferred until a selected later date.

Premiums will be allocated, as designated by the Contract Owner, to one or more Subaccounts of the Variable Account (a separate account of Thrivent Financial) and/or to the Fixed Account. The assets of each Subaccount will be invested solely in a corresponding Portfolio of Thrivent Series Fund, Inc. (a "Fund"), which is an open-end management investment company (commonly known as a "mutual fund"). The prospectuses for the Fund that accompany the product Prospectus describe the investment objectives and attendant risks of the Portfolios of the Fund.

Additional Subaccounts (together with the related additional Portfolios) may be added in the future. The Accumulated Value of the Contract and, except to the extent fixed amount annuity payments are elected by the Contract Owner, the amount of annuity payments will vary, primarily based on the investment experience of the Portfolios whose shares are held in the Subaccounts designated. Premiums allocated to Fixed Account will accumulate at fixed rates of interest declared by Thrivent Financial.

SERVICES

Service Agreements and Other Service Providers

Assurance and audit services are currently provided by PricewaterhouseCoopers LLP, whose address is 45 South Seventh Street, Suite 3400, Minneapolis, Minnesota 55402.

There are no other service agreement contracts or service providers other than those described in this Statement of Additional Information. There is no custodian.

PRINCIPAL UNDERWRITER

Thrivent Investment Management Inc., 625 Fourth Avenue South, Minneapolis, Minnesota 55415, an indirect subsidiary of Thrivent Financial, is a registered broker-dealer and acts as principal underwriter and distributor of the Contracts pursuant to a Principal Underwriting Agreement with us. Thrivent Investment Management Inc. also acts as the distributor of a number of other variable annuity and variable life insurance contracts we offer. The Contract is no longer sold but we continue to take premium payments.

From time to time, Thrivent Financial may offer to exchange this Contract offered in this Prospectus for the Flexible Premium Deferred Variable Annuity contract issued by us in another prospectus (as part of Thrivent Variable Annuity Account I). No surrender charge will apply upon an exchange of Contracts pursuant to this exchange offer. In addition, as part of the exchange offer, the New Contracts will be deemed to have been issued on the same issue date as the Current Contract for purposes of computing the applicable surrender charge.

Thrivent Financial paid underwriting commissions for the last three fiscal years as shown below. Of these amounts, Thrivent Investment Management Inc. retained \$0.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$1,224,149	\$1,950,984	\$1,978,266

STANDARD AND POOR'S DISCLAIMER

The S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indexes are products of S&P Dow Jones Indices LLC or its affiliates ("SPDJI"), and have been licensed for use by Thrivent Financial for Lutherans ("Thrivent Financial"). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P") and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). The trademarks have been licensed to SPDJI and have been sublicensed for use for certain purposes by Thrivent Financial. Thrivent Financial variable insurance products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, and of their respective affiliates (collectively, "S&P Dow Jones Indices"). S&P Dow Jones Indices does not make any representation or warranty, express or implied, to the owners of Thrivent Financial variable insurance products or any member of the public regarding the advisability of purchasing variable insurance contracts generally or in the Thrivent Financial variable insurance contracts particularly or the ability of the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indexes to track general market performance. S&P Dow Jones Indices only relationship to Thrivent Financial with respect to the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indexes is the licensing of the Indexes and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its licensors. The S&P 500, S&P MidCap 400, and S&P Small Cap 600 Indexes are determined, composed and calculated by S&P Dow Jones Indices without regard to Thrivent Financial or the Thrivent Financial variable insurance products. S&P Dow Jones Indices have no obligation to take the needs of Thrivent Financial or the owners of the Thrivent Financial variable insurance products into consideration in determining, composing or calculating the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indexes. S&P Dow Jones Indices is not responsible for and has not participated in the determination of the prices, and amount of the Thrivent Financial variable insurance products or the timing of the issuance or sale of the Thrivent Financial variable insurance contract or in the determination or calculation of the equation by which a Thrivent Financial variable insurance product is to be converted into cash, surrendered or redeemed, as the case may be. S&P Dow Jones Indices has no obligation or liability in connection with the administration, marketing or trading of the Thrivent Financial variable insurance product. There is no assurance that investment products based on the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indexes will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

S&P DOW JONES INDICES DOES NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE S&P 500, S&P MIDCAP 400, AND S&P SMALLCAP 600 INDEXES OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN. S&P DOW JONES INDICES MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY THRIVENT FINANCIAL, OWNERS OF THE THRIVENT FINANCIAL VARIABLE INSURANCE PRODUCTS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500, S&P MIDCAP 400, AND S&P SMALLCAP 600 INDEXES OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND THRIVENT FINANCIAL, OTHER THAN THE LICENSORS OR S&P DOW JONES INDICES.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND FINANCIAL STATEMENTS

The statutory financial statements of Thrivent Financial for Lutherans as of December 31, 2017 and December 31, 2016 and for each of the three years in the period ended December 31, 2017 and the financial statements of each of the subaccounts of Thrivent Variable Annuity Account B as of December 31, 2017 and for the period then ended and the statement of changes in net assets for the period ended December 31, 2016 included in this Statement of Additional Information have been so included in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on authority of said firm as experts in auditing and accounting.

Independent Auditor's Report

To the Board of Directors of Thrivent Financial for Lutherans:

We have audited the accompanying statutory financial statements of Thrivent Financial for Lutherans, which comprise the statutory statements of assets, liabilities and surplus as of December 31, 2017 and 2016, and the related statutory statements of operations, surplus and cash flow for each of the three years then ended.

Management's Responsibility for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 12 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2017 and 2016, or the results of its operations or its cash flows for each of the years then ended.

Independent Auditor's Report, continued

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance described in Note 1.

/s/PricewaterhouseCoopers LLP

Minneapolis, Minnesota

February 19, 2018

Thrivent Financial for Lutherans
Statutory-Basis Statements of Assets, Liabilities and Surplus
As of December 31, 2017 and 2016
(in millions)

	<u>2017</u>	<u>2016</u>
Admitted Assets		
Bonds	\$43,291	\$41,908
Stocks	2,141	1,713
Mortgage loans	8,202	7,776
Real estate	59	55
Cash, cash equivalents and short-term investments	1,573	1,731
Contract loans	1,161	1,164
Receivables for securities	49	70
Limited partnerships	3,197	2,920
Other invested assets	204	179
Total cash and invested assets	<u>59,877</u>	<u>57,516</u>
Accrued investment income	432	430
Due premiums and considerations	121	125
Other assets	47	45
Assets held in separate accounts	<u>30,492</u>	<u>26,718</u>
Total Admitted Assets	<u>\$90,969</u>	<u>\$84,834</u>
Liabilities		
Aggregate reserves for life, annuity and health contracts	\$45,380	\$44,026
Deposit liabilities	3,421	3,272
Contract claims	338	296
Dividends due in following calendar year	320	317
Interest maintenance reserve	491	416
Asset valuation reserve	1,217	1,099
Transfers due from separate account	(582)	(567)
Payable for securities	556	384
Securities lending obligation	365	523
Other liabilities	746	671
Liabilities related to separate accounts	<u>30,448</u>	<u>26,671</u>
Total Liabilities	<u>82,700</u>	<u>77,108</u>
Surplus		
Unassigned funds	8,268	7,725
Other surplus	<u>1</u>	<u>1</u>
Total Surplus	<u>8,269</u>	<u>7,726</u>
Total Liabilities and Surplus	<u>\$90,969</u>	<u>\$84,834</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Thrivent Financial for Lutherans
Statutory-Basis Statements of Operations
For the Years Ended December 31, 2017, 2016 and 2015
(in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Premiums.....	\$5,021	\$5,451	\$5,500
Considerations for supplementary contracts with life contingencies.....	113	78	66
Net investment income.....	2,709	2,768	2,805
Separate account fees.....	649	580	566
Amortization of interest maintenance reserve.....	130	118	128
Other revenues.....	46	48	56
Total Revenues	<u>8,668</u>	<u>9,043</u>	<u>9,121</u>
Benefits and Expenses			
Death benefits.....	1,029	1,005	969
Surrender benefits.....	2,317	1,928	1,833
Change in reserves.....	1,441	1,712	1,339
Other benefits.....	1,504	1,414	1,327
Total benefits.....	<u>6,291</u>	<u>6,059</u>	<u>5,468</u>
Commissions.....	270	286	295
General insurance expenses.....	682	637	587
Fraternal benefits and expenses.....	180	173	186
Transfers to (from) separate accounts, net.....	483	902	1,457
Total expenses and net transfers.....	<u>1,615</u>	<u>1,998</u>	<u>2,525</u>
Total Benefits and Expenses	<u>7,906</u>	<u>8,057</u>	<u>7,993</u>
Gain from Operations before Dividends and Capital Gains and Losses	<u>762</u>	<u>986</u>	<u>1,128</u>
Dividends.....	319	315	316
Gain from Operations before Capital Gains and Losses	<u>443</u>	<u>671</u>	<u>812</u>
Realized capital gains (losses), net.....	74	(115)	(42)
Net Income	<u>\$ 517</u>	<u>\$ 556</u>	<u>\$ 770</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Thrivent Financial for Lutherans
Statutory-Basis Statements of Surplus
For the Years Ended December 31, 2017, 2016 and 2015
(in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Surplus, Beginning of Year	\$7,726	\$7,127	\$6,493
Net income	517	556	770
Change in unrealized investment gains and losses	85	68	(164)
Change in non-admitted assets.....	(11)	(6)	—
Change in asset valuation reserve	(118)	(99)	(28)
Change in surplus of separate account.....	(3)	(6)	(20)
Reserve Adjustment	84	—	—
Pension liability adjustment	(11)	86	76
Surplus, End of Year	<u>\$8,269</u>	<u>\$7,726</u>	<u>\$7,127</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Thrivent Financial for Lutherans
Statutory-Basis Statements of Cash Flow
For the Years Ended December 31, 2017, 2016 and 2015
(in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash from Operations			
Premiums	\$ 5,133	\$ 5,523	\$ 5,569
Net investment income	2,316	2,289	2,303
Other revenues	695	625	616
	<u>8,144</u>	<u>8,437</u>	<u>8,488</u>
Benefit- and loss-related payments	(4,696)	(4,214)	(4,006)
Transfers to separate account, net	(498)	(923)	(1,446)
Commissions and expenses	(1,118)	(1,065)	(1,094)
Dividends	(317)	(311)	(239)
Net Cash from Operations	<u>1,515</u>	<u>1,924</u>	<u>1,703</u>
Cash from Investments			
Proceeds from investments sold, matured or repaid:			
Bonds	7,919	6,870	6,405
Stocks	1,027	923	753
Mortgage loans	823	809	921
Other	834	884	864
	<u>10,603</u>	<u>9,486</u>	<u>8,943</u>
Cost of investments acquired or originated:			
Bonds	(8,939)	(8,841)	(7,950)
Stocks	(1,189)	(1,008)	(892)
Mortgage loans	(1,253)	(1,034)	(1,101)
Other	(764)	(745)	(486)
	<u>(12,145)</u>	<u>(11,628)</u>	<u>(10,429)</u>
Transactions under mortgage dollar roll program, net	(204)	598	83
Change in net amounts due to/from broker	193	(651)	27
Change in collateral held for securities lending	(158)	138	(26)
Change in contract loans	3	6	20
Net Cash from Investments	<u>(1,708)</u>	<u>(2,051)</u>	<u>(1,382)</u>
Cash from Financing and Miscellaneous Sources			
Net deposits (payments) on deposit-type contracts	37	57	(19)
Other	(2)	(7)	3
Net Cash from Financing and Miscellaneous Sources	<u>35</u>	<u>50</u>	<u>(16)</u>
Net Change in Cash, Cash Equivalents and Short-Term Investments	(158)	(77)	305
Cash, Cash Equivalents and Short-Term Investments, Beginning of Year	1,731	1,808	1,503
Cash, Cash Equivalents and Short-Term Investments, End of Year	<u>\$ 1,573</u>	<u>\$ 1,731</u>	<u>\$ 1,808</u>
Supplemental information:			
Mortgage Loan Refinancing	\$ 145	\$ 143	\$ 158

The accompanying notes are an integral part of these statutory-basis financial statements.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements
For the Years Ended December 31, 2017, 2016 and 2015

1. Nature of Operations and Significant Accounting Policies

Nature of Operations

Thrivent Financial for Lutherans (“Thrivent Financial”) is a fraternal benefit society providing to its members life insurance, retirement products, disability income and long-term care insurance, as well as Medicare supplement insurance. Thrivent Financial is licensed to conduct business throughout the United States and distributes its products to its members primarily through a network of career financial representatives. Thrivent Financial also offers its members additional related financial products and services, such as investment funds and trust services, through its subsidiaries and affiliates.

Significant Accounting Policies

The accompanying statutory-basis financial statements have been prepared in accordance with statutory accounting practices (“SAP”) prescribed by the State of Wisconsin Office of the Commissioner of Insurance.

Use of Estimates

The preparation of statutory-basis financial statements in conformity with SAP requires management to make estimates and assumptions that affect the amounts reported in the statutory-basis financial statements and accompanying notes. The more significant estimates involve those relating to fair values of investments, reserves for life, health and annuity contracts, and pension and other retirement benefit liabilities. Actual results could differ from those estimates.

The significant accounting practices used in preparation of the statutory-basis financial statements are summarized as follows:

Investments

Bonds: Bonds are generally carried at amortized cost, depending on the nature of the security and as prescribed by National Association of Insurance Commissioners (“NAIC”) guidelines. Discounts or premiums on bonds are amortized over the term of the securities using the modified scientific method. Discounts or premiums on loan-backed and structured securities are amortized over the term of the securities using the modified scientific method, adjusted to reflect anticipated pre-payment patterns. Interest income is recognized when earned.

Thrivent Financial uses a mortgage dollar roll program to enhance the yield on its mortgage-backed security (“MBS”) portfolio. MBS dollar rolls are transactions whereby Thrivent Financial sells an MBS to a counterparty and subsequently enters into a commitment to purchase another security at a later date. Thrivent Financial’s mortgage dollar roll program generally includes a series of MBS dollar rolls extending for more than a year. Thrivent Financial had \$420 million and \$216 million in the mortgage dollar roll program as of December 31, 2017 and 2016, respectively.

Stocks: Preferred stocks are generally carried at amortized cost. Common stocks of unaffiliated companies are stated at fair value. Common stocks of unconsolidated subsidiaries and affiliates are carried on their statutory equity basis.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

1. Nature of Operations and Significant Accounting Policies, continued

Significant Accounting Policies, continued

Investments, continued

Mortgage loans: Mortgage loans are generally carried at their unpaid principal balances less valuation adjustments. Interest income is accrued on the unpaid principal balance using the loan's contractual interest rate. Discounts or premiums are amortized over the term of the loans using the effective interest method. Interest income and amortization of premiums and discounts are recorded as a component of net investment income along with prepayment fees and mortgage loan fees.

Real estate: Home office real estate is valued at original cost plus capital expenditures less accumulated depreciation and encumbrances. Depreciation expense is determined using the straight-line method over the estimated useful lives of the properties. Real estate expected to be disposed of is carried at the lower of cost or fair value, less estimated costs to sell.

Cash, cash equivalents and short-term investments: Included in cash and cash equivalents are demand deposits and highly liquid investments purchased with an original maturity of three months or less, which are carried at amortized cost, and investments in money market mutual funds which are carried at fair value. Short-term investments have contractual maturities of one year or less at the time of acquisition. Included in short-term investments are investments in commercial paper and agency notes, which are carried at amortized cost.

Contract loans: Contract loans are generally carried at their aggregate unpaid balances. Policy loans are collateralized by the cash surrender value of the associated insurance contracts.

Limited partnerships: Limited partnerships consist primarily of equity limited partnerships, which are valued on the underlying audited U.S. generally accepted accounting principles ("GAAP") equity of the investee. Income is recognized on distributions received that are not in excess of undistributed earnings.

Other invested assets: Other invested assets consist of derivative instruments, real estate joint ventures and surplus notes. Derivatives are primarily carried at fair value. Real estate joint ventures are valued on the underlying audited equity of the investee. Surplus notes are carried at amortized cost.

Securities lending: Securities loaned under Thrivent Financial's securities lending agreement are carried in the Statutory-Basis Statements of Assets, Liabilities and Surplus at amortized cost or fair value, depending on the nature of the security and as prescribed by NAIC guidelines. Thrivent Financial generally receives cash collateral in an amount that is in excess of the market value of the securities loaned, and the cash collateral is invested in highly-liquid, highly-rated securities which are included in bonds and cash, cash equivalents and short-term investments on the Statutory-Basis Statements of Assets, Liabilities and Surplus. A liability is also recognized for the amount of the collateral. Market values of securities loaned and collateral are monitored daily, and additional collateral is obtained as necessary. Thrivent Financial requires a minimum level of collateral to be held for loaned securities.

Offsetting assets and liabilities: Thrivent Financial presents securities lending agreements and derivatives on a gross basis in the statutory-basis financial statements.

Unrealized investment gains and losses: Unrealized investment gains and losses include changes in fair value of bonds, unaffiliated stocks, affiliated common stocks, affiliated mutual funds, and other invested assets and are accounted for as a direct increase or decrease of surplus.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

1. Nature of Operations and Significant Accounting Policies, continued

Significant Accounting Policies, continued

Investments, continued

Realized capital gains and losses: Realized capital gains and losses on sales of investments are determined using specific identification for bonds and average cost method for stocks.

Thrivent Financial periodically reviews its security portfolios and evaluates those securities where the current fair value is less than amortized cost for indicators that the decline in value is an other-than-temporary impairment. This review includes an evaluation of each security issuer's creditworthiness, such as its ability to generate operating cash flow and remain current on all debt obligations, as well as any changes in its credit ratings from third party agencies. Other factors include the severity and duration of the impairment, Thrivent Financial's ability to collect all amounts due according to the contractual terms of the debt security and Thrivent Financial's ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery in the market.

The potential need to sell securities that are in an unrealized loss position but which have no other indications of other-than-temporary impairment is evaluated based on the current market environment, near-term and long-term asset liability management strategies and target allocation strategies for various asset classes. Generally, Thrivent Financial has the ability and intent to hold securities in an unrealized loss position for a period of time sufficient for the security to recover in value. Investments that are determined to be other-than-temporarily impaired are written down primarily to fair value, and the write-down is included in realized capital gains and losses in the Statutory-Basis Statements of Operations. If, in response to changed conditions in the capital markets, Thrivent Financial decides to sell a security in an unrealized loss position, a realized loss is recognized in the period that the decision is made to sell that security.

Certain realized capital gains and losses on bonds sold prior to their maturity are transferred to the interest maintenance reserve.

Interest maintenance reserve: Thrivent Financial is required to maintain an interest maintenance reserve ("IMR"). The IMR is primarily used to defer realized capital gains and losses on fixed income investments. Net realized capital gains and losses deferred to IMR are amortized into investment income over the estimated remaining term to maturity of the investment sold.

Fair value of financial instruments: In estimating the fair values for financial instruments, the amount of observable and unobservable inputs used to determine fair value is taken into consideration. Each of the financial instruments has been classified into one of three categories based on that evaluation. A Level 1 financial instrument is valued using quoted prices for identical assets in active markets that are accessible. A Level 2 financial instrument is valued based on quoted prices for similar instruments in active markets that are accessible, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations where the significant value driver inputs are observable. A Level 3 financial instrument is valued using significant value driver inputs that are unobservable.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

1. Nature of Operations and Significant Accounting Policies, continued

Significant Accounting Policies, continued

Separate Accounts

Separate account assets and liabilities reported in the accompanying Statutory-Basis Statements of Assets, Liabilities and Surplus represent funds that are separately administered for variable annuity and variable life contracts, and for which the contractholder, rather than Thrivent Financial, bears the investment risk. Fees charged on separate account contractholder deposits, which include mortality and expense charges, rider fees, and advisor fees, are recognized when due. Separate account assets, which consist of investment funds, are carried at fair value based on published market prices. Separate account liability values are not guaranteed; however, general account reserves include provisions for the guaranteed minimum death and living benefits contained in the contracts. Reserve assumptions for these benefits are discussed in the section Aggregate Reserves for Life, Annuity and Health Contracts.

Aggregate Reserves for Life, Annuity and Health Contracts

Reserves for life insurance contracts are calculated using primarily the Commissioners' Reserve Valuation Method generally based upon the 1941, 1958, 1980, 2001, and 2017 Commissioners' Standard Ordinary and American Experience Mortality Tables with assumed interest rates ranging from 2.5% to 5.5%. Reserves on Contracts issued on a substandard basis are valued using the valuation mortality rates for the substandard rating.

Reserves for fixed annuities, supplementary contracts with life contingencies and other benefits are computed using recognized and accepted mortality tables and methods, which equal or exceed the minimum reserves calculated under the Commissioners' Annuity Reserve Valuation Method. Fixed indexed annuity reserves are calculated according to the Black-Scholes Projection Method described in Actuarial Guideline 35. Reserves for variable annuities are computed using the methods and assumptions specified in Actuarial Guideline 43, including assumptions for guaranteed minimum death benefits and living benefits.

Accident and health contract reserves are generally calculated using the two-year preliminary term, one-year preliminary term and the net level premium methods based upon various morbidity tables. In addition, for long-term care and disability income products, a premium deficiency reserve is held to the extent future premiums and current reserves are less than the value of future expected claim payments and expenses.

The reserve assumptions inherent in these approaches are designed to be sufficient to provide for all contractual benefits. Thrivent Financial waives deduction of deferred fractional premiums upon the death of insureds and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

During 2017, Thrivent Financial recorded an adjustment to its reserve for life contracts totaling \$84 million. The adjustment corrected an overstatement of the reserve connected with waivers on Term Life products. The adjustment was recorded directly to surplus and the impact on 2016 and 2015 gain from operations was not significant.

Deposit Liabilities

Deposit liabilities have been established on certain annuity and supplemental contracts that do not subject Thrivent Financial to mortality and morbidity risk. Changes in future benefits on these deposit-type contracts are classified as deposit-type transactions and thereby excluded from net additions to contract reserves.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

1. Nature of Operations and Significant Accounting Policies, continued

Significant Accounting Policies, continued

Contract Claims Liabilities

Claim liabilities are established in amounts estimated to cover incurred claims. These liabilities are based on individual case estimates for reported claims and estimates of unreported claims based on past experience.

Asset Valuation Reserve

Thrivent Financial is required to maintain an asset valuation reserve (“AVR”), which is a liability calculated using a formula prescribed by the NAIC. The AVR is intended to protect surplus against potential declines in the value of investments that are not related to changes in interest rates. Increases or decreases in the AVR are reported as direct adjustments to surplus in the Statutory-Basis Statements of Surplus.

Premiums and Considerations

Traditional life insurance premiums are recognized as revenue when due. Variable life, universal life, annuity premiums and considerations of supplemental contracts with life contingencies are recognized when received. Health insurance premiums are earned pro rata over the terms of the policies.

Fraternal Benefits and Expenses

Fraternal benefits and expenses include all fraternal activities as well as expenses incurred to provide or administer fraternal benefits and expenses related to Thrivent Financial’s fraternal character. This includes items such as benevolences to help meet the needs of people, educational benefits to raise community and family awareness of issues, church grants and costs necessary to maintain Thrivent Financial’s fraternal branch system. Thrivent Financial conducts its fraternal activities primarily through its lodge system where members participate in locally sponsored fraternal activities.

Dividends to Members

Thrivent Financial’s insurance products are participating in nature. Dividends on these policies to be paid to members in the subsequent 12 months are reflected in the Statutory-Basis Statements of Operations for the current year. The majority of life insurance contracts, except for universal life contracts, begin to receive dividends at the end of the second contract year. Dividends are not currently being paid on most health insurance and annuity contracts. Dividend scales are approved annually by Thrivent Financial’s Board of Directors.

Income Taxes

Thrivent Financial, as a fraternal benefit society, qualifies as a tax-exempt organization under the Internal Revenue Code. Accordingly, income earned by Thrivent Financial is generally exempt from taxation; therefore, no provision for income taxes has been recorded.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

1. Nature of Operations and Significant Accounting Policies, continued

Significant Accounting Policies, continued

New Accounting Guidance

In 2017, Thrivent Financial adopted changes to Statement of Statutory Accounting Principle (SSAP) No. 26 (Bonds, Excluding Loan-backed and Structured Securities) which requires income from bonds with callable features to be split between net investment income and realized gains and losses. The guidance requires additional footnotes disclosures regarding the callable features, number of securities and amounts included in net investment income. The new guidance is applied prospectively. The additional disclosures were added to footnote 2.

Subsequent Events

Thrivent Financial evaluated events or transactions that may have occurred after the Statutory-Basis Statements of Assets, Liabilities and Surplus date for potential recognition or disclosure through February 19, 2018, the date the statutory-basis financial statements were available to be issued. There were no subsequent events or transactions which required recognition or disclosure.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

2. Investments

Bonds

The admitted value and fair value of Thrivent Financial's investment in bonds are summarized below (in millions).

	<u>Admitted Value</u>	<u>Gross Unrealized</u>		<u>Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
December 31, 2017				
U.S. government and agency securities.....	\$ 2,458	\$ 72	\$ 7	\$ 2,523
U.S. state and political subdivision securities.....	105	42	—	147
Securities issued by foreign governments.....	107	5	—	112
Corporate debt securities	30,976	2,361	167	33,170
Residential mortgage-backed securities	7,434	79	54	7,459
Commercial mortgage-backed securities.....	1,786	16	17	1,785
Collateralized debt obligations.....	3	11	—	14
Other debt obligations	422	3	3	422
Total bonds.....	<u>\$43,291</u>	<u>\$2,589</u>	<u>\$248</u>	<u>\$45,632</u>

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Bonds, continued

	<u>Admitted Value</u>	<u>Gross Unrealized Gains</u>	<u>Losses</u>	<u>Fair Value</u>
December 31, 2016				
U.S. government and agency securities.....	\$ 2,481	\$ 73	\$ 7	\$ 2,547
U.S. state and political subdivision securities.....	134	33	—	167
Securities issued by foreign governments.....	107	7	1	113
Corporate debt securities	29,659	2,047	316	31,390
Residential mortgage-backed securities	7,264	91	56	7,299
Commercial mortgage-backed securities.....	1,845	16	27	1,834
Collateralized debt obligations.....	3	8	—	11
Other debt obligations	415	6	3	418
Total bonds.....	<u>\$41,908</u>	<u>\$2,281</u>	<u>\$410</u>	<u>\$43,779</u>

The admitted value of corporate debt securities issued in foreign currencies was \$434 million and \$150 million as of December 31, 2017 and 2016, respectively.

The admitted value and fair value of bonds, short-term investments and certain cash equivalents by contractual maturity are shown below (in millions). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Admitted Value</u>	<u>Fair Value</u>
December 31, 2017		
Due in one year or less.....	\$ 2,757	\$ 2,801
Due after one year through five years	9,464	9,816
Due after five years through ten years.....	13,294	13,626
Due after ten years	19,410	21,024
Total	<u>\$44,925</u>	<u>\$47,267</u>

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time that individual bonds have been in a continuous unrealized loss position (dollars in millions):

	<u>Less than 12 Months</u>			<u>12 Months or More</u>		
	<u>Number of Securities</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Number of Securities</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
December 31, 2017						
U.S. government and agency securities.....	20	\$ 873	\$ 5	3	\$ 55	\$ 2
Securities issued by foreign governments	2	24	—	—	—	—
Corporate debt securities	346	3,213	96	201	1,809	71
Residential mortgage-backed securities.....	80	2,571	15	79	1,767	39
Commercial mortgage-backed securities.....	52	489	4	46	408	13
Collateralized debt obligations	—	—	—	2	—	—

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Bonds, continued

	<u>Less than 12 Months</u>			<u>12 Months or More</u>		
	<u>Number of Securities</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Number of Securities</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
Other debt obligations.....	72	285	2	25	87	1
Total bonds.....	<u>572</u>	<u>\$ 7,455</u>	<u>\$122</u>	<u>356</u>	<u>\$4,126</u>	<u>\$126</u>

December 31, 2016

U.S. government and agency securities.....	9	\$ 345	\$ 7	—	\$ —	\$—
Securities issued by foreign governments	2	24	1	—	—	—
Corporate debt securities	756	6,806	241	123	794	75
Residential mortgage-backed securities.....	111	4,146	44	34	144	12
Commercial mortgage-backed securities.....	102	977	27	—	—	—
Collateralized debt obligations	—	—	—	2	—	—
Other debt obligations.....	44	180	2	11	17	1
Total bonds.....	<u>1,024</u>	<u>\$12,478</u>	<u>\$322</u>	<u>170</u>	<u>\$ 955</u>	<u>\$ 88</u>

Based on Thrivent Financial's current evaluation of its securities in accordance with its impairment policy, a determination was made that the declines in the securities summarized above are temporary in nature.

As of December 31, 2017, Thrivent Financial held the following structured notes (in millions) as defined by the NAIC Securities Valuation Office. The structured notes below are included in U.S. government and agency securities. No investments held as of December 31, 2017 are considered mortgage-referenced securities.

<u>CUSIP</u>	<u>Actual Cost</u>	<u>Fair Value</u>	<u>Book/Adjusted Carrying Value</u>
912810QF8.....	\$ 5	\$ 7	\$ 6
912828B25	25	27	27
912828HN3	15	18	18
912828JE1.....	62	75	74
912828NM8.....	27	30	29
912828QV5	81	84	84
912828UH1	27	28	28
	<u>\$242</u>	<u>\$269</u>	<u>\$266</u>

Stocks

The cost and fair value of Thrivent Financial's investment in stocks as of December 31 are summarized as follows (in millions):

	<u>2017</u>	<u>2016</u>
Unaffiliated preferred stocks:		
Cost/statement value	\$ 157	125

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Stocks, continued

	<u>2017</u>	<u>2016</u>
Gross unrealized gains	130	12
Gross unrealized losses	(1)	(1)
Fair value	<u>\$ 286</u>	<u>136</u>
Unaffiliated common stocks:		
Cost.....	\$1,046	1,008
Gross unrealized gains	329	225
Gross unrealized losses	(13)	(22)
Fair value/statement value.....	<u>\$1,362</u>	<u>1,211</u>
Affiliated common stocks and mutual funds:		
Cost.....	\$ 532	325
Gross unrealized gains	90	52
Gross unrealized losses	—	—
Fair value/statement value.....	<u>\$ 622</u>	<u>377</u>
Total statement value.....	<u>\$2,141</u>	<u>1,713</u>

The following table shows the fair value and gross unrealized losses by length of time that individual stocks have been in a continuous unrealized loss position (dollars in millions):

	<u>Less than 12 Months</u>			<u>12 Months or More</u>		
	<u>Number of Securities</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Number of Securities</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
December 31, 2017						
Stocks	141	\$166	\$12	3	\$2	\$2
December 31, 2016						
Stocks	165	\$204	\$22	4	\$2	\$1

Based on Thrivent Financial's current evaluation of its securities in accordance with its impairment policy, a determination was made that the declines in the securities summarized above are temporary in nature.

Mortgage Loans

Thrivent Financial invests in mortgage loans that principally involve commercial real estate consisting of first mortgage liens on completed income-producing properties. The carrying value of mortgage loans as of December 31, 2017 and 2016 was \$8.2 billion and \$7.8 billion, respectively. There was no allowance for credit losses as of December 31, 2017, 2016 or 2015.

Thrivent Financial requires that all properties subject to mortgage loans have fire insurance at least equal to the value of the property.

The carrying values of mortgage loans by credit quality as of December 31 were as follows (dollars in millions):

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Mortgage Loans, continued

	<u>2017</u>	<u>2016</u>
In good standing	\$8,172	\$7,731
In good standing, with restructured terms	26	40
Delinquent	2	—
In process of foreclosure	2	5
Total mortgage loans	<u>\$8,202</u>	<u>\$7,776</u>

	<u>2017</u>	<u>2016</u>
Loans with interest rates reduced during the year:		
Weighted average interest rate reduction	1.2%	1.5%
Total principal	\$ 59	\$151
Number of loans	79	179

Interest rates for loans issued during the year:		
Maximum	6.0%	5.5%
Minimum	2.7%	2.8%
Maximum loan-to-value ratio for loans issued during the year, exclusive of purchase money mortgages	75%	75%

The age analysis of mortgage loans as of December 31 was as follows (in millions):

	<u>2017</u>	<u>2016</u>
Current	\$8,193	\$7,766
30 – 59 days past due	2	4
60 – 89 days past due	5	1
90 – 179 days past due	2	—
180+ days past due	—	5
Total mortgage loans	<u>\$8,202</u>	<u>\$7,776</u>
180+ Days Past Due and Accruing Interest:		
Investment	\$ —	\$ 5
Interest accrued	—	1
90 -179 Days Past Due and Accruing Interest:		
Investment	2	—
Interest Accrued	—	—

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Mortgage Loans, continued

The distribution of Thrivent Financial’s mortgage loans among various geographic regions of the United States as of December 31 was as follows:

	<u>2017</u>	<u>2016</u>
Geographic Region		
Pacific	25%	25%
South Atlantic	19	19
East North Central	9	10
West North Central	14	14
Mountain	13	13
Mid-Atlantic	8	8
West South Central	7	7
Other	5	4
Total	<u>100%</u>	<u>100%</u>

The distribution of Thrivent Financial’s mortgage loans among various property types as of December 31 was as follows:

	<u>2017</u>	<u>2016</u>
Property Type		
Industrial	26%	28%
Retail	26	24
Office	18	19
Church	11	11
Apartments	11	10
Other	8	8
Total	<u>100%</u>	<u>100%</u>

Impaired loans

A loan is determined to be impaired when Thrivent Financial considers it probable that the principal and interest will not be collected according to the contractual terms of the loan agreement. At both December 31, 2017 and 2016, Thrivent Financial held impaired loans with a carrying value of \$4 million and an unpaid principal balance of \$4 million for which there was no related allowance for credit losses recorded.

Any payments received on impaired loans are either applied against the principal or reported as net investment income, based on an assessment as to the collectability of the principal. Interest income on impaired loans is recognized upon receipt.

After loans become 180 days delinquent on principal or interest payments, or if the loans have been determined to be impaired, any accrued but uncollectible interest on the mortgage loans is non-admitted and charged to surplus in the period in which the loans are determined to be impaired. Generally, only after the loans become less than 180 days delinquent from the contractual due date will accrued interest be returned to admitted status. The amount of impairments included in realized capital losses due to debt restructuring during the year was \$0.0 million, \$7.0 million and \$0.5 million for the years ended December 31, 2017, 2016 and

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Mortgage Loans, continued

Impaired loans, continued

2015, respectively. The average recorded investment in impaired mortgage loans held on December 31, 2017 and 2016 was \$2 million and \$4 million, respectively. Interest income recognized on impaired mortgage loans totaled \$0.1 million during all three years ended December 31, 2017, 2016 and 2015.

In certain circumstances, Thrivent Financial may modify the terms of a loan to maximize the collection of amounts due. During 2017, Thrivent Financial modified no loans under these circumstances. As of December 31, 2017, Thrivent Financial held 2 mortgage loans totaling \$2 million where loan modifications had occurred. During 2017, there were no modified mortgage loans with a payment default.

During 2016, Thrivent Financial modified 2 loans totaling \$2 million under these circumstances. As of December 31, 2016, Thrivent Financial held 2 mortgage loans totaling \$2 million where loan modifications had occurred. During 2016, there were no modified mortgage loans with a payment default.

During 2017, there was one mortgage loan in the amount of \$5 million derecognized as a result of foreclosure.

Real Estate

The components of real estate investments as of December 31 were as follows (in millions):

	<u>2017</u>	<u>2016</u>
Home office properties.....	\$ 181	\$ 183
Held-for-sale	14	2
Total before accumulated depreciation	195	185
Accumulated depreciation.....	<u>(136)</u>	<u>(130)</u>
Total real estate	<u>\$ 59</u>	<u>\$ 55</u>

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Derivative Financial Instruments

Thrivent Financial uses derivative financial instruments in the normal course of business to manage investment risks, to reduce interest rate and duration imbalances determined in asset/liability analyses and to offset risks associated with the guaranteed living benefits features of certain variable annuity products.

The following table summarizes the carrying values, which primarily equal fair values, included in other invested assets or other liabilities on the Statutory-Basis Statements of Assets, Liabilities and Surplus, and the notional amounts of Thrivent Financial's derivative financial instruments (in millions):

	<u>Carrying Value</u>	<u>Notional Amount</u>	<u>Realized Gain/(Loss)</u>
As of and for the year ended December 31, 2017			
Assets:			
Call spread options	\$ 38	\$339	\$ 20
Futures.....	—	344	(41)
Foreign currency swaps.....	9	202	3
Covered written call options	—	—	4
Total assets	<u>\$ 47</u>	<u>\$885</u>	<u>\$ (14)</u>
Liabilities:			
Call spread options	\$ 26	\$381	\$ (17)
Foreign currency swaps.....	27	227	2
Total liabilities	<u>\$ 53</u>	<u>\$608</u>	<u>\$ (15)</u>
As of and for the year ended December 31, 2016			
Assets:			
Call spread options	\$ 14	\$171	\$ (1)
Futures.....	—	—	(153)
Foreign currency swaps.....	22	146	4
Total assets	<u>\$ 36</u>	<u>\$317</u>	<u>\$(150)</u>
Liabilities:			
Call spread options	\$ 10	\$178	\$ 1
Covered written call options	1	150	2
Foreign currency swaps.....	2	30	—
Total liabilities	<u>\$ 13</u>	<u>\$358</u>	<u>\$ 3</u>

All gains and losses are reflected in realized capital gains and losses in the statutory-basis financial statements. Notional amounts do not represent amounts exchanged by the parties and are therefore not a measure of Thrivent Financial's exposure. The amounts exchanged are calculated on the basis of the notional amounts and the other terms of the instruments, such as interest rates, exchange rates, security prices or financial and other indices.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Derivative Financial Instruments, continued

Call Spread Options

Thrivent Financial uses over-the-counter S&P 500 index call spread options (i.e. buying call options and selling cap call options) to manage risks associated with its fixed indexed annuities. Purchased call spread options are reported at fair value in other invested assets and written call spread options are reported at fair value in other liabilities. The changes in the fair value of the call spread options are recorded in unrealized gains and losses.

Covered Written Call Options

Thrivent Financial sells covered written call option contracts to enhance the return on residential mortgage-backed “to be announced” collateral that it owns. The premium received for these call options is recorded in other liabilities at book value at each reporting period. All positions in these contracts are settled at month end. Upon disposition of the options, the gains are recorded as a component of realized capital gains and losses. During the years ended December 31, 2017, 2016 and 2015, \$8 million, \$10 million and \$12 million, respectively, was received in call premium.

Futures

Thrivent Financial utilizes futures contracts to manage a portion of the risks associated with the guaranteed minimum accumulation benefit feature of its variable annuity products and to manage foreign equity risk. Cash paid for the futures contracts is recorded in other invested assets. Contracts are settled on a daily basis and recognized in realized gains and losses. The futures contracts are valued at fair value at each reporting period, and the change in the fair value is recognized in unrealized gains and losses.

Foreign Currency Swaps

Thrivent Financial utilizes foreign currency swaps to manage the risk associated with changes in the exchange rate of foreign currency to U.S. dollar payments. The swaps are reported at fair value with the change in the fair value recognized in unrealized gains and losses. Realized gains and losses are recognized upon settlement of the swap. No cash is exchanged at the outset of the swaps, and interest payments received are recorded as a component of net investment income.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Securities Lending

Elements of the securities lending program are presented below as of December 31 (in millions):

	<u>2017</u>	<u>2016</u>
Loaned securities:		
Carrying value.....	\$346	\$499
Fair value.....	357	512
Cash collateral reinvested at book and fair value:		
Open	\$ 45	\$ 95
30 days or less	239	317
31 – 60 days.....	49	53
61 – 90 days.....	13	4
91 – 120 days	—	—
121 – 180 days	—	5
181 – 365 days	5	10
1 – 2 years	14	—
2 – 3 years	—	—
Greater than 3 years	—	29
Total.....	<u>\$365</u>	<u>\$513</u>
Cash collateral liabilities.....	\$365	\$523

The maturity dates of the cash collateral liabilities general match the maturity dates of the invested assets.

Pledged and Restricted Assets

Thrivent Financial owns assets which are pledged to others as collateral or are otherwise restricted totaling \$430 million and \$563 million at December 31, 2017 and 2016, respectively. Total pledged and restricted assets, which primarily include collateral held under futures transactions and securities lending agreements, are less than 1% of total admitted assets. Deposits with state insurance departments were \$1 million for both years ended December 31, 2017 and 2016.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Collateral Received

Elements of the securities lending program are presented below as of December 31 (in millions):

	<u>2017</u>	<u>2016</u>
Bonds:		
Carrying value.....	\$ 19	\$ 52
Fair value.....	19	52
Short-term Investments:		
Carrying value.....	\$ 18	\$105
Fair value.....	18	105
Cash Equivalents		
Carrying value.....	\$328	\$356
Fair value.....	328	356

All collateral received is less than one-percent of total admitted assets.

Net Investment Income

Net investment income by type of investment for the years ended December 31 is summarized as follows (in millions):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bonds	\$1,745	\$1,671	\$1,702
Preferred stock	7	7	6
Unaffiliated common stocks	21	21	17
Affiliated common stocks	11	3	34
Mortgage loans	391	399	411
Real estate	24	24	23
Contract loans	80	84	85
Cash, cash equivalents and short-term investments	20	13	5
Limited partnerships	450	585	557
Other invested assets	13	11	11
	2,762	2,818	2,851
Investment expenses	(47)	(43)	(39)
Depreciation on real estate	(6)	(7)	(7)
Net investment income	\$2,709	\$2,768	\$2,805

For the year ended December 31, 2017 net investment income on bonds includes \$41 million on 82 securities sold or redeemed resulting from a traditional callable feature.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Realized Capital Gains and Losses

Realized capital gains and losses for the years ended December 31 were as follows (in millions):

	2017	2016	2015
Net gains (losses) on sales:			
Bonds:			
Gross gains	226	\$ 200	\$ 186
Gross losses	(40)	(91)	(76)
Stocks:			
Gross gains	143	116	87
Gross losses	(31)	(48)	(37)
Futures	(41)	(153)	(57)
Other	31	—	(1)
Net (losses) gains on sales	288	24	102
Provisions for losses:			
Bonds	(10)	(21)	(19)
Stocks	—	—	—
Other	—	(7)	(2)
Total provisions for losses	(10)	(28)	(21)
Realized capital (losses) gains	278	(4)	81
Transfers to interest maintenance reserve	(204)	(111)	(123)
Realized capital losses, net	\$ 74	\$(115)	\$ (42)

Proceeds from the sale of investments in bonds, net of mortgage dollar roll transactions, were \$7.0 billion, \$5.5 billion and \$5.5 billion for the years ended December 31, 2017, 2016 and 2015, respectively.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

2. Investments, continued

Realized Capital Gains and Losses, continued

Thrivent Financial recognized other-than-temporary impairments during the year ended December 31, 2017 on the following loan-backed and structured securities where the present value of cash flows expected to be collected was less than the amortized cost basis of the security (in millions):

<u>CUSIP</u>	<u>Book Value Before Impairment</u>	<u>Impairment Recognized</u>	<u>Amortized Cost After Impairment</u>	<u>Fair Value as of Date Impaired</u>
05948KVV8.....	\$ 7	\$—	\$ 7	\$ 7
05949AL99.....	1	—	1	1
05949AZT0.....	8	—	8	8
07389QAA6.....	6	—	6	6
863576AC8.....	3	—	3	3
949837AA6.....	2	—	2	2
75970OAJ9.....	3	1	2	2
02660YAX0.....	3	1	2	2
78477AAA5.....	3	2	1	1
52522QAN2.....	1	—	1	1
Total.....	<u>\$37</u>	<u>\$ 4</u>	<u>\$33</u>	<u>\$33</u>

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

3. Policyholder Liabilities

Many of the contracts issued by Thrivent Financial, primarily annuities, do not subject Thrivent Financial to mortality or morbidity risk. These contracts may have certain limitations placed upon the amount of funds that can be withdrawn without penalties. The following table summarizes liabilities by their withdrawal characteristics (dollars in millions):

	General Account	Separate Account With Guarantees	Separate Account Without Guarantees	Total	% of Total
December 31, 2017					
Subject to discretionary withdrawal:					
With market value adjustment	\$ —	\$338	\$ —	\$ 338	1%
At book value less a surrender charge of 5% or more	4,963	—	—	4,963	10
At fair value	—	—	28,422	28,422	59
At book value without adjustment	12,911	—	—	12,911	27
Not subject to discretionary withdrawal	1,340	—	59	1,399	3
Total	<u>\$19,214</u>	<u>\$338</u>	<u>\$28,481</u>	<u>\$48,033</u>	<u>100%</u>
December 31, 2016					
Subject to discretionary withdrawal:					
With market value adjustment	\$ —	\$361	\$ —	\$ 361	1%
At book value less a surrender charge of 5% or more	4,943	—	—	4,943	11
At fair value	—	—	24,816	24,816	56
At book value without adjustment	12,518	—	—	12,518	29
Not subject to discretionary withdrawal	1,293	—	56	1,349	3
Total	<u>\$18,754</u>	<u>\$361</u>	<u>\$24,872</u>	<u>\$43,987</u>	<u>100%</u>

The above policyholder liabilities are recorded as components of the following captions of the Statutory-Basis Statements of Assets, Liabilities and Surplus as of December 31 (in millions):

	2017	2016
Aggregate reserves for life, annuity and health contracts	\$15,793	\$15,482
Deposit liabilities	3,421	3,272
Liabilities related to separate accounts	28,819	25,233
Total	<u>\$48,033</u>	<u>\$43,987</u>

Thrivent Financial holds premium deficiency reserves (PDR) on its closed block of long-term care insurance policies. The PDR was \$567 million and \$281 million as of December 31, 2017 and 2016, respectively. During 2017, Thrivent Financial updated the mortality, persistency, expense and net earned rate assumptions used in the determination of the PDR. These updated assumptions were the primary driver of the \$286 million increase in PDR for the year ended December 31, 2017.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

3. Policyholder Liabilities, continued

Thrivent Financial has insurance in force as of December 31, 2017 and 2016, totaling \$16 billion and \$14 billion, respectively, where the gross premiums are less than the net premiums according to the standard valuation requirements set by the State of Wisconsin. Reserves associated with these policies as of December 31, 2017 and 2016, totaled \$71 million and \$63 million, respectively.

Deferred and uncollected life insurance premiums and annuity considerations were as follows (in millions):

	<u>Gross</u>	<u>Net of Loading</u>
December 31, 2017		
Ordinary new business	\$ 7	\$ 4
Ordinary renewal	49	104
Total	<u>\$56</u>	<u>\$108</u>
December 31, 2016		
Ordinary new business	\$ 5	\$ 2
Ordinary renewal	62	121
Total	<u>\$67</u>	<u>\$123</u>

4. Separate Accounts

Thrivent Financial administers and invests funds segregated into separate accounts for the exclusive benefit of variable annuity, variable immediate annuity and variable universal life contractholders. Variable life and variable annuity separate accounts of Thrivent Financial are non-guaranteed, while Thrivent Financial's multi-year guarantee separate account is a non-indexed guarantee account. Within the non-guaranteed separate account, all variable deferred annuity contracts contain guaranteed death benefits and some contain guaranteed living benefits. The following table presents the explicit risk charges paid by separate account contractholders for these guarantees and the amounts paid for guaranteed death benefits for the years ended December 31 (in millions):

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Risk charge paid	\$107	\$99	\$99	\$86	\$58
Payments for guaranteed benefits	4	5	4	3	3

The distribution of investments in the separate account assets as of December 31 was as follows:

	<u>2017</u>	<u>2016</u>
Equity funds	59%	56%
Bond funds	20	23
Balanced funds	19	18
Other	2	3
Total separate account assets	<u>100%</u>	<u>100%</u>

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

4. Separate Accounts, continued

The following tables summarize information for the separate accounts as of and for the years ended December 31 (in millions):

	<u>Non-Indexed Guarantee</u>	<u>Non- Guaranteed</u>	<u>Total</u>
December 31, 2017			
Reserves:			
For accounts with assets at fair value.....	\$338	\$29,527	\$29,865
By withdrawal characteristics:			
Subject to discretionary withdrawal:			
With market value adjustment	\$338	\$ —	\$ 338
At fair value.....	—	29,468	29,468
Not subject to discretionary withdrawal.....	—	59	59
Total.....	<u>\$338</u>	<u>\$29,527</u>	<u>\$29,865</u>
December 31, 2016			
Reserves:			
For accounts with assets at fair value.....	\$361	\$25,743	\$26,104
By withdrawal characteristics:			
Subject to discretionary withdrawal:			
With market value adjustment	\$361	\$ —	\$ 361
At fair value.....	—	25,687	25,687
Not subject to discretionary withdrawal.....	—	56	56
Total.....	<u>\$361</u>	<u>\$25,743</u>	<u>\$26,104</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Premiums, considerations and deposits:			
Non-indexed guarantee	\$ 1	\$ 5	\$ 2
Non-guaranteed.....	1,806	1,926	2,505
Total.....	<u>\$1,807</u>	<u>\$1,931</u>	<u>\$2,507</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Transfers to separate accounts.....	\$ 1,806	\$ 1,930	\$ 2,504
Transfers from separate accounts.....	(1,321)	(1,027)	(1,044)
Other items	(2)	(1)	(3)
Transfers to separate accounts, net	<u>\$ 483</u>	<u>\$ 902</u>	<u>\$ 1,457</u>

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

5. Claims Liabilities

Activity in the liabilities for accident and health, long-term care and disability benefits, included in aggregate reserves for life, annuity, and health contracts and health claims, is summarized below (in millions):

	2017	2016
Net balance at January 1	\$1,022	\$1,006
Incurred related to:		
Current year	451	401
Prior years	(35)	(52)
Total incurred	416	349
Paid related to:		
Current year	84	68
Prior years	265	265
Total paid	349	333
Net balance at December 31	\$1,089	\$1,022

Thrivent Financial uses estimates for determining its liability for accident and health, long-term care and disability benefits, which are based on historical claim payment patterns, and attempts to provide for potential adverse changes in claim patterns and severity. Thrivent Financial annually reviews the claim payment experience to evaluate the methodology and assumptions that are used in determining its estimate of ultimate claims experience.

6. Reinsurance

Thrivent Financial participates in reinsurance in order to limit its maximum losses and to diversify its exposures. Life and accident and health reinsurance is accomplished through various plans of reinsurance, primarily coinsurance and yearly renewable term. Generally, Thrivent Financial retains a maximum of \$3 million of single or joint life coverage for any single mortality risk. Ceded balances would represent a liability of Thrivent Financial in the event the reinsurers were unable to meet their obligations under the terms of the reinsurance agreements.

Reinsurance premiums, commissions, expense reimbursements, benefits and reserves related to reinsured long-duration contracts are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. The cost of reinsurance related to short-duration contracts is accounted for over the reinsurance contract period. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liabilities and policy benefits associated with the reinsured policies.

Reinsurance amounts included in the Statutory-Basis Statements of Operations for the years ended December 31 were as follows (in millions):

	2017	2016	2015
Direct premiums	\$5,146	\$5,570	\$5,612
Reinsurance ceded	(125)	(119)	(112)
Net premiums	5,021	\$5,451	\$5,500
Reinsurance claims recovered	\$ 65	\$ 50	\$ 38

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

6. Reinsurance, continued

Aggregate reserves and contract claims liabilities in the Statutory-Basis Statements of Assets, Liabilities and Surplus for the years ended December 31 were reduced by reinsurance ceded amounts as follows (in millions):

	<u>2017</u>	<u>2016</u>
Life insurance	\$758	\$689
Accident and health	—	1
Total.....	<u>\$758</u>	<u>\$690</u>

Reinsurance contracts do not relieve an insurer from its primary obligation to policyholders.

Thrivent Financial periodically reviews the financial condition of its reinsurers and amounts recoverable in order to evaluate the financial strength of the companies supporting the recoverable balances. One reinsurer accounts for approximately 52% of the reinsurance recoverable as of December 31, 2017.

Thrivent Financial has no covered policies where certain term life and universal life insurance policies (XXX/AXXX risks) are ceded in accordance with Actuarial Guideline 48 (Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies to be Valued Under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation).

7. Surplus

Thrivent Financial is subject to certain risk-based capital (“RBC”) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life insurance company is to be determined based on the various risk factors related to it. Thrivent Financial exceeds the RBC requirements as of December 31, 2017 and 2016.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

7. Surplus, continued

Unassigned funds were represented or reduced by the following categories and amounts as of December 31 (in millions):

	<u>2017</u>	<u>2016</u>
Unrealized gains and losses	\$ 554	\$ 425
Non-admitted assets	(115)	(104)
Separate account business	45	48
Asset valuation reserve	(1,217)	(1,099)

8. Fair Value of Financial Instruments

The financial instruments of Thrivent Financial have been classified, for disclosure purposes, into one of three categories based on the evaluation of the amount of observable and unobservable inputs used to determine fair value.

Fair Value Descriptions

Level 1 Financial Instruments

Level 1 financial instruments reported at fair value include certain bonds, unaffiliated common stocks and short-term investments. Bonds and unaffiliated common stocks primarily are valued using quoted prices in active markets. Short-term investments consist of money market mutual funds whose fair value is based on the quoted daily net asset values of the invested funds.

Level 1 financial instruments not reported at fair value include bonds, which are priced based on quoted market prices, and primarily include U.S. Treasury bonds, cash and certain cash equivalents.

Level 2 Financial Instruments

Level 2 financial instruments reported at fair value include, certain unaffiliated common stocks, short-term investments and assets held in separate accounts. Unaffiliated common stocks are valued based on market quotes where the stocks are not considered actively traded. Short-term investments are valued using significant observable inputs. The fair values for separate account assets are based on published daily net asset values of the funds in which the separate accounts are invested.

Level 2 financial instruments not reported at fair value include bonds, unaffiliated preferred stocks, cash equivalents and short-term investments, other invested assets and liabilities related to separate accounts.

Bonds that are priced using a third party pricing vendor primarily include certain corporate debt securities and asset-backed securities. Pricing from a third party pricing vendor varies by asset class but generally includes inputs such as estimated cash flows, benchmark yields, reported trades, issuer spreads, bids, offers, credit quality, industry events and economic events. If Thrivent Financial is unable to obtain a price from a third party pricing vendor, management may obtain broker quotes or utilize an internal pricing model specific to the asset. The internal pricing models apply practices that are standard among the industry and utilize observable market data. Fair values of unaffiliated preferred stocks are based on market quotes where these securities are not considered actively traded.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

8. Fair Value of Financial Instruments, continued

Fair Value Descriptions, continued

Level 2 Financial Instruments, continued

Cash equivalents and short-term investments includes investments in commercial paper and agency notes. The carrying amounts for these investments approximate their fair values. Other invested assets include investments in surplus notes in which the fair values are based on quoted market prices. The carrying amounts of liabilities related to separate accounts reflect the amounts in the separate account assets and approximate their fair values.

Level 3 Financial Instruments

Level 3 financial instruments reported at fair value include other invested assets, which consist of certain derivatives. The fair value is determined using independent broker quotes.

Level 3 financial instruments not reported at fair value include bonds, mortgage loans, contract loans, limited partnerships, real estate, other invested assets, deferred annuities, other deposit contracts and other liabilities.

Level 3 bonds primarily include private placement debt securities and convertible bonds. Private placement debt securities are valued using internal pricing models specific to the assets using unobservable inputs such as issuer spreads, estimated cash flows, internal credit ratings and volatility adjustments. Market comparable discount rates ranging from 0% to 12% are used as the base rate in the discounted cash flows used to determine the fair value of certain assets. Increases or decreases in the credit spreads on the comparable assets could cause the fair value of assets to significantly decrease or increase, respectively. Additionally, Thrivent Financial may adjust the base discount rate or the modeled price by applying an illiquidity premium of 25 basis points, given the highly structured nature of certain assets. Convertible bonds are valued using third party broker quotes to determine fair value.

Limited partnerships include private equity investments. The fair values of these investments are estimated based on assumptions in the absence of observable market data. In determining fair value the following valuation techniques are generally used: most recent capital balance adjusted for current cash flows; internal valuation methodologies designed for specific asset classes, primarily sponsor valuations or net asset value; discounted cash flow models; or applying current market multiples to earnings before interest, taxes, depreciation and amortization (EBITDA).

The fair values for mortgage loans are estimated using discounted cash flow analyses based on interest rates currently being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amounts for contract loans approximate their fair values. The fair value of real estate held-for-sale is based on current market price assessments on the properties. Other invested assets primarily include real estate joint ventures. The fair values of real estate joint venture investments are derived using GAAP audited financial statements.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

8. Fair Value of Financial Instruments, continued

Fair Value Descriptions, continued

Level 3 Financial Instruments, continued

The fair values for deferred annuities and other deposit contracts, which include supplementary contracts without life contingencies, deferred income settlement options and refunds on deposit, are estimated to be the cash surrender value payable upon immediate withdrawal. The fair values for other liabilities, which consist of certain derivatives, are derived from broker quotes.

Financial Instruments Carried at Fair Value

The fair values of Thrivent Financial's financial instruments measured and reported at fair value were as follows (in millions):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2017				
<u>Assets</u>				
Bonds	\$ 269	\$ —	\$—	\$ 269
Unaffiliated common stocks	1,304	58	—	1,362
Cash, Cash equivalents and short-term investments	106	—	—	106
Other invested assets	—	10	38	48
Assets held in separate accounts	—	30,492	—	30,492
Total	<u>\$1,679</u>	<u>\$30,560</u>	<u>\$ 38</u>	<u>\$32,277</u>
<u>Liabilities</u>				
Other liabilities	\$ —	\$ 27	\$ 26	\$ 53
December 31, 2016				
<u>Assets</u>				
Bonds	\$ 267	\$ —	\$—	\$ 267
Unaffiliated common stocks	1,134	77	—	1,211
Cash, cash equivalents and short-term investments	285	-	—	285
Other invested assets	-	22	14	36
Assets held in separate accounts	-	26,718	—	26,718
Total	<u>\$1,686</u>	<u>\$26,817</u>	<u>\$ 14</u>	<u>\$28,517</u>
<u>Liabilities</u>				
Other liabilities	\$ —	\$ 2	\$ 10	\$ 12

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

8. Fair Value of Financial Instruments, continued

Financial Instruments Carried at Fair Value, continued

Additional Information on Level 3 Financial Instruments carried at Fair Value

There were no gains or losses recognized in net income during 2017, 2016 or 2015 attributable to the change in unrealized gains and losses related to Level 3 assets still held at December 31, 2017, 2016 or 2015.

The following table shows the changes in fair values for the investments categorized as Level 3 (in millions):

	<u>2017</u>	<u>2016</u>
Assets:		
Balance, January 1	\$ 14	\$ 5
Purchases	20	10
Sales	(10)	(6)
Unrealized gains and losses	14	5
Balance, December 31	<u>\$ 38</u>	<u>\$14</u>
Liabilities:		
Balance, January 1	\$ 10	\$ 3
Purchases	12	6
Sales	(7)	(3)
Unrealized gains and losses	11	4
Balance, December 31	<u>\$ 26</u>	<u>\$10</u>

Transfers

During 2017, Thrivent Financial had transfers of \$102 million into Level 2 from Level 3 and transfers of \$54 million into Level 3 from Level 2 for bonds which are not held at fair value. During 2016, Thrivent Financial had transfers of \$261 million into Level 2 from Level 3 and transfers of \$97 million into Level 3 from Level 2 for bonds which are not held at fair value. There were no transfers between fair value levels for assets held at fair value. Transfers between fair value hierarchy levels are recognized at the end of the reporting period.

Valuation Assumptions

The results of the valuation methods presented in this footnote are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. As a result, the derived fair value estimates, in many cases, could not be realized in immediate settlement of the financial instruments. These fair values are for certain financial instruments of Thrivent Financial; accordingly, the aggregate fair value amounts presented do not represent the underlying value of Thrivent Financial.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

8. Fair Value of Financial Instruments, continued

Fair Value of All Financial Instruments

The carrying values and fair values of all financial instruments are presented below (in millions).

	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
December 31, 2017					
Financial assets:					
Bonds	\$43,291	2,311	34,584	8,737	45,632
Unaffiliated preferred stocks	157	—	79	207	286
Unaffiliated common stocks	1,362	1,304	58	—	1,362
Mortgage loans	8,202	—	—	8,611	8,611
Contract loans	1,161	—	—	1,161	1,161
Cash, cash equivalents and short-term investments	1,573	106	1,469	2	1,577
Limited partnerships	3,197	—	—	3,197	3,197
Real estate — held-for-sale	14	—	—	69	69
Assets held in separate accounts	30,492	—	30,492	—	30,492
Other invested assets	204	—	114	116	230
Financial liabilities:					
Deferred annuities	13,616	—	—	13,405	13,405
Other deposit contracts	1,065	—	—	1,065	1,065
Other liabilities	53	—	31	26	57
Liabilities related to separate accounts	30,448	—	30,448	—	30,448
December 31, 2016					
Financial assets:					
Bonds	\$41,908	2,409	33,952	7,418	43,779
Unaffiliated preferred stocks	125	—	106	29	135
Unaffiliated common stocks	1,211	1,134	77	—	1,211
Mortgage loans	7,776	—	—	8,179	8,179
Contract loans	1,164	—	—	1,164	1,164
Cash, cash equivalents and short-term investments	1,731	301	1,430	—	1,731
Limited partnerships	2,920	—	—	2,920	2,920
Real estate — held-for-sale	2	—	—	2	2
Assets held in separate accounts	26,718	—	26,718	—	26,718
Other invested assets	179	—	24	179	203
Financial liabilities:					
Deferred annuities	13,232	—	—	13,071	13,071
Other deposit contracts	1,123	—	—	1,123	1,123
Other liabilities	13	—	2	10	12
Liabilities related to separate accounts	26,671	—	26,671	—	26,671

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

9. Benefit Plans

Pension and Other Postretirement Benefits

Thrivent Financial has a qualified noncontributory defined benefit retirement plan that provides benefits to substantially all home office and field employees upon retirement. Thrivent Financial also provides certain health care and life insurance benefits for substantially all retired home office and field personnel. Thrivent Financial uses a measurement date of December 31 in its benefit plan disclosures.

The components of net periodic pension expense for Thrivent Financial’s qualified retirement and other plans for the years ended December 31 were as follows (in millions):

	<u>Retirement Plan</u>			<u>Other Plans</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost.....	\$ 23	\$ 23	\$ 23	\$ 2	\$ 2	\$ 2
Interest cost.....	46	50	48	5	4	5
Expected return on plan assets.....	(69)	(68)	(69)	—	—	—
Other	18	26	32	6	6	7
Net periodic cost.....	<u>\$ 18</u>	<u>\$ 31</u>	<u>\$ 34</u>	<u>\$ 13</u>	<u>\$ 12</u>	<u>\$ 14</u>

The plans’ amounts recognized in the statutory-basis financial statements as of December 31 were as follows (in millions):

	<u>Retirement Plan</u>		<u>Other Plans</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Change in projected benefit obligation:				
Benefit obligation, beginning of year	\$1,083	\$1,111	\$111	\$109
Service cost.....	23	23	2	2
Interest cost.....	46	50	5	4
Actuarial (gain) loss	82	(57)	10	1
Transfers from Defined Contribution Plan	—	—	—	—
Benefits paid.....	<u>(47)</u>	<u>(44)</u>	<u>(8)</u>	<u>(5)</u>
Benefit obligation, end of year.....	<u>\$1,187</u>	<u>\$1,083</u>	<u>\$120</u>	<u>\$111</u>
Change in plan assets:				
Fair value of plan assets, beginning of year.....	\$ 935	\$ 892	\$—	\$—
Actual return on plan assets.....	127	67	—	—
Employer contribution	20	20	8	5
Transfers from Defined Contribution Plan	—	—	—	—
Benefits paid.....	<u>(47)</u>	<u>(44)</u>	<u>(8)</u>	<u>(5)</u>
Fair value of plan assets, end of year.....	<u>\$1,035</u>	<u>\$ 935</u>	<u>\$—</u>	<u>\$—</u>

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

9. Benefit Plans, continued

Pension and Other Postretirement Benefits, continued

The plans' amounts recognized in the statutory-basis financial statements, funding statuses and accumulated benefit obligation as of December 31 were as follows (in millions):

	Retirement Plan		Other Plans	
	2017	2016	2017	2016
Funded status:				
Accrued benefit costs	\$ —	\$ —	\$(127)	\$(122)
Liability for pension benefits.....	(152)	(148)	7	11
Total unfunded liabilities	(152)	(148)	(120)	(111)
Items not yet recognized:				
Net losses (gains)	306	301	(11)	(23)
Net prior service cost	—	(1)	4	12
Accumulated amounts recognized in periodic pension expenses.....	154	\$ 152	(127)	\$(122)
Accumulated benefit obligation	\$1,137	\$1,034	\$ 120	\$ 111

The unfunded liabilities for the retirement plan and other postretirement plans at December 31, 2017 and 2016, are included in other liabilities in the Statutory-Basis Statement of Assets, Liabilities and Surplus.

A summary of the amounts yet to be recognized in the Statutory-Basis Statement of Operations as of December 31 is as follows (in millions):

	Retirement Plan			Other Plans		
	Net Prior Service Cost	Net Recognized (Gains) Losses	Total	Net Prior Service Cost	Net Recognized (Gains) Losses	Total
Items not yet recognized, January 1, 2016	\$ (2)	\$384	\$382	\$ 19	\$(25)	\$ (6)
Net prior service cost recognized	1	—	1	(7)	—	(7)
Net (gain) loss arising during the period	—	(56)	(56)	—	1	1
Net gain (loss) recognized	—	(27)	(27)	—	1	1
Items not yet recognized, December 31, 2016.....	\$ (1)	\$301	\$300	\$ 12	\$(23)	\$(11)
Net prior service cost recognized	1	—	1	(8)	—	(8)
Net (gain) loss arising during the period	—	24	24	—	10	10
Net gain (loss) recognized	—	(19)	(19)	—	2	2
Items not yet recognized, December 31, 2017.....	\$—	\$306	\$306	\$ 4	\$(11)	\$ (7)

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

9. Benefit Plans, continued

Pension and Other Postretirement Benefits, continued

The amounts in unassigned funds expected as of December 31 to be recognized in the next fiscal year as components of periodic benefit cost were as follows (in millions):

	<u>Retirement Plan</u>		<u>Other Plans</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net prior service cost	\$—	\$ (1)	\$ 4	\$ 7
Net recognized (gains)/losses	19	19	—	(1)

Pension and Other Postretirement Benefit Factors

Thrivent Financial periodically evaluates the long-term earned rate assumptions, taking into consideration historical performance of the plan's assets as well as current asset diversification and investment strategy in determining the rate of return assumptions used in calculating the plans' benefit expenses and obligation.

	<u>Retirement Plan</u>		<u>Other Plans</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Weighted average assumptions:				
Discount rate	4.30%	4.30%	3.70%	4.30%
Expected return on plan assets	7.50	7.75	N/A	N/A
Rate of compensation increase	3.40	3.40	N/A	N/A

The assumed health care cost trend rate used in measuring the postretirement health care benefit obligation was 7.80% and 7.70% in 2017 for pre-65 participants and post-65 participants, respectively, trending down to 4.50% in 2027. The assumed health care cost trend rates can have a significant impact on the amounts reported. For example, a one-percentage point increase or decrease in the rate would change the 2017 total service and interest cost by \$1 million. A one-percentage point increase in the rate would change the postretirement health care benefit obligation by \$13 million. A one-percentage point decrease in the rate would change the postretirement health care benefit obligation by \$11 million. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 includes a federal subsidy to sponsors of retirement health care plans that provide a prescription benefit that is at least actuarially equivalent to Medicare Part D. Thrivent's Medicare prescription plan is fully insured and therefore the plan's insurer receives the federal subsidy.

Estimated pension benefit payments for the next ten years are as follows: 2018 – \$52 million; 2019 – \$55 million; 2020 – \$58 million; 2021 – \$60 million; 2022– \$63 million; and 2023 to 2027 – \$350 million.

Estimated other post-retirement benefit payments for the next ten years are as follows: 2018 – \$7 million; 2019 – \$7 million; 2020 – \$8 million; 2021 – \$8 million; 2022– \$9 million; and 2023 to 2027 – \$44 million.

The minimum pension contribution required for 2016 under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") guidelines will be determined in the first quarter of 2018.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

9. Benefit Plans, continued

Pension and Other Postretirement Benefits, continued

Pension Assets

The assets of Thrivent Financial’s qualified defined benefit plan are held in trust. Thrivent Financial has a benefit plan advisory committee that sets investment guidelines, which are established based on market conditions, risk tolerance, funding requirements and expected benefit payments. A third party oversees the investment allocation process and monitors asset performance. As pension liabilities are long term in nature, Thrivent Financial employs a long-term total return approach to maximize the long-term rate of return on plan assets for a prudent level of risk.

The investment portfolio contains a diversified portfolio of investment categories, including equities and fixed income securities. Allocations for plan assets for the years ended December 31 were as follows:

	<u>Target Allocation</u>	<u>Actual Allocation</u>	
		<u>2017</u>	<u>2016</u>
Equity securities	60%	66%	61%
Fixed income and other securities.....	40	34	39
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Securities are also diversified in terms of domestic and international securities, short- and long-term securities, growth and value styles, large-cap and small-cap stocks, active and passive management and derivative-based styles. With prudent risk tolerance and asset diversification, the plan is expected to meet its pension obligations in the future.

The fair values of the defined benefit plan assets by asset category are presented below (in millions):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2017				
Fixed maturity securities:				
U.S. government and agency securities	\$ 62	\$ 3	\$—	\$ 65
Securities issued by foreign governments	—	1	—	1
Corporate debt securities.....	—	199	1	200
Residential mortgage-backed securities	—	108	—	108
Commercial mortgage-backed securities	—	7	—	7
Other debt obligations	—	7	—	7
Common stocks.....	443	8	—	451
Preferred stock.....	—	—	—	—
Affiliated mutual funds — equity funds	—	106	—	106
Short-term investments	—	120	—	120
Limited partnerships	—	—	61	61
Derivatives	—	—	1	1
Total	<u>\$505</u>	<u>\$559</u>	<u>\$ 63</u>	<u>\$1,127</u>

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

9. Benefit Plans, continued

Pension and Other Postretirement Benefits, continued

Pension Assets, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2016				
Fixed maturity securities:				
U.S. government and agency securities	\$103	\$—	\$—	\$ 103
Securities issued by foreign governments	—	1	—	1
Corporate debt securities.....	—	172	1	173
Residential mortgage-backed securities	—	104	—	104
Commercial mortgage-backed securities	—	5	—	5
Other debt obligations	—	12	—	12
Common stocks.....	361	8	—	369
Preferred stock.....	—	1	—	1
Affiliated mutual funds — equity funds	—	66	—	66
Short-term investments	—	155	—	155
Limited partnerships	—	—	35	35
Derivatives	—	—	—	—
Total.....	<u>\$464</u>	<u>\$524</u>	<u>\$ 36</u>	<u>\$1,024</u>

The fair value of defined benefit plan assets as presented in the table above does not include net accrued liabilities of \$92 million and \$89 million as of December 31, 2017 and 2016, respectively.

There were no significant transfers of defined benefit plan Level 1 and Level 2 fair value measurements during 2017 or 2016. Transfers between fair value hierarchy levels are recognized at the end of the reporting period.

The following table shows the changes in fair values of defined benefit plan assets categorized as Level 3 (in millions):

	<u>Corporate debt securities</u>	<u>Limited Partnerships</u>	<u>Total</u>
Balance, January 1, 2016.....	\$—	\$ 19	\$ 19
Purchases.....	1	20	21
Sales	—	(7)	(7)
Transfers into Level 3	—	3	3
Balance, December 31, 2016.....	<u>\$ 1</u>	<u>\$ 35</u>	<u>\$ 36</u>
Purchases.....	1	27	28
Unrealized gains and losses	1	8	9
Sales	(1)	(9)	(10)
Transfers into Level 3	—	—	—
Balance, December 31, 2017.....	<u>\$ 2</u>	<u>\$ 61</u>	<u>\$ 63</u>

Defined Contribution Plans

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

9. Benefit Plans, continued

Defined Contribution Plans, continued

Thrivent Financial also provides contributory and noncontributory defined contribution retirement benefits that cover substantially all home office and field employees. Eligible participants in the 401(k) plan may elect to contribute a percentage of their eligible earnings, and Thrivent Financial will match participant contributions up to 6% of eligible earnings. In addition, Thrivent Financial will contribute a percentage of eligible earnings for participants in a noncontributory plan for field employees. For the years ended December 31, 2017, 2016 and 2015, Thrivent Financial contributed \$35 million, \$34 million and \$32 million, respectively, to these plans.

As of December 31, 2017 and 2016, \$86 million and \$90 million, respectively, of the assets of the defined contribution plans were invested in a deposit administration contract issued by Thrivent Financial.

10. Commitments and Contingent Liabilities

Litigation and Other Proceedings

Thrivent Financial is involved in various lawsuits, contractual matters and other contingencies that have arisen from the normal course of business. Thrivent Financial assesses its exposure to these matters periodically and adjusts its provision accordingly. As of December 31, 2017, Thrivent Financial believes adequate provision has been made for any losses that may result from these matters.

Financial Instruments

Thrivent Financial is a party to financial instruments with on- and off-balance sheet risk in the normal course of business. These instruments involve, to varying degrees, elements of credit, interest rate, equity price or liquidity risk in excess of the amount recognized in the Statutory-Basis Statements of Assets, Liabilities and Surplus. Thrivent Financial's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and financial guarantees is limited to the contractual amount of these instruments.

Commitments to Extend Credit

Thrivent Financial has commitments to extend credit for mortgage loans and other lines of credit of \$233 million and \$290 million as of December 31, 2017 and 2016, respectively. Commitments to purchase limited partnerships, private placement bonds and other invested assets were \$3.5 billion and \$2.2 billion as of December 31, 2017 and 2016, respectively.

Financial Guarantees

Thrivent Financial has entered into an agreement to purchase certain debt obligations of a third party civic organization, totaling \$37 million, in the event certain conditions occur, as defined in the agreement. This agreement is secured by the assets of the third party.

Thrivent Financial has guaranteed that it will maintain the capital and surplus of its insurance and trust affiliates above certain levels required by the primary regulator of each company.

Leases

Thrivent Financial has operating leases for certain office equipment and real estate. Rental expense for

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

10. Commitments and Contingent Liabilities, continued

Financial Instruments, continued

Leases, continued

these items totaled \$17 million, \$14 million and \$12 million for each of the years ended December 31, 2017, 2016 and 2015 respectively. Future minimum rental commitments, in aggregate, as of December 31, 2017 were \$6 million for operating leases. The future minimum rental payments for the five succeeding years were as follows: 2018 — \$6 million; 2019 — \$4 million; 2020 — \$3 million; 2021 — \$2 million; 2022 and thereafter — \$0 million.

Leasing is not a significant part of Thrivent Financial's business activities as lessor.

11. Related Party Transactions

Investments in Subsidiaries and Affiliated Entities

Thrivent Financial's directly-owned subsidiary, Thrivent Financial Holdings, Inc. (Holdings), is valued in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities (SCAs)*. Annually, Thrivent Financial files a "Form Sub-2" with the NAIC in support of the valuation of Holdings. The filing in support of the December 31, 2016 values was completed on May 26, 2017 and Thrivent Financial received a response from the NAIC that did not disallow the valuation method.

As of December 31, 2017 and 2016, the gross and admitted values were \$319 million and \$261 million, respectively. Of those amounts, \$157 million and \$156 million, as of December 31, 2017 and 2016, respectively, related to Holdings' ownership of an insurance entity. The remaining \$162 million and \$105 million as of December 31, 2017 and 2016, respectively, reflect Holdings' ownership interest in non-insurance entities.

Other Related Party Transactions

Thrivent Financial also has invested \$304 million and \$116 million in mutual funds that are part of the Thrivent Financial mutual fund family as of December 31, 2017 and 2016, respectively.

Thrivent Financial provides administrative services on behalf of its subsidiaries in accordance with intercompany service agreements. The total value of services provided under these agreements totaled \$79 million, \$104 million and \$92 million for the years ended December 31, 2017, 2016 and 2015, respectively. The net receivables due from affiliates for the years ended December 31, 2017 and 2016 were \$12 million and \$15 million, respectively, which is included in other assets in the Statutory-Basis Financial Statements of Assets, Liabilities and Surplus.

Thrivent Financial has an agreement with an affiliate who distributes its variable products. Under the terms of the agreement, Thrivent Financial paid commissions, bonuses and other benefits to the affiliate totaling \$81 million, \$99 million and \$111 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Thrivent Financial is the investment advisor for the Thrivent Series Portfolios in which the separate accounts assets are primarily invested. Advisor fees in the amount of \$170 million, \$151 million and \$150 million for the years ended December 31, 2017, 2016 and 2015, respectively, were included in separate account fees in the Statutory-Basis Statement of Operations.

Thrivent Financial for Lutherans

Notes to Statutory-Basis Financial Statements, continued

12. Basis of Presentation

The preceding statutory-basis financial statements of Thrivent Financial have been prepared in accordance with accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance, which practices differ from GAAP.

The following describes the more significant statutory accounting policies that are different from GAAP accounting policies.

Bonds and Preferred Stocks

For GAAP purposes, investments in bonds and preferred stocks are reported at fair value with the change in fair value reported as a separate component of comprehensive income for available-for-sale securities and reported as realized gains or losses for trading securities.

Acquisition Costs

For GAAP purposes, costs incurred that are directly related to the successful acquisition and issuance of new or renewal insurance contracts are deferred to the extent such costs are deemed recoverable from future profits and amortized in proportion to estimated margins from interest, mortality and other factors under the contracts.

Contract Liabilities

For GAAP purposes, liabilities for future contract benefits and expenses are estimated based on expected experience or actual account balances.

Non-Admitted Assets

For GAAP purposes, certain assets, primarily furniture, equipment and agents' debit balances, are not charged directly to members' equity and are not excluded from the balance sheet.

Interest Maintenance Reserve

For GAAP purposes, certain realized investment gains and losses for fixed maturity securities sold prior to their maturity are not deferred and amortized into operating results over the remaining maturity of the sold security.

Asset Valuation Reserve

For GAAP purposes, an asset valuation reserve is not maintained.

Premiums

For GAAP purposes, funds deposited and withdrawn on universal life and investment-type contracts are not recorded in the income statement.

Thrivent Financial for Lutherans
Notes to Statutory-Basis Financial Statements, continued

12. Basis of Presentation, continued

Consolidation

For GAAP purposes, subsidiaries are consolidated into the results of their parent.

Differences between consolidated GAAP financial statements and statutory-basis financial statements as of December 31, 2017 and 2016 and for the three years ended December 31, 2017, have not been quantified but are presumed to be material.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Thrivent Financial for Lutherans and
Contract Owners of Thrivent Variable Annuity Account B

Opinions on the Financial Statements

We have audited the accompanying statements of assets and liabilities of each of the subaccounts of Thrivent Variable Annuity Account B, as indicated in Note 1, offered through Flexible Premium Deferred Variable Annuity Contract sponsored by Thrivent Financial for Lutherans, as of December 31, 2017, the related statements of operations for the year ended December 31, 2017, and the statements of changes in net assets for each of the periods indicated in Note 1, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the subaccounts in Thrivent Variable Annuity Account B as of December 31, 2017, the results of each of their operations for the year then ended, and the changes in each of their net assets for each of the periods indicated in Note 1, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

These financial statements are the responsibility of the management of Thrivent Financial for Lutherans. Our responsibility is to express an opinion on the financial statements of each of the subaccounts in Thrivent Variable Annuity Account B based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to each of the subaccounts in Thrivent Variable Annuity Account B in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017 by correspondence with the affiliated mutual fund managers. We believe that our audits provide a reasonable basis for our opinions.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota
April 27, 2018

We have served as the auditor of one or more investment companies in THRIVENTVC since 2014.

THRIVENT VARIABLE ANNUITY ACCOUNT B
STATEMENTS OF ASSETS AND LIABILITIES
DECEMBER 31, 2017

Subaccount	Investments		Receivable from Thrivent Financial for annuity		Payable to Thrivent Financial for annuity		Reserves for contracts in annuity		Accumulation units		Deathclaim		Series funds	
	at fair value	reserve adjustment	Total Assets	reserve adjustment	Net Assets	Contracts in accumulation period	Net Assets	for annuity payment period	outstanding (accumulation)	Unit value	units	unit value	at cost	shares owned
Aggressive Allocation.....	\$ 94,863,559	\$ —	\$ 94,860,285	\$ 3,274	\$ 94,860,285	\$ 94,679,883	\$ 180,402	\$ 94,860,285	4,101,183	\$ 23.09	11	\$ 21.89	\$ 68,350,094	5,419,041
Balanced Income Plus	\$ 14,740,566	\$ 9,479	\$ 14,750,045	\$ —	\$ 14,750,045	\$ 14,389,968	\$ 360,077	\$ 14,750,045	663,520	\$ 21.66	918	\$ 19.27	\$ 14,001,824	959,142
Diversified Income Plus.....	\$ 32,563,524	\$ 21,532	\$ 32,585,056	\$ —	\$ 32,585,056	\$ 32,008,243	\$ 576,813	\$ 32,585,056	1,275,876	\$ 25.01	5,234	\$ 19.27	\$ 28,814,438	3,957,600
Government Bond	\$ 8,104,818	\$ 16,054	\$ 8,120,872	\$ —	\$ 8,120,872	\$ 7,983,743	\$ 137,129	\$ 8,120,872	497,193	\$ 16.04	632	\$ 14.41	\$ 7,999,100	740,349
Growth and Income Plus	\$ 5,491,770	\$ 2,506	\$ 5,494,276	\$ —	\$ 5,494,276	\$ 5,446,437	\$ 47,839	\$ 5,494,276	384,607	\$ 14.16	—	\$ 14.37	\$ 4,862,346	481,455
High Yield.....	\$ 107,152,187	\$ 325,761	\$ 107,477,948	\$ —	\$ 107,477,948	\$ 104,396,579	\$ 3,081,369	\$ 107,477,948	1,835,183	\$ 56.71	15,697	\$ 20.86	\$ 130,096,356	22,073,664
Income.....	\$ 83,475,300	\$ 319,309	\$ 83,794,609	\$ —	\$ 83,794,609	\$ 81,495,394	\$ 2,299,215	\$ 83,794,609	1,670,895	\$ 48.44	33,306	\$ 16.65	\$ 80,112,888	8,082,113
Large Cap Growth.....	\$ 353,736,509	\$ 871,789	\$ 354,608,298	\$ —	\$ 354,608,298	\$ 346,829,256	\$ 7,779,042	\$ 354,608,298	2,807,098	\$ 123.29	29,187	\$ 25.26	\$ 205,102,151	9,961,855
Large Cap Index.....	\$ 33,374,378	\$ 10,437	\$ 33,384,815	\$ —	\$ 33,384,815	\$ 33,006,937	\$ 377,878	\$ 33,384,815	1,200,921	\$ 27.44	2,235	\$ 24.70	\$ 21,817,260	903,075
Large Cap Stock	\$ 20,646,762	\$ 4,972	\$ 20,651,734	\$ —	\$ 20,651,734	\$ 20,362,874	\$ 288,860	\$ 20,651,734	1,018,342	\$ 19.95	2,242	\$ 19.39	\$ 14,184,420	1,456,357
Large Cap Value	\$ 42,714,907	\$ 52,635	\$ 42,767,542	\$ —	\$ 42,767,542	\$ 42,059,201	\$ 708,341	\$ 42,767,542	1,697,993	\$ 24.73	3,264	\$ 22.77	\$ 25,672,377	2,251,720
Limited Maturity Bond.....	\$ 15,167,683	\$ 29,587	\$ 15,197,270	\$ —	\$ 15,197,270	\$ 14,841,649	\$ 355,621	\$ 15,197,270	1,112,041	\$ 13.34	625	\$ 12.49	\$ 15,148,762	1,537,292
Low Volatility Equity	\$ 523,150	\$ —	\$ 523,150	\$ —	\$ 523,150	\$ 523,150	\$ —	\$ 523,150	47,864	\$ 10.93	—	\$ 10.94	\$ 499,157	48,025
Mid Cap Index	\$ 18,863,578	\$ 12,389	\$ 18,875,967	\$ —	\$ 18,875,967	\$ 18,636,479	\$ 239,488	\$ 18,875,967	532,131	\$ 34.98	803	\$ 27.84	\$ 14,131,635	993,573
Mid Cap Stock.....	\$ 224,791,198	\$ 304,903	\$ 225,096,101	\$ —	\$ 225,096,101	\$ 220,936,811	\$ 4,159,290	\$ 225,096,101	5,775,163	\$ 38.19	13,979	\$ 29.23	\$ 173,537,521	10,798,340
Moderate Allocation.....	\$ 407,449,707	\$ 368,665	\$ 407,818,372	\$ —	\$ 407,818,372	\$ 402,963,454	\$ 4,854,918	\$ 407,818,372	20,570,407	\$ 19.57	20,080	\$ 19.06	\$ 324,184,632	27,043,242
Moderately Aggressive Allocation.....	\$ 314,790,614	\$ 68,757	\$ 314,859,371	\$ —	\$ 314,859,371	\$ 312,542,669	\$ 2,316,702	\$ 314,859,371	14,588,385	\$ 21.38	31,767	\$ 20.55	\$ 236,908,358	19,196,423
Moderately Conservative Allocation.....	\$ 148,142,117	\$ 94,750	\$ 148,236,867	\$ —	\$ 148,236,867	\$ 146,866,323	\$ 1,370,544	\$ 148,236,867	8,482,014	\$ 17.26	28,281	\$ 17.00	\$ 126,748,129	10,879,524
Money Market.....	\$ 10,688,955	\$ 24,747	\$ 10,713,702	\$ —	\$ 10,713,702	\$ 10,543,535	\$ 170,167	\$ 10,713,702	5,686,879	\$ 1.84	44,585	\$ 1.03	\$ 10,688,954	10,688,954
Multidimensional Income	\$ 524,316	\$ —	\$ 524,316	\$ —	\$ 524,316	\$ 524,316	\$ —	\$ 524,316	51,034	\$ 10.27	—	\$ 10.28	\$ 529,562	52,015
Opportunity Income Plus	\$ 4,794,102	\$ 2,697	\$ 4,796,799	\$ —	\$ 4,796,799	\$ 4,741,410	\$ 55,389	\$ 4,796,799	301,848	\$ 15.32	7,765	\$ 14.93	\$ 4,757,750	469,983
Partner All Cap.....	\$ 13,895,489	\$ 9,696	\$ 13,905,185	\$ —	\$ 13,905,185	\$ 13,726,929	\$ 178,256	\$ 13,905,185	616,240	\$ 22.23	1,241	\$ 24.01	\$ 9,359,173	893,877
Partner Emerging Markets Equity	\$ 4,404,955	\$ 100	\$ 4,405,055	\$ —	\$ 4,405,055	\$ 4,385,207	\$ 19,848	\$ 4,405,055	310,482	\$ 14.12	—	\$ 14.33	\$ 3,546,297	305,072
Partner Growth Stock	\$ 17,323,979	\$ 12,930	\$ 17,336,909	\$ —	\$ 17,336,909	\$ 17,211,909	\$ 125,000	\$ 17,336,909	543,065	\$ 31.59	1,865	\$ 29.63	\$ 10,317,297	728,220
Partner Healthcare.....	\$ 9,911,666	\$ 606	\$ 9,912,272	\$ —	\$ 9,912,272	\$ 9,897,084	\$ 15,188	\$ 9,912,272	450,308	\$ 21.97	83	\$ 22.30	\$ 9,574,642	554,250
Partner Worldwide Allocation.....	\$ 72,076,330	\$ 86,366	\$ 72,162,716	\$ —	\$ 72,162,716	\$ 71,111,373	\$ 1,051,343	\$ 72,162,716	5,958,415	\$ 11.92	5,910	\$ 12.10	\$ 53,053,244	6,538,961
Real Estate Securities.....	\$ 14,539,276	\$ 9,372	\$ 14,548,648	\$ —	\$ 14,548,648	\$ 14,194,113	\$ 354,535	\$ 14,548,648	362,668	\$ 39.11	486	\$ 21.82	\$ 10,355,579	600,720
Small Cap Index.....	\$ 17,376,031	\$ 7,876	\$ 17,383,907	\$ —	\$ 17,383,907	\$ 17,167,110	\$ 216,797	\$ 17,383,907	484,411	\$ 35.40	735	\$ 27.64	\$ 14,164,229	905,186
Small Cap Stock.....	\$ 27,055,501	\$ 7,382	\$ 27,062,883	\$ —	\$ 27,062,883	\$ 26,740,555	\$ 322,328	\$ 27,062,883	901,739	\$ 29.64	420	\$ 23.07	\$ 20,221,089	1,287,886

The accompanying notes are an integral part of these financial statements.

THRIVENT VARIABLE ANNUITY ACCOUNT B
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Subaccount	Investment Income		Expenses		Realized and unrealized gain (loss) on investments				Net increase (decrease) in net assets resulting from operations
	Dividends	Mortality & expense risk charges	Net investment income (loss)	Net realized gain (loss) on sale of investments	Capital gain distributions	Change in unrealized appreciation (depreciation) of investments	Net gain (loss) on investments		
Aggressive Allocation.....	\$ 654,885	\$ (981,057)	\$ (326,172)	\$ 1,904,363	\$ 431,881	\$ 14,359,743	\$ 16,695,987	\$ 16,369,815	
Balanced Income Plus.....	\$ 323,991	\$ (154,053)	\$ 169,938	\$ 15,059	\$ —	\$ 1,206,777	\$ 1,221,836	\$ 1,391,774	
Diversified Income Plus.....	\$ 947,359	\$ (345,740)	\$ 601,619	\$ 258,336	\$ —	\$ 1,595,619	\$ 1,853,955	\$ 2,455,574	
Government Bond.....	\$ 170,006	\$ (92,865)	\$ 77,141	\$ 21,156	\$ —	\$ 55,957	\$ 77,113	\$ 154,254	
Growth and Income Plus.....	\$ 108,867	\$ (62,244)	\$ 46,623	\$ 93,691	\$ —	\$ 538,203	\$ 631,894	\$ 678,517	
High Yield.....	\$ 5,959,088	\$ (1,199,086)	\$ 4,760,002	\$ (2,506,335)	\$ —	\$ 4,440,370	\$ 1,934,035	\$ 6,694,037	
Income.....	\$ 2,841,133	\$ (937,907)	\$ 1,903,226	\$ 346,356	\$ 194,134	\$ 1,843,979	\$ 2,384,469	\$ 4,287,695	
Large Cap Growth.....	\$ 1,249,468	\$ (3,687,220)	\$ (2,437,752)	\$ 13,498,969	\$ 97,333	\$ 69,569,029	\$ 83,165,331	\$ 80,727,579	
Large Cap Index.....	\$ 417,639	\$ (340,556)	\$ 77,083	\$ 1,075,361	\$ 193,866	\$ 4,336,111	\$ 5,605,338	\$ 5,682,421	
Large Cap Stock.....	\$ 249,697	\$ (216,382)	\$ 33,315	\$ 63,028	\$ 121,653	\$ 2,739,833	\$ 3,514,514	\$ 3,547,829	
Large Cap Value.....	\$ 563,502	\$ (448,983)	\$ 114,519	\$ 1,719,498	\$ 1,137,044	\$ 3,262,275	\$ 6,118,817	\$ 6,233,336	
Limited Maturity Bond.....	\$ 322,422	\$ (179,512)	\$ 142,910	\$ 2,500	\$ —	\$ 101,727	\$ 104,227	\$ 247,137	
Low Volatility Equity.....	\$ 3,396	\$ (2,050)	\$ 1,346	\$ 66	\$ 2,191	\$ 23,993	\$ 26,250	\$ 27,596	
Mid Cap Index.....	\$ 155,083	\$ (191,452)	\$ (36,369)	\$ 321,232	\$ 556,170	\$ 1,584,063	\$ 2,461,465	\$ 2,425,096	
Mid Cap Stock.....	\$ 743,260	\$ (2,329,523)	\$ (1,586,263)	\$ 3,563,857	\$ 16,753,292	\$ 16,156,266	\$ 36,473,415	\$ 34,887,152	
Moderate Allocation.....	\$ 6,409,518	\$ (4,353,901)	\$ 2,055,617	\$ 5,283,241	\$ 2,206,130	\$ 34,369,282	\$ 41,858,653	\$ 43,914,270	
Moderately Aggressive Allocation.....	\$ 3,676,046	\$ (3,326,861)	\$ 349,185	\$ 5,365,394	\$ 2,145,545	\$ 35,769,434	\$ 43,280,373	\$ 43,629,558	
Moderately Conservative Allocation.....	\$ 2,653,961	\$ (1,620,475)	\$ 1,033,486	\$ 1,916,890	\$ 1,371,520	\$ 7,474,803	\$ 10,763,213	\$ 11,796,699	
Money Market.....	\$ 59,162	\$ (132,458)	\$ (73,296)	\$ —	\$ —	\$ —	\$ —	\$ (73,296)	
Multidimensional Income.....	\$ 13,530	\$ (1,933)	\$ 11,597	\$ 164	\$ 146	\$ (5,246)	\$ (4,936)	\$ 6,661	
Opportunity Income Plus.....	\$ 155,508	\$ (50,378)	\$ 105,130	\$ 6,310	\$ —	\$ 41,210	\$ 47,520	\$ 152,650	
Partner All Cap.....	\$ 65,298	\$ (147,739)	\$ (82,441)	\$ 460,340	\$ —	\$ 1,943,257	\$ 2,403,597	\$ 2,321,156	
Partner Emerging Markets Equity.....	\$ 25,783	\$ (42,210)	\$ (16,427)	\$ 96,932	\$ —	\$ 776,468	\$ 873,400	\$ 856,973	
Partner Growth Stock.....	\$ 13,082	\$ (167,144)	\$ (154,062)	\$ 474,377	\$ 161,896	\$ 3,618,244	\$ 4,254,517	\$ 4,100,455	
Partner Healthcare.....	\$ 25,926	\$ (107,467)	\$ (81,541)	\$ (31,437)	\$ —	\$ 1,687,547	\$ 1,656,110	\$ 1,574,569	
Partner Worldwide Allocation.....	\$ 1,426,669	\$ (744,827)	\$ 681,842	\$ 1,065,588	\$ —	\$ 11,805,565	\$ 12,871,153	\$ 13,552,995	
Real Estate Securities.....	\$ 239,894	\$ (162,164)	\$ 77,730	\$ 569,121	\$ 17,352	\$ 22,853	\$ 609,326	\$ 687,056	
Small Cap Index.....	\$ 138,398	\$ (178,604)	\$ (40,206)	\$ 278,069	\$ 935,211	\$ 719,231	\$ 1,932,511	\$ 1,892,305	
Small Cap Stock.....	\$ 85,874	\$ (271,562)	\$ (185,688)	\$ 452,042	\$ 1,450,865	\$ 2,826,621	\$ 4,729,528	\$ 4,543,840	

The accompanying notes are an integral part of these financial statements.

THRIVENT VARIABLE ANNUITY ACCOUNT B
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

Subaccount	Increase (decrease) in net assets from operations		Increase (decrease) in net assets from contract related transactions										Net Assets Beginning of Year	Net Assets End of Year
	Net investment income (loss)	Change in net unrealized gain (loss) on investments and capital gain distributions	Net Change in Net Assets from Operations	Proceeds from units issued	Transfers for contract benefits and terminations	Administrative charges	Adjustments to annuity reserves	Transfers between subaccounts	Net Change in Net Assets from Transactions	Net Change in Net Assets				
Aggressive Allocation.....	\$ (326,172)	\$ 2,336,244	\$14,359,743	\$ 3,106,668	\$ (5,271,534)	\$ (5,009)	\$ 1,126	\$ (2,884,151)	\$ (5,052,900)	\$11,316,915	\$ 83,543,370	\$ 94,860,285		
Balanced Income Plus	\$ 169,938	\$ 15,059	\$ 1,206,777	\$ 683,541	\$ (723,664)	\$ (335)	\$ 4,008	\$ 85,867	\$ 47,417	\$ 1,439,191	\$ 13,310,854	\$ 14,750,045		
Diversified Income Plus.....	\$ 601,619	\$ 258,336	\$ 1,595,619	\$ 937,179	\$ (2,390,509)	\$ (592)	\$ 8,323	\$ 1,508,406	\$ 62,807	\$ 2,518,381	\$ 30,066,675	\$ 32,585,056		
Government Bond	\$ 77,141	\$ 21,156	\$ 55,957	\$ 113,821	\$ (645,342)	\$ (272)	\$ 3,667	\$ (285,000)	\$ (813,326)	\$ (659,072)	\$ 8,779,944	\$ 8,120,872		
Growth and Income Plus	\$ 46,623	\$ 93,691	\$ 538,203	\$ 189,733	\$ (284,038)	\$ (91)	\$ 121	\$ (597,408)	\$ (691,683)	\$ (13,166)	\$ 5,307,442	\$ 5,494,276		
High Yield.....	\$ 4,760,002	\$ (2,506,335)	\$ 4,440,370	\$ 6,694,037	\$ (8,022,644)	\$ (7,945)	\$ 100,005	\$ (3,406,278)	\$ (9,441,425)	\$ (2,747,388)	\$110,225,336	\$107,477,948		
Income.....	\$ 1,903,226	\$ 540,490	\$ 1,843,979	\$ 1,851,007	\$ (6,976,745)	\$ (5,799)	\$ 71,156	\$ (2,452,361)	\$ (7,512,742)	\$ (3,225,047)	\$ 87,019,656	\$ 83,794,609		
Large Cap Growth.....	\$ (2,437,752)	\$13,596,302	\$69,569,029	\$80,727,579	\$ (23,550,506)	\$ (29,700)	\$333,373	\$ (14,684,698)	\$ (31,762,775)	\$ (48,964,804)	\$305,643,494	\$354,608,298		
Large Cap Index.....	\$ 77,083	\$ 1,269,227	\$ 4,336,111	\$ 1,177,835	\$ (1,593,332)	\$ (705)	\$ 3,905	\$ 799,468	\$ 386,271	\$ 6,068,692	\$ 27,316,123	\$ 33,384,815		
Large Cap Stock.....	\$ 33,315	\$ 774,681	\$ 2,739,833	\$ 482,750	\$ (1,371,102)	\$ (647)	\$ (4,717)	\$ (524,341)	\$ (1,418,057)	\$ 2,129,772	\$ 18,521,962	\$ 20,651,734		
Large Cap Value.....	\$ 114,519	\$ 2,856,542	\$ 3,262,275	\$ 855,466	\$ (2,898,619)	\$ (1,489)	\$ 9,239	\$ (1,233,651)	\$ (3,269,054)	\$ 2,964,282	\$ 39,803,260	\$ 42,767,542		
Limited Maturity Bond.....	\$ 142,910	\$ 2,500	\$ 101,727	\$ 502,312	\$ (1,513,220)	\$ (774)	\$ (392)	\$ (1,643,389)	\$ (2,657,463)	\$ (2,410,326)	\$ 17,607,596	\$ 15,197,270		
Low Volatility Equity.....	\$ 1,346	\$ 2,257	\$ 23,993	\$ 44,108	\$ (1,380)	\$ —	\$ —	\$ 452,826	\$ 495,554	\$ 523,150	\$ —	\$ 523,150		
Mid Cap Index.....	\$ (36,369)	\$ 877,402	\$ 1,584,063	\$ 2,425,096	\$ (902,244)	\$ (469)	\$ 2,260	\$ 1,366,791	\$ 885,416	\$ 3,310,512	\$ 15,565,455	\$ 18,875,967		
Mid Cap Stock.....	\$ (1,586,263)	\$20,317,149	\$16,156,266	\$4,887,152	\$ (12,374,917)	\$ (18,856)	\$ 89,232	\$ (7,334,488)	\$ (15,491,017)	\$ 19,396,135	\$205,699,966	\$225,096,101		
Moderate Allocation.....	\$ 2,055,617	\$ 7,489,371	\$34,369,282	\$10,896,663	\$ (26,357,647)	\$ (10,190)	\$ 60,915	\$ (5,391,804)	\$ (20,802,063)	\$ 23,112,207	\$384,706,165	\$407,818,372		
Moderately Aggressive Allocation.....	\$ 349,185	\$ 7,510,939	\$35,769,434	\$43,629,558	\$ (16,166,025)	\$ (10,954)	\$ 20,553	\$ (10,079,690)	\$ (17,875,138)	\$ 25,754,420	\$289,104,951	\$314,859,371		
Moderately Conservative Allocation.....	\$ 1,033,486	\$ 3,288,410	\$ 7,474,803	\$11,796,699	\$ (12,258,486)	\$ (4,219)	\$ 33,230	\$ (687,522)	\$ (9,937,779)	\$ 1,858,920	\$146,377,947	\$148,236,867		
Money Market.....	\$ (73,296)	\$ —	\$ —	\$ 1,344,987	\$ (1,563,816)	\$ (1,799)	\$ (1,342)	\$ (1,755,644)	\$ (1,977,614)	\$ (2,050,910)	\$ 12,764,612	\$ 10,713,702		
Multidimensional Income.....	\$ 11,597	\$ 310	\$ (5,246)	\$ 421,860	\$ (2,073)	\$ —	\$ —	\$ 97,868	\$ 517,655	\$ 524,316	\$ —	\$ 524,316		
Opportunity Income Plus.....	\$ 105,130	\$ 6,310	\$ 41,210	\$ 152,650	\$ (509,614)	\$ (72)	\$ 800	\$ 806,263	\$ 455,419	\$ 608,069	\$ 4,188,730	\$ 4,796,799		
Partner All Cap.....	\$ (82,441)	\$ 460,340	\$ 1,943,257	\$ 2,321,156	\$ (896,994)	\$ (616)	\$ (1,549)	\$ (450,026)	\$ (1,098,675)	\$ 1,222,481	\$ 12,682,704	\$ 13,905,185		
Partner Emerging Markets Equity.....	\$ (16,427)	\$ 96,932	\$ 776,468	\$ 856,973	\$ (323,268)	\$ (70)	\$ 57	\$ 595,154	\$ 433,299	\$ 1,290,272	\$ 3,114,783	\$ 4,405,055		
Partner Growth Stock.....	\$ (154,062)	\$ 636,273	\$ 3,618,244	\$ 4,100,455	\$ (956,755)	\$ (607)	\$ 967	\$ 1,145,349	\$ 427,758	\$ 4,528,213	\$ 12,808,696	\$ 17,336,909		
Partner Healthcare.....	\$ (81,541)	\$ (31,437)	\$ 1,687,547	\$ 1,574,569	\$ (593,059)	\$ (180)	\$ (975)	\$ (360,065)	\$ (590,036)	\$ 984,533	\$ 8,927,739	\$ 9,912,272		
Partner Worldwide Allocation.....	\$ 681,842	\$ 1,065,588	\$11,805,565	\$13,552,995	\$ (4,026,062)	\$ (5,332)	\$ 22,262	\$ (1,019,608)	\$ (3,000,386)	\$10,552,609	\$ 61,610,107	\$ 72,162,716		
Real Estate Securities.....	\$ 77,730	\$ 586,473	\$ 22,853	\$ 687,056	\$ (891,279)	\$ (427)	\$ (173)	\$ (504,176)	\$ (1,106,029)	\$ (418,973)	\$ 14,967,621	\$ 14,548,648		
Small Cap Index.....	\$ (40,206)	\$ 1,213,231	\$ 1,892,305	\$ 489,221	\$ (888,649)	\$ (391)	\$ 3,541	\$ 1,031,681	\$ 635,403	\$ 2,527,708	\$ 14,856,199	\$ 17,383,907		
Small Cap Stock.....	\$ (183,688)	\$ 1,902,907	\$ 2,826,621	\$ 4,543,840	\$ (1,559,250)	\$ (893)	\$ 3,305	\$ 557,674	\$ (517,029)	\$ 4,026,811	\$ 23,036,072	\$ 27,062,883		

The accompanying notes are an integral part of these financial statements.

THRIVENT VARIABLE ANNUITY ACCOUNT B
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Subaccount	Increase (decrease) in net assets from operations		Increase (decrease) in net assets from contract related transactions										Net Change in Net Assets from Transactions	Net Assets Beginning of Year	Net Assets End of Year
	Net investment income (loss)	Change in net unrealized appreciation on investments	Net realized gain (loss) on capital gain distributions	Net Change in Net Assets from Operations	Proceeds from units issued	Transfers for contract benefits and terminations	Administrative charges	Adjustments to annuity reserves	Transfers between subaccounts	Net Change in Net Assets					
Aggressive Allocation.....	\$ (96,902)	\$ 1,655,838	\$ 7,019,607	\$ 2,432,126	\$ (3,934,199)	\$ (5,028)	\$ 684	\$ (4,672,237)	\$ (6,179,254)	\$ 840,353	\$ 82,703,017	\$ 83,543,370			
Balanced Income Plus.....	\$ 169,784	\$ 190,908	\$ 694,506	\$ 629,198	\$ (1,239,703)	\$ (388)	\$ 2,267	\$ 729,138	\$ 120,512	\$ 815,018	\$ 12,495,836	\$ 13,310,854			
Diversified Income Plus.....	\$ 683,177	\$ 314,698	\$ 1,692,739	\$ 757,441	\$ (2,072,418)	\$ (519)	\$ 11,745	\$ (314,561)	\$ (1,618,312)	\$ 74,427	\$ 29,992,248	\$ 30,066,675			
Government Bond.....	\$ 52,099	\$ (97,205)	\$ 31,129	\$ 220,826	\$ (1,099,475)	\$ (314)	\$ 2,654	\$ 769,053	\$ (107,256)	\$ (76,127)	\$ 8,856,071	\$ 8,779,944			
Growth and Income Plus.....	\$ 64,531	\$ 137,401	\$ 296,380	\$ 108,521	\$ (357,983)	\$ (120)	\$ 703	\$ (466,882)	\$ (715,761)	\$ (419,381)	\$ 5,926,823	\$ 5,507,442			
High Yield.....	\$ 5,052,702	\$ 11,143,553	\$ 12,001,397	\$ 2,145,093	\$ (7,846,060)	\$ (9,372)	\$ 109,480	\$ (6,030,091)	\$ (11,630,950)	\$ 370,447	\$ 109,854,889	\$ 110,225,336			
Income.....	\$ 2,152,014	\$ 1,995,890	\$ 4,537,783	\$ 1,877,712	\$ (8,103,048)	\$ (7,039)	\$ 87,357	\$ (4,814,369)	\$ (10,959,387)	\$ (6,421,604)	\$ 93,441,260	\$ 87,019,656			
Large Cap Growth.....	\$ (1,814,366)	\$ 37,139,765	\$ (44,770,882)	\$ (9,445,483)	\$ (21,317,479)	\$ (34,613)	\$ 179,164	\$ (18,331,028)	\$ (33,204,465)	\$ (42,649,948)	\$ 348,293,442	\$ 305,643,494			
Large Cap Index.....	\$ 176,969	\$ 626,135	\$ 1,617,004	\$ 1,196,861	\$ (1,363,523)	\$ (750)	\$ 2,081	\$ 3,291,310	\$ 3,125,979	\$ 5,546,087	\$ 21,770,036	\$ 27,316,123			
Large Cap Stock.....	\$ 31,160	\$ 465,299	\$ 225,834	\$ 722,293	\$ (1,299,369)	\$ (790)	\$ 3,325	\$ (1,443,361)	\$ (2,288,793)	\$ (1,566,500)	\$ 20,088,462	\$ 18,521,962			
Large Cap Value.....	\$ 101,795	\$ 3,387,413	\$ 2,136,081	\$ 5,625,289	\$ (2,410,419)	\$ (1,815)	\$ 24,143	\$ (1,165,245)	\$ (2,521,289)	\$ 3,104,000	\$ 36,699,260	\$ 39,803,260			
Limited Maturity Bond.....	\$ 146,885	\$ (19,245)	\$ 167,302	\$ 294,942	\$ (1,315,056)	\$ (960)	\$ 11,959	\$ (485,535)	\$ (708,667)	\$ (413,725)	\$ 18,021,321	\$ 17,607,596			
Mid Cap Index.....	\$ (28,419)	\$ 858,382	\$ 1,568,412	\$ 3,398,375	\$ (677,218)	\$ (461)	\$ 4,793	\$ 1,122,199	\$ 1,134,637	\$ 3,533,012	\$ 12,032,443	\$ 15,565,455			
Mid Cap Stock.....	\$ (1,299,131)	\$ 20,265,351	\$ 26,309,964	\$ 45,276,184	\$ (10,611,871)	\$ (21,025)	\$ 112,201	\$ (9,221,002)	\$ (16,485,074)	\$ 28,791,110	\$ 176,908,856	\$ 205,699,966			
Moderate Allocation.....	\$ 2,279,282	\$ 13,987,013	\$ 12,049,265	\$ 28,315,560	\$ (28,660,740)	\$ (11,412)	\$ 60,494	\$ (12,639,284)	\$ (32,454,607)	\$ (4,139,047)	\$ 388,845,212	\$ 384,706,165			
Moderately Aggressive Allocation.....	\$ 945,946	\$ 8,711,573	\$ 24,610,079	\$ 8,640,909	\$ (13,878,739)	\$ (12,379)	\$ 20,328	\$ (16,079,389)	\$ (21,309,270)	\$ 3,300,809	\$ 285,804,142	\$ 289,104,951			
Moderately Conservative Allocation.....	\$ 872,817	\$ 3,046,209	\$ 4,685,939	\$ 8,604,965	\$ (11,119,740)	\$ (4,256)	\$ 22,604	\$ (3,041,506)	\$ (11,128,486)	\$ (2,523,521)	\$ 148,901,468	\$ 146,377,947			
Money Market.....	\$ (144,952)	\$ —	\$ (144,952)	\$ 2,613,448	\$ (2,007,093)	\$ (2,229)	\$ 7,434	\$ (1,355,317)	\$ (743,757)	\$ (888,709)	\$ 13,653,321	\$ 12,764,612			
Opportunity Income Plus.....	\$ 88,591	\$ (5,119)	\$ 102,074	\$ 185,546	\$ (279,759)	\$ (100)	\$ 831	\$ 873,555	\$ 720,226	\$ 905,772	\$ 3,282,958	\$ 4,188,730			
Partner All Cap.....	\$ (103,054)	\$ 822,077	\$ (163,889)	\$ 555,134	\$ (654,214)	\$ (758)	\$ 3,105	\$ (531,639)	\$ (856,925)	\$ (301,791)	\$ 12,984,495	\$ 12,682,704			
Partner Emerging Markets Equity.....	\$ (3,014)	\$ 6,700	\$ 273,045	\$ 2,76,731	\$ (210,641)	\$ (88)	\$ 28	\$ 33,014	\$ (54,612)	\$ 222,119	\$ 2,892,664	\$ 3,114,783			
Partner Growth Stock.....	\$ (141,847)	\$ 1,133,063	\$ (975,233)	\$ 15,983	\$ 380,229	\$ (862,947)	\$ (665)	\$ (558,616)	\$ (1,038,395)	\$ (1,022,412)	\$ 13,831,108	\$ 12,808,696			
Partner Healthcare.....	\$ 326,668	\$ 359,185	\$ (2,571,259)	\$ (1,885,406)	\$ (478,334)	\$ (147)	\$ 304	\$ (817,334)	\$ (893,217)	\$ (2,778,623)	\$ 11,706,362	\$ 8,927,739			
Partner Worldwide Allocation.....	\$ 711,431	\$ 776,718	\$ (132,613)	\$ 1,355,536	\$ (4,083,444)	\$ (6,463)	\$ 22,108	\$ (4,060,605)	\$ (6,068,250)	\$ (4,712,714)	\$ 66,322,821	\$ 61,610,107			
Real Estate Securities.....	\$ 57,836	\$ 575,280	\$ 284,668	\$ 917,784	\$ (825,252)	\$ (605)	\$ 5,360	\$ (228,814)	\$ (729,360)	\$ 188,424	\$ 14,779,197	\$ 14,967,621			
Small Cap Index.....	\$ (12,532)	\$ 922,203	\$ 1,920,998	\$ 2,830,669	\$ (645,304)	\$ (433)	\$ 2,453	\$ (1,089,567)	\$ 952,876	\$ 3,783,545	\$ 11,072,654	\$ 14,856,199			
Small Cap Stock.....	\$ (157,560)	\$ 1,104,032	\$ 3,671,588	\$ 4,618,060	\$ (1,258,515)	\$ (1,045)	\$ 4,938	\$ (1,318,115)	\$ (2,162,359)	\$ 2,455,701	\$ 20,580,371	\$ 23,036,072			

The accompanying notes are an integral part of these financial statements.

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(1) ORGANIZATION

The Thrivent Variable Annuity Account B (the Variable Account), is registered as a unit investment trust under the Investment Companies Act of 1940, and is a separate account of Thrivent Financial for Lutherans (Thrivent Financial). The Variable Account contains 29 subaccounts each of which invests in a corresponding portfolio of the Thrivent Series Fund, Inc. (each a Fund and collectively the Funds), as provided below. For each subaccount, the financial statements are comprised of a statement of assets and liabilities as of December 31, 2017, a related statement of operations for the year then ended and statements of changes in net assets for each of the two years in the period then ended, all presented to reflect a full twelve month period except as noted below.

<u>Subaccount</u>	<u>Series</u>
Aggressive Allocation	Thrivent Series Fund, Inc. — Aggressive Allocation Portfolio
Balanced Income Plus (m).....	Thrivent Series Fund, Inc. — Balanced Income Plus Portfolio
Diversified Income Plus	Thrivent Series Fund, Inc. — Diversified Income Plus Portfolio
Government Bond (a).....	Thrivent Series Fund, Inc. — Government Bond Portfolio
Growth and Income Plus (l)....	Thrivent Series Fund, Inc. — Growth and Income Plus Portfolio
High Yield.....	Thrivent Series Fund, Inc. — High Yield Portfolio
Income	Thrivent Series Fund, Inc. — Income Portfolio
Large Cap Growth (h).....	Thrivent Series Fund, Inc. — Large Cap Growth Portfolio
Large Cap Index.....	Thrivent Series Fund, Inc. — Large Cap Index Portfolio
Large Cap Stock (g, i, j, k)....	Thrivent Series Fund, Inc. — Large Cap Stock Portfolio
Large Cap Value.....	Thrivent Series Fund, Inc. — Large Cap Value Portfolio
Limited Maturity Bond	Thrivent Series Fund, Inc. — Limited Maturity Bond Portfolio
Low Volatility Equity (b).....	Thrivent Series Fund, Inc. — Low Volatility Equity Portfolio
Mid Cap Index	Thrivent Series Fund, Inc. — Mid Cap Index Portfolio
Mid Cap Stock (e, f)	Thrivent Series Fund, Inc. — Mid Cap Stock Portfolio
Moderate Allocation	Thrivent Series Fund, Inc. — Moderate Allocation Portfolio
Moderately Aggressive Allocation	Thrivent Series Fund, Inc. — Moderately Aggressive Allocation Portfolio
Moderately Conservative Allocation	Thrivent Series Fund, Inc. — Moderately Conservative Allocation Portfolio
Money Market.....	Thrivent Series Fund, Inc. — Money Market Portfolio
Multidimensional Income (b) ...	Thrivent Series Fund, Inc. — Multidimensional Income Portfolio
Opportunity Income Plus (n) ...	Thrivent Series Fund, Inc. — Opportunity Income Plus Portfolio
Partner All Cap.....	Thrivent Series Fund, Inc. — Partner All Cap Portfolio
Partner Emerging Markets Equity	Thrivent Series Fund, Inc. — Partner Emerging Markets Equity Portfolio
Partner Growth Stock.....	Thrivent Series Fund, Inc. — Partner Growth Stock Portfolio
Partner Healthcare.....	Thrivent Series Fund, Inc. — Partner Healthcare Portfolio
Partner Worldwide Allocation...	Thrivent Series Fund, Inc. — Partner Worldwide Allocation Portfolio
Real Estate Securities.....	Thrivent Series Fund, Inc. — Real Estate Securities Portfolio
Small Cap Index.....	Thrivent Series Fund, Inc. — Small Cap Index Portfolio
Small Cap Stock (c, d)	Thrivent Series Fund, Inc. — Small Cap Stock Portfolio

(a) Formerly known as Bond Index, name change effective August 28, 2017.

(b) Statement of operations and of changes in net assets for the period April 28, 2017 (commencement of operations) to December 31, 2017.

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(1) ORGANIZATION - continued

- (c) Partner Small Cap Growth merged into the Small Cap Stock Portfolio as of August 21, 2015.
- (d) Partner Small Cap Value merged into the Small Cap Stock Portfolio as of August 21, 2015.
- (e) Mid Cap Growth merged into the Mid Cap Stock Portfolio as of August 21, 2015.
- (f) Partner Mid Cap Value merged into the Mid Cap Stock Portfolio as of August 21, 2015.
- (g) Natural Resources merged into the Large Cap Stock Portfolio as of August 21, 2015.
- (h) Partner Technology merged into the Large Cap Growth Portfolio as of August 21, 2015.
- (i) Partner All Cap Value Portfolio merged into the Large Cap Stock Portfolio as of August 16, 2013..
- (j) Partner All Cap Growth Portfolio merged into the Large Cap Stock Portfolio as of August 16, 2013..
- (k) Partner Socially Responsible Stock Portfolio merged into the Large Cap Stock Portfolio as of August 16, 2013..
- (l) Formerly known as Equity Income Plus, name change effective August 16, 2013.
- (m) Formerly known as Balanced, name change effective August 16, 2013.
- (n) Formerly known as Mortgage Securities, name change effective August 16, 2013.

The Funds are registered under the Investment Company Act of 1940 as diversified open-end investment companies. The Funds are managed by Thrivent Investment Management, Inc. which is an affiliate of Thrivent Financial.

The Variable Account is used to fund only flexible premium deferred variable annuity contracts issued by Thrivent Financial. Under applicable insurance law, the assets and liabilities of the Variable Account are clearly identified and distinguished from the other assets and liabilities of Thrivent Financial. The assets of the Variable Account will not be charged with any liabilities arising out of any other business conducted by the life insurance operations of Thrivent Financial.

A fixed account investment option is available for contract owners of the flexible premium deferred variable annuity. Assets of the fixed account are combined with the general assets of Thrivent Financial and invested by Thrivent Financial as allowed by applicable law. Accordingly, the fixed account assets are not included in the Variable Account financial statements.

(2) SIGNIFICANT ACCOUNTING POLICIES

The Variable Account applies the accounting and reporting guidance for investment companies as outlined in Accounting Standards Codification (ASC) 946.

Valuation of Investments

The investments in shares of the Funds are stated at fair value which is the closing net asset value per share as determined by the Fund. The cost of shares sold and redeemed is determined on the average cost method. Dividend distributions received from the Fund are reinvested in additional shares of the Fund and recorded as income by the subaccount on the ex-dividend date. Series Fund shares owned represent the number of shares of the Fund owned by the subaccount.

Federal Income Taxes

Thrivent Financial qualifies as a tax-exempt organization under the Internal Revenue Code. Accordingly, no provision for income taxes has been charged against the Variable Account. Thrivent Financial reserves the right to charge for taxes in the future should Thrivent Financial's tax status change.

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(2) SIGNIFICANT ACCOUNTING POLICIES - continued

THRIVENT VARIABLE ANNUITY ACCOUNT B

NOTES TO FINANCIAL STATEMENTS

Annuity Reserves

Annuity reserves, represented as reserves for contracts in annuity payout period in the statement of assets and liabilities, are computed for currently payable contracts according to the 1983 Table A mortality table, the 2000 IAM mortality table and the 2012 IAR mortality table. The reserve rate is the maximum Single Premium Immediate Annuity (SPIA) valuation interest rate. Changes to annuity reserves are based on actual mortality and risk experience. If the reserves required are less than the original estimated reserve amount held in the Variable Account, the excess is reflected as a payable to Thrivent Financial on the statement of assets and liabilities. If additional reserves are required, a receivable from Thrivent Financial is reflected on the statement of assets and liabilities.

Death Claims

Amounts payable under the contract for death benefits remain invested in the separate accounts until the beneficiaries provide instructions to disburse the benefits.

Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

In estimating the fair values for financial instruments carried at fair value, the amount of observable and unobservable inputs used to determine fair value are taken into consideration. Each of the financial instruments must be classified into one of three categories based on that evaluation:

- Level 1: Fair value based on quoted prices for identical assets in active markets that are accessible.
- Level 2: Fair value based on quoted prices for similar instruments in active markets that are accessible; quoted prices for identical or similar instruments in markets that are not active; or model-derived valuations where the significant value driver inputs are observable.
- Level 3: Fair value based on significant value driver inputs that are not observable.

The fair values for the subaccount's investments are based on the quoted daily net asset values of the Funds in which the subaccounts are invested. These investments have been categorized as Level 2 assets.

Subsequent Events

Management has evaluated Variable Account related events and transactions that occurred during the period from the date of the Statement of Assets and Liabilities through the date of issuance of the Variable Account's financial statements. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Variable Account's financial statements.

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(3) EXPENSE CHARGES

Proceeds received by the Variable Account for units issued represent gross contract premiums received by Thrivent Financial. No charge for sales distribution expense is deducted from premiums received.

A surrender charge is deducted by Thrivent Financial if a contract is surrendered in whole or in part during the first six years the contract is in force. The surrender charge is 6% during the first contract year, and decreases by 1% each subsequent contract year. For purposes of the surrender charge calculation, up to 10% of a contract's accumulated value may be excluded from the calculation each year. This charge is deducted by redeeming units of the subaccounts of the Variable Account.

An annual administrative charge of \$30 is deducted on each contract anniversary from the accumulated value of the contract to compensate Thrivent Financial for administrative expenses relating to the contract and the Variable Account. This charge is deducted by redeeming units of the subaccounts of the Variable Account. No such charge is deducted from contracts for which total premiums paid, less surrenders, equals or exceeds \$5,000. No administrative charge is payable during the annuity payment period.

A daily charge is deducted from the value of the net assets of the Variable Account to compensate Thrivent for mortality and expense risks assumed in connection with the contract. The charge is based on the average daily net assets of the Variable Account and is equal to annual rate of 1.10% during accumulation period of the contract and 0.95% while the contract is pending payout due to a death claim.

Additionally, during the year ended December 31, 2017, management fees were paid indirectly to Thrivent Financial in its capacity as advisor to the Fund. Additional details of these net asset based charges paid by the Funds can be found in the Fund's annual report.

(4) UNIT ACTIVITY

Transactions (including transfers among subaccounts) for accumulation and death claim units were as follows:

	Units Outstanding at January 1, 2016	Units Issued	Units Redeemed	Units Outstanding at December 31, 2016	Units Issued	Units Redeemed	Units Outstanding at December 31, 2017
Aggressive Allocation	4,678,778	286,028	(624,540)	4,340,266	251,344	(490,416)	4,101,194
Balanced Income Plus	654,479	134,371	(128,336)	660,514	67,745	(63,821)	664,438
Diversified Income Plus	1,345,408	160,185	(228,329)	1,277,264	157,924	(154,078)	1,281,110
Government Bond	553,209	139,602	(145,028)	547,783	72,466	(122,424)	497,825
Growth and Income Plus	493,116	21,212	(80,026)	434,302	35,193	(84,888)	384,607
High Yield	2,233,446	192,169	(412,082)	2,013,533	159,086	(321,739)	1,850,880
Income	2,066,101	249,928	(476,736)	1,839,293	222,748	(357,840)	1,704,201
Large Cap Growth	3,451,623	325,881	(670,935)	3,106,569	288,648	(558,932)	2,836,285
Large Cap Index	1,035,345	286,613	(141,724)	1,180,234	197,677	(174,755)	1,203,156
Large Cap Stock	1,233,053	81,621	(223,812)	1,090,862	82,827	(153,105)	1,020,584
Large Cap Value	1,968,188	137,731	(266,660)	1,839,259	104,390	(242,392)	1,701,257
Limited Maturity Bond	1,355,395	217,175	(266,393)	1,306,177	145,707	(339,218)	1,112,666
Low Volatility Equity	—	—	—	—	48,014	(150)	47,864
Mid Cap Index	461,875	105,452	(64,171)	503,156	89,737	(59,959)	532,934
Mid Cap Stock	6,807,043	264,681	(851,399)	6,220,325	245,679	(676,862)	5,789,142
Moderate Allocation	23,608,543	1,445,261	(3,364,572)	21,689,232	1,353,415	(2,452,160)	20,590,487
Moderately Aggressive Allocation	16,706,244	857,720	(2,062,638)	15,501,326	814,421	(1,695,595)	14,620,152

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(4) UNIT ACTIVITY - continued

	Units Outstanding at January 1, 2016	Units Issued	Units Redeemed	Units Outstanding at December 31, 2016	Units Issued	Units Redeemed	Units Outstanding at December 31, 2017
Moderately Conservative							
Allocation	9,814,228	760,139	(1,473,602)	9,100,765	684,674	(1,275,144)	8,510,295
Money Market	7,140,417	4,340,778	(4,716,845)	6,764,350	3,063,263	(4,096,149)	5,731,464
Multidimensional Income . . .	—	—	—	—	53,394	(2,360)	51,034
Opportunity Income Plus . . .	228,147	105,001	(54,764)	278,384	109,170	(77,941)	309,613
Partner All Cap	714,697	36,777	(83,514)	667,960	33,451	(83,930)	617,481
Partner Emerging Markets							
Equity	282,846	61,382	(68,032)	276,196	101,259	(66,973)	310,482
Partner Growth Stock	573,992	66,486	(109,811)	530,667	78,364	(64,101)	544,930
Partner Healthcare	521,502	70,823	(113,562)	478,763	53,499	(81,871)	450,391
Partner Worldwide							
Allocation	6,847,610	395,040	(1,014,077)	6,228,573	407,330	(671,578)	5,964,325
Real Estate Securities	408,392	49,260	(67,655)	389,997	38,151	(64,994)	363,154
Small Cap Index	430,031	91,185	(57,510)	463,706	93,902	(72,462)	485,146
Small Cap Stock	1,022,547	63,642	(167,119)	919,070	83,874	(100,785)	902,159

(5) PURCHASES AND SALES OF INVESTMENTS

The aggregate costs of purchases and proceeds from sales of investments in the Funds for the year ended December 31, 2017 were as follows:

<u>Subaccount</u>	<u>Purchases</u>	<u>Sales</u>
Aggressive Allocation	\$ 3,964,233	\$ 8,912,549
Balanced Income Plus	1,481,337	1,267,991
Diversified Income Plus	3,649,663	2,993,561
Government Bond	1,018,011	1,757,865
Growth and Income Plus	518,100	1,163,281
High Yield	7,760,441	12,541,868
Income	5,919,339	11,405,876
Large Cap Growth	5,110,623	39,547,190
Large Cap Index	4,318,601	3,664,385
Large Cap Stock	1,264,813	2,523,186
Large Cap Value	2,937,015	4,963,748
Limited Maturity Bond	1,654,398	4,168,559
Low Volatility Equity	501,018	1,926
Mid Cap Index	2,935,914	1,532,958
Mid Cap Stock	19,676,799	20,090,018
Moderate Allocation	16,948,357	33,549,587
Moderately Aggressive Allocation	11,850,372	27,251,314
Moderately Conservative Allocation	9,735,333	17,301,337
Money Market	4,776,621	6,826,189
Multidimensional Income	555,129	25,731
Opportunity Income Plus	1,533,882	974,134
Partner All Cap	513,837	1,693,405
Partner Emerging Markets Equity	1,212,550	795,735
Partner Growth Stock	1,886,724	1,452,100

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(5) PURCHASES AND SALES OF INVESTMENTS - continued

<u>Subaccount</u>	<u>Purchases</u>	<u>Sales</u>
Partner Healthcare	779,894	1,450,494
Partner Worldwide Allocation.....	3,086,297	5,427,102
Real Estate Securities.....	1,172,289	2,183,064
Small Cap Index.....	3,475,312	1,948,444
Small Cap Stock.....	3,006,246	2,261,406

(6) FINANCIAL HIGHLIGHTS

A summary of units outstanding, unit values, net assets, expense ratios, investment income ratios and total return ratios for each of the five years in the period ended December 31, 2017, except as indicated in Note 1, follows:

<u>Subaccount</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Aggressive Allocation					
Units (a).....	4,109,292	4,349,412	4,689,039	4,906,772	4,900,554
Unit value	\$ 23.09	\$ 19.21	\$ 17.64	\$ 17.91	\$ 17.08
Deathclaim units	11	328	606	11	—
Deathclaim unit value	\$ 21.89	\$ 18.19	\$ 16.67	\$ 16.91	\$ 16.10
Net assets.....	\$94,860,285	\$83,543,370	\$82,703,017	\$87,894,571	\$83,839,593
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95-1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	0.73 %	0.98 %	1.04 %	0.44 %	1.26 %
Total return (d)	20.19-20.37%	8.91-9.07%	(1.54)-(1.39)%	4.86-5.02%	25.66-25.85%
Balanced Income Plus					
Units (a).....	679,257	678,003	673,559	693,580	629,125
Unit value	\$ 21.66	\$ 19.61	\$ 18.52	\$ 18.75	\$ 17.87
Deathclaim units	918	—	509	—	4,357
Deathclaim unit value	\$ 19.27	\$ 17.42	\$ 16.42	\$ 16.60	\$ 15.80
Net assets.....	\$14,750,045	\$13,310,854	\$12,495,836	\$13,017,262	\$11,719,001
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95-1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	2.31 %	2.46 %	2.15 %	1.59 %	1.78 %
Total return (d)	10.45-10.62%	5.89-6.05%	(1.24)-(1.09)%	4.91-5.07%	16.66-16.83%
Diversified Income Plus					
Units (a).....	1,297,556	1,290,944	1,372,167	1,435,984	1,390,841
Unit value	\$ 25.01	\$ 23.12	\$ 21.83	\$ 22.06	\$ 21.39
Deathclaim units	5,234	10,606	964	609	8,686
Deathclaim unit value	\$ 19.27	\$ 17.79	\$ 16.77	\$ 16.92	\$ 16.38
Net assets.....	\$32,585,056	\$30,066,675	\$29,992,248	\$31,698,769	\$30,576,220
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95-1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	3.01 %	3.41 %	3.28 %	2.96 %	2.45 %
Total return (d)	8.15- 8.31%	5.91-6.07%	(1.02)-(0.87)%	3.13-3.29%	9.96-10.12%

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(6) FINANCIAL HIGHLIGHTS - continued

Subaccount	2017	2016	2015	2014	2013
Government Bond					
Units (a).....	505,176	557,059	563,952	617,711	679,074
Unit value	\$ 16.04	\$ 15.75	\$ 15.69	\$ 15.74	\$ 14.94
Deathclaim units	632	127	474	44	—
Deathclaim unit value	\$ 14.41	\$ 14.13	\$ 14.06	\$ 14.08	\$ 13.34
Net assets.....	\$ 8,120,872	\$ 8,779,944	\$ 8,856,071	\$ 9,720,393	\$ 10,386,186
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	2.01 %	1.68 %	1.78 %	2.22 %	1.94 %
Total return (d)	1.84- 1.99%	0.38- 0.53%	(0.31)-(0.16)%	5.36-5.52%	(3.53)-(3.39)%
Growth and Income Plus					
Units (a).....	387,841	438,401	497,635	536,168	561,597
Unit value	\$ 14.16	\$ 12.56	\$ 11.91	\$ 12.14	\$ 12.01
Deathclaim units	—	—	—	—	465
Deathclaim unit value	\$ 14.37	\$ 12.72	\$ 12.05	\$ 12.26	\$ 12.11
Net assets.....	\$ 5,494,276	\$ 5,507,442	\$ 5,926,823	\$ 6,508,853	\$ 6,791,546
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	1.92 %	2.25 %	2.17 %	2.57 %	1.94 %
Total return (d)	12.76-12.93%	5.46- 5.62%	(1.90)-(1.75)%	1.09-1.24%	19.91- 20.09%
High Yield					
Units (a).....	1,902,409	2,077,788	2,313,337	2,542,279	2,663,005
Unit value	\$ 56.71	\$ 53.35	\$ 47.83	\$ 49.70	\$ 49.28
Deathclaim units	15,697	13,614	11,271	6,096	5,271
Deathclaim unit value	\$ 20.86	\$ 19.59	\$ 17.54	\$ 18.20	\$ 18.02
Net assets.....	\$107,477,948	\$110,225,336	\$109,854,889	\$125,184,993	\$135,986,972
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	5.46 %	5.69 %	5.74 %	5.89 %	6.29 %
Total return (d)	6.30- 6.45%	11.53- 11.70%	(3.76)-(3.61)%	0.85-1.00%	5.74- 5.90%
Income					
Units (a).....	1,730,955	1,903,523	2,147,085	2,374,364	2,532,432
Unit value	\$ 48.44	\$ 46.08	\$ 43.92	\$ 44.71	\$ 42.37
Deathclaim units	33,306	9,577	7,817	2,627	13,990
Deathclaim unit value	\$ 16.65	\$ 15.81	\$ 15.05	\$ 15.29	\$ 14.47
Net assets.....	\$ 83,794,609	\$ 87,019,656	\$ 93,441,260	\$104,930,698	\$111,446,233
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	3.33 %	3.44 %	3.67 %	3.76 %	3.76 %
Total return (d)	5.13- 5.28%	4.92- 5.08%	(1.76)-(1.62)%	5.52-5.67%	(1.16)-(1.01)%
Large Cap Growth					
Units (a).....	2,911,687	3,206,617	3,563,697	3,815,160	3,959,140
Unit value	\$ 123.29	\$ 96.67	\$ 99.21	\$ 90.79	\$ 82.71
Deathclaim units	29,187	20,314	29,846	10,941	33,327
Deathclaim unit value	\$ 25.26	\$ 19.78	\$ 20.27	\$ 18.52	\$ 16.85
Net assets.....	\$354,608,298	\$305,643,494	\$348,293,442	\$340,393,942	\$337,086,809
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	0.37 %	0.53 %	0.41 %	0.62 %	0.63 %
Total return (d)	27.53-27.72%	(2.56)-(2.41)%	9.27- 9.43%	9.78-9.94%	34.65- 34.85%

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(6) FINANCIAL HIGHLIGHTS - continued

Subaccount	2017	2016	2015	2014	2013
Large Cap Index					
Units (a).....	1,212,586	1,193,754	1,049,749	1,015,090	986,397
Unit value	\$ 27.44	\$ 22.84	\$ 20.68	\$ 20.67	\$ 18.46
Deathclaim units	2,235	81	888	113	—
Deathclaim unit value	\$ 24.70	\$ 20.53	\$ 18.56	\$ 18.53	\$ 16.51
Net assets.....	\$33,384,815	\$27,316,123	\$21,770,036	\$21,037,816	\$18,556,196
Ratio of expenses to net					
assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.34 %	1.85 %	1.35 %	1.43 %	1.62 %
Total return (d)	20.14-20.32%	10.46-10.63%	0.01- 0.16%	12.01-12.18%	30.36- 30.56%
Large Cap Stock					
Units (a).....	1,031,617	1,108,952	1,253,330	1,201,736	1,299,457
Unit value	\$ 19.95	\$ 16.65	\$ 15.97	\$ 15.66	\$ 15.04
Deathclaim units	2,242	1,026	2,085	—	—
Deathclaim unit value	\$ 19.39	\$ 16.16	\$ 15.47	\$ 15.15	\$ 14.53
Net assets.....	\$20,651,734	\$18,521,962	\$20,088,462	\$18,858,100	\$19,936,535
Ratio of expenses to net					
assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.27 %	1.27 %	1.12 %	0.87 %	1.09 %
Total return (d)	19.83-20.01%	4.27- 4.43%	1.99- 2.14%	4.14- 4.29%	28.18- 28.38%
Large Cap Value					
Units (a).....	1,723,195	1,868,876	1,999,647	2,163,028	2,320,685
Unit value	\$ 24.73	\$ 21.25	\$ 18.30	\$ 19.18	\$ 17.78
Deathclaim units	3,264	756	3,978	418	584
Deathclaim unit value	\$ 22.77	\$ 19.54	\$ 16.80	\$ 17.58	\$ 16.28
Net assets.....	\$42,767,542	\$39,803,260	\$36,699,260	\$41,523,324	\$42,197,313
Ratio of expenses to net					
assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.38 %	1.38 %	1.29 %	1.24 %	1.49 %
Total return (d)	16.36-16.54%	16.16-16.33%	(4.59)-(4.44)%	7.84- 8.00%	30.38- 30.58%
Limited Maturity Bond					
Units (a).....	1,136,853	1,337,798	1,392,405	1,561,894	1,816,453
Unit value	\$ 13.34	\$ 13.14	\$ 12.92	\$ 12.97	\$ 12.90
Deathclaim units	625	63	1,411	973	—
Deathclaim unit value	\$ 12.49	\$ 12.29	\$ 12.06	\$ 12.09	\$ 12.00
Net assets.....	\$15,197,270	\$17,607,596	\$18,021,321	\$20,266,595	\$24,215,821
Ratio of expenses to net					
assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.97 %	1.94 %	1.67 %	1.71 %	1.51 %
Total return (d)	1.49- 1.65%	1.71- 1.86%	(0.37)-(0.22)%	0.57- 0.72%	(0.64)-(0.50)%
Low Volatility Equity					
Units (a).....	47,864	—	—	—	—
Unit value	\$ 10.93	—	—	—	—
Deathclaim units	—	—	—	—	—
Deathclaim unit value	\$ 10.94	—	—	—	—
Net assets.....	\$ 523,150	—	—	—	—
Ratio of expenses to net					
assets (b)	0.95- 1.10%	— %	— %	— %	— %
Investment income ratio (c) .	1.21 %	— %	— %	— %	— %
Total return (d)	9.30- 9.41%	— %	— %	— %	— %

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(6) FINANCIAL HIGHLIGHTS - continued

Subaccount	2017	2016	2015	2014	2013
Mid Cap Index					
Units (a).....	537,636	508,988	468,637	460,686	455,604
Unit value	\$ 34.98	\$ 30.49	\$ 25.60	\$ 26.55	\$ 24.57
Deathclaim units	803	111	—	256	87
Deathclaim unit value	\$ 27.84	\$ 24.23	\$ 20.31	\$ 21.04	\$ 19.44
Net assets.....	\$ 18,875,967	\$ 15,565,455	\$ 12,032,443	\$ 12,275,378	\$ 11,442,363
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	0.89 %	0.88 %	0.71 %	0.76 %	0.87 %
Total return (d)	14.71-14.89%	19.12-19.29%	(3.59)-(3.44)%	8.08- 8.24%	31.47-31.67%
Mid Cap Stock					
Units (a).....	5,868,483	6,318,823	6,917,299	505,274	541,085
Unit value	\$ 38.19	\$ 32.44	\$ 25.48	\$ 25.75	\$ 23.26
Deathclaim units	13,979	8,050	13,933	2	—
Deathclaim unit value	\$ 29.23	\$ 24.80	\$ 19.45	\$ 19.62	\$ 17.70
Net assets.....	\$225,096,101	\$205,699,966	\$176,908,856	\$ 13,021,383	\$ 12,910,326
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	0.35 %	0.38 %	0.10 %	0.31 %	0.37 %
Total return (d)	17.70-17.87%	27.31-27.50%	(1.01)-(0.86)%	10.70-10.87%	34.02-34.22%
Moderate Allocation					
Units (a).....	20,802,770	21,913,163	23,866,225	24,695,811	24,966,116
Unit value	\$ 19.57	\$ 17.52	\$ 16.27	\$ 16.54	\$ 15.79
Deathclaim units	20,080	34,830	29,068	17,708	9,930
Deathclaim unit value	\$ 19.06	\$ 17.04	\$ 15.79	\$ 16.03	\$ 15.29
Net assets.....	\$407,818,372	\$384,706,165	\$388,845,212	\$408,854,306	\$399,808,115
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.62 %	1.70 %	1.49 %	1.13 %	1.53 %
Total return (d)	11.72-11.89%	7.70- 7.86%	(1.65)-(1.50)%	4.72- 4.88%	13.86-14.03%
Moderately Aggressive Allocation					
Units (a).....	14,695,365	15,618,206	16,832,814	17,626,118	17,660,511
Unit value	\$ 21.38	\$ 18.51	\$ 16.97	\$ 17.29	\$ 16.49
Deathclaim units	31,767	2,162	4,423	1,689	—
Deathclaim unit value	\$ 20.55	\$ 17.76	\$ 16.27	\$ 16.55	\$ 15.75
Net assets.....	\$314,859,371	\$289,104,951	\$285,804,142	\$304,812,542	\$293,601,060
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.21 %	1.44 %	1.29 %	0.86 %	1.50 %
Total return (d)	15.52-15.69%	9.03- 9.19%	(1.83)-(1.69)%	4.89- 5.05%	19.97-20.15%
Moderately Conservative Allocation					
Units (a).....	8,557,192	9,164,554	9,895,998	10,559,783	11,032,773
Unit value	\$ 17.26	\$ 15.93	\$ 15.02	\$ 15.26	\$ 14.65
Deathclaim units	28,281	20,447	15,428	16,275	13,841
Deathclaim unit value	\$ 17.00	\$ 15.67	\$ 14.75	\$ 14.96	\$ 14.34
Net assets.....	\$148,236,867	\$146,377,947	\$148,901,468	\$161,360,753	\$163,871,025
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	1.80 %	1.70 %	1.75 %	1.56 %	1.51 %
Total return (d)	8.32- 8.48%	6.06- 6.22%	(1.55)-(1.40)%	4.17- 4.32%	7.83- 7.99%

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(6) FINANCIAL HIGHLIGHTS - continued

Subaccount	2017	2016	2015	2014	2013
Money Market					
Units (a).....	5,751,485	6,840,984	7,233,008	7,876,012	9,205,772
Unit value	\$ 1.84	\$ 1.86	\$ 1.88	\$ 1.90	\$ 1.92
Deathclaim units	44,585	3,819	10,319	12,832	23,018
Deathclaim unit value	\$ 1.03	\$ 1.03	\$ 1.04	\$ 1.05	\$ 1.06
Net assets.....	\$10,713,702	\$12,764,612	\$13,653,321	\$15,032,620	\$18,129,696
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	0.49 %	0.00 %	0.00 %	0.00 %	0.00 %
Total return (d)	(0.59)-(0.45)%	(1.09)-(0.95)%	(1.10)- (0.94)%	(1.09)-(0.95)%	(1.09)-(0.95)%
Multidimensional Income					
Units (a).....	51,034	—	—	—	—
Unit value	\$ 10.27	—	—	—	—
Deathclaim units	—	—	—	—	—
Deathclaim unit value	\$ 10.28	—	—	—	—
Net assets.....	\$ 524,316	—	—	—	—
Ratio of expenses to net assets (b)	0.95- 1.10%	— %	— %	— %	— %
Investment income ratio (c) .	5.11 %	— %	— %	— %	— %
Total return (d)	2.74- 2.84%	— %	— %	— %	— %
Opportunity Income Plus					
Units (a).....	305,330	282,780	233,165	214,631	191,533
Unit value	\$ 15.32	\$ 14.81	\$ 14.08	\$ 14.24	\$ 13.91
Deathclaim units	7,765	—	51	683	—
Deathclaim unit value	\$ 14.93	\$ 14.40	\$ 13.67	\$ 13.81	\$ 13.47
Net assets.....	\$ 4,796,799	\$ 4,188,730	\$ 3,282,958	\$ 3,063,702	\$ 2,754,815
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	3.39 %	3.38 %	3.40 %	3.43 %	2.51 %
Total return (d)	3.48- 3.64%	5.21- 5.37%	(1.13)- (0.98)%	2.35- 2.51%	(2.47)-(2.32)%
Partner All Cap					
Units (a).....	622,155	675,540	724,018	729,792	775,820
Unit value	\$ 22.23	\$ 18.69	\$ 17.86	\$ 17.66	\$ 15.91
Deathclaim units	1,241	415	69	161	301
Deathclaim unit value	\$ 24.01	\$ 20.16	\$ 19.24	\$ 18.99	\$ 17.08
Net assets.....	\$13,905,185	\$12,682,704	\$12,984,495	\$12,941,605	\$12,586,632
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	0.49 %	0.27 %	0.34 %	0.60 %	0.75 %
Total return (d)	18.93- 19.11%	4.62- 4.78%	1.14- 1.29%	11.03- 11.20%	31.40- 31.60%
Partner Emerging Markets Equity					
Units (a).....	311,901	276,948	285,410	319,274	343,968
Unit value	\$ 14.12	\$ 11.19	\$ 10.14	\$ 11.86	\$ 12.27
Deathclaim units	—	1,491	—	—	—
Deathclaim unit value	\$ 14.33	\$ 11.33	\$ 10.25	\$ 11.98	\$ 12.38
Net assets.....	\$ 4,405,055	\$ 3,114,783	\$ 2,892,664	\$ 3,784,579	\$ 4,260,873
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%
Investment income ratio (c) .	0.67 %	1.00 %	1.20 %	0.96 %	1.04 %
Total return (d)	26.25- 26.44%	10.37- 10.53%	(14.54)-(14.41)%	(3.36)-(3.21)%	(8.36)-(8.22)%

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(6) FINANCIAL HIGHLIGHTS - continued

Subaccount	2017		2016		2015		2014		2013	
Partner Growth Stock										
Units (a).....	546,173		533,755		578,677		567,595		599,508	
Unit value	\$ 31.59		\$ 23.91		\$ 23.85		\$ 21.79		\$ 20.30	
Deathclaim units	1,865		996		219		117		16	
Deathclaim unit value	\$ 29.63		\$ 22.39		\$ 22.30		\$ 20.35		\$ 18.93	
Net assets.....	\$17,336,909		\$12,808,696		\$13,831,108		\$12,392,348		\$12,336,740	
Ratio of expenses to net assets (b)	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%
Investment income ratio (c) .	0.09	%	0.00	%	0.00	%	0.00	%	0.03	%
Total return (d)	32.16-	32.35%	0.24-	0.39%	9.44-	9.61%	7.33-	7.49%	37.33-	37.53%
Partner Healthcare										
Units (a).....	450,980		479,255		522,664		343,519		261,508	
Unit value	\$ 21.97		\$ 18.60		\$ 22.40		\$ 21.65		\$ 17.62	
Deathclaim units	83		542		—		247		—	
Deathclaim unit value	\$ 22.30		\$ 18.85		\$ 22.65		\$ 21.86		\$ 17.77	
Net assets.....	\$ 9,912,272		\$ 8,927,739		\$11,706,362		\$ 7,441,126		\$ 4,620,875	
Ratio of expenses to net assets (b)	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%
Investment income ratio (c) .	0.26	%	4.27	%	0.01	%	0.00	%	0.35	%
Total return (d)	18.12-	18.29%	(16.93)-	(16.80)%	3.46-	3.62%	22.87-	23.06%	29.66-	29.85%
Partner Worldwide Allocation										
Units (a).....	6,039,701		6,322,046		6,952,748		7,423,497		7,879,566	
Unit value	\$ 11.92		\$ 9.73		\$ 9.52		\$ 9.70		\$ 10.37	
Deathclaim units	5,910		1,729		8,451		4,860		5,923	
Deathclaim unit value	\$ 12.10		\$ 9.86		\$ 9.63		\$ 9.80		\$ 10.45	
Net assets.....	\$72,162,716		\$61,610,107		\$66,322,821		\$72,097,362		\$83,339,410	
Ratio of expenses to net assets (b)	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%
Investment income ratio (c) .	2.10	%	2.23	%	2.50	%	2.04	%	0.03	%
Total return (d)	22.50-	22.68%	2.22-	2.37%	(1.87)-	(1.72)%	(6.39)-	(6.25)%	15.04-	15.21%
Real Estate Securities										
Units (a).....	371,582		400,409		420,962		451,709		471,556	
Unit value	\$ 39.11		\$ 37.32		\$ 35.10		\$ 34.54		\$ 26.69	
Deathclaim units	486		967		220		519		708	
Deathclaim unit value	\$ 21.82		\$ 20.79		\$ 19.53		\$ 19.19		\$ 14.81	
Net assets.....	\$14,548,648		\$14,967,621		\$14,779,197		\$15,610,559		\$13,014,340	
Ratio of expenses to net assets (b)	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%
Investment income ratio (c) .	1.63	%	1.48	%	1.45	%	1.42	%	1.43	%
Total return (d)	4.80-	4.96%	6.32-	6.48%	1.62-	1.77%	29.39-	29.59%	1.06-	1.22%
Small Cap Index										
Units (a).....	489,665		468,770		435,820		446,296		448,341	
Unit value	\$ 35.40		\$ 31.63		\$ 25.36		\$ 26.21		\$ 25.15	
Deathclaim units	735		80		—		265		2,721	
Deathclaim unit value	\$ 27.64		\$ 24.67		\$ 19.75		\$ 20.38		\$ 19.52	
Net assets.....	\$17,383,907		\$14,856,199		\$11,072,654		\$11,723,568		\$11,577,830	
Ratio of expenses to net assets (b)	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%	0.95-	1.10%
Investment income ratio (c) .	0.85	%	1.00	%	0.78	%	0.76	%	1.20	%
Total return (d)	11.90-	12.07%	24.74-	24.93%	(3.24)-	(3.10)%	4.21-	4.37%	39.29-	39.50%

THRIVENT VARIABLE ANNUITY ACCOUNT B
NOTES TO FINANCIAL STATEMENTS (continued)

(6) FINANCIAL HIGHLIGHTS - continued

<u>Subaccount</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Small Cap Stock					
Units (a).....	911,420	930,337	1,035,261	405,567	432,708
Unit value	\$ 29.64	\$ 24.72	\$ 19.85	\$ 20.71	\$ 19.99
Deathclaim units	420	199	527	—	—
Deathclaim unit value	\$ 23.07	\$ 19.21	\$ 15.40	\$ 16.05	\$ 15.47
Net assets.....	\$27,062,883	\$23,036,072	\$20,580,371	\$8,403,054	\$8,825,083
Ratio of expenses to net assets (b)	0.95- 1.10%	0.95- 1.10%	0.95- 1.10%	0.95-1.10%	0.95- 1.10%
Investment income ratio (c) .	0.35 %	0.33 %	0.28 %	0.22 %	0.36 %
Total return (d)	19.91-20.09%	24.56-24.75%	(4.19)-(4.05)%	3.61-3.76%	34.41-34.62%

- (a) For 2014, 2015 and 2016, these amounts represent the units for contracts in accumulation and contracts in payout. Units for contracts in accumulation are presented in 2012 and 2013.
- (b) These amounts represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying fund have been excluded.
- (c) These amounts represent the dividends, excluding distributions of capital gains, received by the subaccount from the underlying mutual fund net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense charges, that are assessed against the contract owner accounts either through reductions in the unit values or the redemption of units. The recognition of investment income is affected by the timing of the declaration of dividends by the underlying fund in which the subaccount invests.
- (d) These amounts represent the total return for periods indicated, including changes in the value of the underlying fund, and expenses assessed through the reduction of unit values. These ratios do not include any expenses assessed through the redemption of units. Investment options with a date notation in Note 1 indicate the effective date of the investment option in the Variable Account. The total return is calculated using accumulation unit values.