

# **NLV Financial Corporation and Subsidiaries**

**Quarterly Performance Review and  
Consolidated Financial Statements**

**First Quarter 2025**

## GENERAL DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### About the Company

NLV Financial Corporation (“NLVF”) through its subsidiaries (collectively, the “Company”, “we”, “our”) offer a broad range of life insurance and annuity products through its insurance operations, which include National Life Insurance Company (“NLIC”), a Vermont-domiciled life insurer, and Life Insurance Company of the Southwest (“LSW”), a Texas-domiciled life insurer. Together with their affiliates, NLIC and LSW operate as a unified organization under the trade name of National Life Group.

National Life Group’s leading life insurance product lines include indexed universal life, whole life, term life, and universal life. We offer a wide array of options and riders in connection with these policies to provide additional features such as accelerated benefits, waiver of premium, accidental death benefits, paid up additions, supplemental term insurance and lifetime income.

National Life Group’s leading annuity product lines are indexed annuities and fixed interest rate annuities. We offer a guaranteed lifetime income rider on our indexed annuity products, which allows the contract holder the option to elect a guaranteed annual income that is fixed and will continue for the remaining life of the contract holder, even if the annuity’s account value reaches zero. National Life Group also offers variable annuities, but does not offer, and has never offered, guaranteed minimum withdrawal, accumulation or income benefits on our variable annuities. A return of premium guaranteed minimum death benefit is the only guarantee currently offered on our variable annuity products.

For indexed life and annuity products, indexed interest, if any, is credited based on the change in an equity index over a specified period, subject to a cap rate, a participation rate and a floor of zero percent. Indexed products also offer the contract holder the option of selecting a guaranteed fixed interest rate instead of indexed interest.

### Distribution

National Life Group provides a broad range of life insurance and annuity products to a national client base, primarily through an extensive network of independent agents and affiliated agents. We focus on serving Middle America in our target market of customers with household income of between \$75,000 and \$150,000, offering products with benefits that help Middle America customers meet their needs during their lifetime, including lifetime income in retirement and accelerated death benefits if the insured becomes terminally, chronically or critically ill. In our individual annuity business, we focus on the 403(b) K-12 educator and 457 markets. National Life Group also offers products to meet financial and business planning needs including estate, business succession and retirement planning, and deferred compensation and other key executive benefit planning for small business owners, professionals, and other middle to upper income individuals. We market and distribute our products throughout the United States through two principal channels: Affiliated Partner and Independent channels:

- ***Affiliated Partner*** is an evolution of the traditional “career” channel and includes producing and general agents who specialize in selling products to the middle and emerging affluent markets, professionals, business owners and other individuals for financial and business planning purposes.
- ***Independent*** consists of agents who primarily offer life insurance and annuity products to the middle and emerging affluent markets, for purposes of providing for the financial consequences of specific life events, such as death, retirement, and chronic or long-term illness. While the agents have access to all products, certain agents sell life insurance and annuity products with an emphasis on the 403(b) qualified tax deferred retirement savings market for individuals employed by public schools.

## **Organization**

National Life Insurance Company was established in Vermont in 1848. In 1999, NLIC reorganized from a mutual to a stock insurance company as part of a reorganization into a mutual insurance holding company structure in order to compete more effectively, have a more flexible and cost-effective capital structure, and be part of an enterprise which is better positioned to make strategic acquisitions. Concurrent with the reorganization into a mutual insurance holding company structure, NLIC created a closed block for the benefit of holders of certain of NLIC's individual participating life insurance and annuity policies ("the Closed Block"). The Closed Block is designed to give reasonable assurance to owners of policies in the Closed Block that assets will be available to provide policy benefits, including the continuation of dividends.

National Life Holding Company, a Vermont mutual insurance holding company, owns 100% of the outstanding common stock of NLVF, an intermediate stock insurance holding company incorporated under the laws of the state of Delaware. NLVF directly owns 100% of the outstanding common stock of NLIC, NLG Capital, Inc. ("NLG Capital") formerly Sentinel Asset Management, Inc., Equity Services, Inc. ("ESI"), Catamount Reinsurance Company ("Catamount"), Longhorn Reinsurance Company ("Longhorn"), and certain other subsidiaries, and indirectly owns 100% of the outstanding common stock of Life Insurance Company of the Southwest, which is wholly owned by NLIC. Additionally, NLIC is the 100% equity holder of Mansfield Solar I, LLC ("Mansfield Solar"). Mansfield Solar Trust ("Mansfield Solar Trust") is wholly owned by Mansfield Solar I, LLC. NLVF indirectly owns National Life Distribution, LLC ("NLD"), whose sole member is LSW.

## **Non-GAAP Measures**

The discussion herein, unless otherwise noted, is prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In addition to net income, we use core earnings, which is a pre-tax, non-GAAP financial measures, to evaluate our financial performance.

Core earnings equal net income after excluding volatility caused by the periodic fair value measurement of certain liabilities for indexed life and annuity products, and the related impact to DAC and deferred sales inducements. Significant short-term income volatility may result from the measurement of these indexed product liabilities under GAAP, because they are sensitive to movements in equity market indexes and future interest rate assumptions. We exclude such volatility from core earnings. It also excludes income taxes and net investment gains (losses).

Core earnings is a useful measure for the Company to analyze our results and trends because it excludes such short-term volatility and is more consistent with the economics and long-term performance of our indexed products. On a non-GAAP core earnings basis, we also exclude from revenues any investment income from derivative instruments that economically hedge our indexed product liabilities; instead, those hedging results are presented within interest credited to policyholder account liabilities. We believe the combined presentation and discussion of pre-tax operating income, core earnings, and net income provides information that will enhance readers' understanding of our underlying results, operating trends and profitability.

A reconciliation of total revenues on a GAAP basis to total revenues on a core earnings basis is presented below:

|                                                                                                                                                                                      | <b>For the Three Months Ended<br/>March 31,</b> |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------|
|                                                                                                                                                                                      | <b>2025</b>                                     | <b>2024</b>       |
|                                                                                                                                                                                      | <i>(in thousands)</i>                           |                   |
| Total revenues                                                                                                                                                                       | \$ 689,694                                      | \$ 1,136,884      |
| Net investment losses (gains)                                                                                                                                                        | 48,445                                          | (5,925)           |
| Net investment losses (gains) from<br>derivatives that hedge equity indexed products, which is included in<br>interest credited to policyholder liabilities on a core earnings basis | 241,720                                         | (219,974)         |
| Total revenues on a core earnings basis                                                                                                                                              | <u>\$ 979,859</u>                               | <u>\$ 910,985</u> |

A reconciliation of net income to non-GAAP pre-tax operating income and core earnings is presented below:

|                                                                                                                                                          | <b>For the Three Months Ended<br/>March 31,</b> |                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------|
|                                                                                                                                                          | <b>2025</b>                                     | <b>2024</b>      |
|                                                                                                                                                          | <i>(in thousands)</i>                           |                  |
| Net income                                                                                                                                               | \$ 74,700                                       | \$ 77,739        |
| Net investment losses (gains)                                                                                                                            | 48,445                                          | (5,925)          |
| Amortization of DAC and sales<br>inducements, and policyholder dividend obligations, and other<br>adjustments related to net investment gains and losses | (2,954)                                         | 4,932            |
| Income tax expense                                                                                                                                       | 22,399                                          | 24,147           |
| Pre-tax operating income                                                                                                                                 | 142,590                                         | 100,893          |
| Non-core losses (gains), primarily<br>volatility resulting from the measurement of indexed product liabilities<br>and change in market risk benefits     | 51,279                                          | (7,335)          |
| Core earnings                                                                                                                                            | <u>\$ 193,869</u>                               | <u>\$ 93,558</u> |

## ANNUAL FINANCIAL PERFORMANCE REVIEW

This annual financial performance review provides an overview of the Company's results of operations as of and for the three months ended March 31, 2025 and 2024, and, where applicable, factors that may affect the Company's future financial performance. This review should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements as of and for the years ended December 31, 2024 and 2023, which have been audited by PricewaterhouseCoopers LLP.

The Company's universal life, indexed universal life, and annuity products generate revenues through investment income and policy and contract charges that are earned during the life of the contracts. On a GAAP basis, revenues from net investment income include changes in the fair value of derivative instruments that economically hedge our indexed life and annuity products, primarily options and futures. Whole and term life insurance products generate primarily premium revenues. The increase in the Company's total revenues on a GAAP basis was primarily driven by sales of indexed universal life products. Included in the Company's total revenues on a GAAP basis are market value losses on derivative instruments of \$242 million for the first quarter of 2025, compared to derivative gains of \$220 million for the same period in 2024. On a core earnings basis, which excludes from revenue such derivative losses (gains) as well as net investment losses (gains), the Company's total revenues for the three months of 2025 were up 8% from the same period in 2024. This increase was driven by strong growth in the life insurance business, including an increase in policy and contract charges of 11%, as well as increased net investment income of 7%.

Net income was \$75 million for the three months ended March 31, 2025, compared to \$78 million for the same period in 2024. Net income in 2025 included negative non-core earnings of \$51 million, compared to positive non-core earnings of \$7 million for the same period in 2024, and net investment losses of \$48 million, compared to net investment gains of \$6 million for the same period in 2024. The net investment loss in Q1 2025 was driven by the embedded derivative under reinsurance accounting related to the AeCe Transaction summarized below.

Effective January 1, 2025, the Company adopted ASU 2018-12, *Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI"). Adoption of this ASU requires an entity to simplify and improve the recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. The guidance was applied through a modified retrospective transition method to beginning retained earnings and/or accumulated other comprehensive income. The 2024 results presented in the analysis are based on legacy GAAP results and have not been restated to reflect LDTI balances.

On April 18, 2024, LSW executed a funds withheld coinsurance agreement with AeCe ISA Ltd. ("AeCe"), effective as of April 1, 2024. Under the AeCe Reinsurance Agreement, LSW initially ceded an 80% quota share of specified single-premium deferred annuities and multi-year guaranteed annuities issued between January 1, 2009 and March 31, 2024. LSW also reinsured an 80% quota share of policies issued between April 1, 2024 and July 31, 2024. LSW is not currently ceding new policies under the AeCe Reinsurance Agreement. However, the AeCe Reinsurance Agreement provides for the reinsurance of additional policies prior to December 31, 2026 as long as the consent of both parties exists. ("AeCe Transaction")

Core earnings were \$194 million for the three months ended March 31, 2025, up from \$94 million for the same period in 2024. The increase in core earnings were driven by higher revenues from growth in policy and contract charges, primarily on our indexed universal life products, net investment income and lower DAC amortization from the adoption of LDTI. These were partially offset by increased policy benefits as we continue to grow our business, increased operating expenses driven by higher growth-related personnel costs as well as consulting and legal fees.

Each of the components of core earnings and the factors that contributed to the changes for the three months ended March 31, 2025 and 2024 are described in detail below.

|                                                              | For the Three Months Ended<br>March 31, |                  |
|--------------------------------------------------------------|-----------------------------------------|------------------|
|                                                              | 2025                                    | 2024             |
|                                                              | <i>(in thousands)</i>                   |                  |
| <b>Revenues:</b>                                             |                                         |                  |
| Insurance premiums                                           | \$ 101,872                              | \$ 91,660        |
| Policy and contract charges                                  | 367,446                                 | 332,445          |
| Commissions, fees and other income                           | 35,630                                  | 43,543           |
| Net investment income                                        | 474,911                                 | 443,337          |
| <b>Total revenues, on a core earnings basis</b>              | <b>979,859</b>                          | <b>910,985</b>   |
| <b>Benefits and expenses:</b>                                |                                         |                  |
| Increase in policy liabilities                               | (17,108)                                | 4,071            |
| Policy benefits                                              | 219,307                                 | 188,251          |
| Policyholders' dividends and dividend obligations            | 5,514                                   | 5,117            |
| Interest credited to policyholder account liabilities        | 309,698                                 | 322,662          |
| Operating expenses                                           | 127,328                                 | 121,029          |
| Interest expense                                             | 16,966                                  | 16,723           |
| Policy acquisition expenses                                  | 124,285                                 | 159,574          |
| <b>Total benefits and expenses, on a core earnings basis</b> | <b>785,990</b>                          | <b>817,427</b>   |
| <b>Core earnings</b>                                         | <b>\$ 193,869</b>                       | <b>\$ 93,558</b> |

### Insurance Premiums

Insurance premiums include considerations on traditional whole, term life insurance and disability income contracts. Insurance premiums do not include deposits received for investment-type products such as fixed interest annuities, indexed annuities and universal life policies, which comprise the majority of our new sales. Annuity products earn a net spread between net investment income on assets that support the policies and expenses for interest credited to policyholders. Revenue from universal life products is primarily reflected in policy and contract charges.

Insurance premiums increased \$10 million, or 11%, to \$102 million for the three months ended March 31, 2025 from \$92 million for the same period in 2024. This increase was primarily driven by higher term life product sales.

### Policy and Contract Charges

Policy and contract charges include fees charged on indexed universal life products, variable annuities, premium loads, cost of insurance charges, surrender charges and rider charges. Policy and contract charges increased \$35 million, or 11%, to \$367 million for the three months ended March 31, 2025 from \$332 million in 2024. This increase was driven by growth in overall account value, primarily on our indexed universal life products.

## Commissions, Fees and Other Income

Commissions consist of dealer concessions earned by the Company's affiliated broker-dealer, Equity Services, Inc. Other income includes revenues from reinsurance, change in cash surrender value of corporate owned life insurance ("COLI") and miscellaneous fee income. Revenues from commissions, fees and other income decreased by \$8 million, or 18% to \$36 million for the three months ended March 31, 2025 from \$44 million in 2024, primarily due to an decrease in reinsurance related revenue.

## Net Investment Income

Net investment income represents interest income on our portfolio of bonds, mortgage loans, contract loans and short-term investments, as well as amortization of premium or accretion of discount on bonds, dividends from preferred and common stock, partnership income, and income (losses) from derivative instruments. On a non-GAAP core earnings basis, we exclude from net investment income any income (losses) from derivative instruments that economically hedge our indexed product liabilities; instead, those hedging results are presented within interest credited to policyholder account liabilities. Net investment income on a core earnings basis was \$475 million for the three months ended March 31, 2025, compared to \$443 million in 2024. This increase was driven by higher income from the bond and mortgage portfolios due to the overall growth of the in-force business, partially offset by activity ceded as part of the AeCe Transaction.

The table below provides a breakdown of the components of net investment income on a core earnings basis, which excludes income on options that economically hedge our indexed products:

|                                                | For the Three Months Ended<br>March 31, |            |
|------------------------------------------------|-----------------------------------------|------------|
|                                                | 2025                                    | 2024       |
|                                                | <i>(in thousands)</i>                   |            |
| <b>Net investment income</b>                   |                                         |            |
| Debt securities                                | \$ 426,837                              | \$ 357,429 |
| Equity securities                              | (1,222)                                 | 7,000      |
| Mortgage loans                                 | 68,522                                  | 50,107     |
| Policy loans                                   | 19,228                                  | 15,682     |
| Real estate                                    | 1,478                                   | 1,512      |
| Derivatives                                    | 629                                     | 2,275      |
| Partnerships                                   | 37,554                                  | 14,670     |
| Other investment income                        | (61,649)                                | 6,181      |
| Gross investment income                        | 491,377                                 | 454,856    |
| Less: Investment expenses                      | (16,466)                                | (11,519)   |
| Net investment income on a core earnings basis | \$ 474,911                              | \$ 443,337 |

## Increase in Policy Liabilities

The increase in policy liabilities reflects changes in the product liability reserves for whole and term life insurance, disability income insurance and changes in additional reserves held on certain annuities. The change in policy liabilities was a net decrease of \$17 million for the three months ended March 31, 2025, compared to a net increase of \$4 million for the same period in 2024. The change in policy liabilities was primarily due to elevated death benefits in our closed block line of business which resulted in a greater release of reserves during 2025, compared to the same period in 2024.

## **Policy Benefits**

Policy benefits include death benefits for life insurance policies, policy surrenders for whole life policies and disability income benefits. In addition, policy benefits include a small amount of miscellaneous benefits such as payments on life-contingent immediate annuities and premium waiver benefits due to disability. Policy benefits increased \$31 million to \$219 million for the three months ended March 31, 2025 from \$188 million for the same period in 2024, driven by less favorable experience on death benefits, offset slightly by decreased surrender activity.

## **Policyholders' Dividends and Dividend Obligations**

Policyholders' dividends consist of the pro rata amount of dividends earned that will be paid or credited at the next policy anniversary and policyholder dividend obligations ("PDO") primarily arising from the Closed Block. Dividends are based on a scale that is designed to reflect the relative contribution of each group of policies to the Company's overall operating results. The dividend scales are approved annually by the Company's Board of Directors. For the non-GAAP measure of core earnings, policyholders' dividends and dividend obligations exclude amounts related to current year net investment gains (losses). Policyholders' dividends and dividend obligations included in core earnings remained relatively flat for the three months ended March 31, 2025 compared to the same period in 2024.

## **Interest Credited to Policyholder Account Liabilities**

Interest credited to policyholder account liabilities represents amounts credited to universal life insurance, fixed deferred annuities and indexed products, as well as the change in reserves related to guaranteed lifetime income riders ("GLIR") and the amortization of sales inducements. For the non-GAAP presentation of core earnings, interest credited also includes income on options that economically hedge our indexed products. Core interest credited decreased \$13 million to \$310 million for the three months ended March 31, 2025 from \$323 million for the same period in 2024. This decrease reflects the unfavorable performance within our index options due to market volatility which was offset slightly due to the impacts of Market Risk Benefits being captured in non-core earnings, which was effective at the beginning of 2025.

## **Operating Expenses**

Operating expenses consist primarily of administrative, maintenance and operational expenses related to servicing the Company's business. Operating expenses increased \$6 million to \$127 million for the three months ended March 31, 2025 compared to \$121 million for the same period in 2024, primarily due to higher growth-related personnel costs, as well as consulting and legal fees offset slightly by deferred compensation due to market volatility.

## **Interest Expense**

Interest expense consists of interest paid on the Company's surplus notes and senior notes. Interest expense totaled \$17 million for the three months ended March 31, 2025 and 2024.



## Policy Acquisition Expenses

Policy acquisition expenses include commissions and other costs related to the acquisition of new or renewal life and annuity business, as well as amortization of previously deferred acquisition costs (“DAC”). Commissions and other costs that are directly related to the successful acquisition of new or renewal insurance contracts are eligible to be deferred under GAAP. In 2024, DAC for participating life insurance, universal life insurance, and annuities was amortized and recognized in income in relation to future estimated gross profits and DAC for non-participating term and whole life insurance and participating limited-payment and single-payment life insurance is amortized and recognized in relation to premium income. Beginning in 2025, as a result of LDTI, DAC is amortized and recognized based on a straight line over the life of the contract. DAC for non-participating term and whole life insurance and participating limited-payment and single-payment life insurance is amortized and recognized in relation to premium income. Policy acquisition expenses are reported net of amounts deferred in the current year and include the amortization of DAC.

For the non-GAAP presentation of core earnings, policy acquisition expenses exclude amortization of DAC related to net investment gains (losses) on assets that support policy reserves, and amortization of DAC related to non-core earnings. Policy acquisition expenses for the life and annuity businesses included in core earnings were \$124 million for the three months ended March 31, 2025, down from \$160 million for the same period in 2024. This decrease was attributable to lower amortized deferred acquisition costs resulting from the implementation requirements for LDTI along with increased deferred commissions due to continued growth in the life and annuity lines of business.

## Net Investment Gains (Losses)

The Company recorded net investment losses of \$48 million for the three months ended March 31, 2025 compared to net investment gains of \$6 million for the same period in 2024. Changes in the fair value of partnerships not accounted for using the equity method (based on the Company’s level of ownership and influence) are recorded within net investment gains (losses). The net investment loss in the first quarter of 2025 was driven by the embedded derivatives under reinsurance accounting related to the AeCe Transaction. Net investment gains in 2024 were primarily driven by positive impacts to equity trading securities. The non-GAAP measure of pre-tax operating income excludes net investment losses and is also adjusted to exclude amortization of DAC and sales inducements, and policyholder dividend obligations, which are related to net investment gains (losses) (see “Non-GAAP Measures,” above).

Details of net investment gains (losses) by asset category are provided in the table below:

|                                   | For the Three Months Ended<br>March 31, |                 |
|-----------------------------------|-----------------------------------------|-----------------|
|                                   | 2025                                    | 2024            |
|                                   | <i>(in thousands)</i>                   |                 |
| Net investment (losses) gains on: |                                         |                 |
| Debt securities                   | \$ (27,290)                             | \$ (1,746)      |
| Equity securities                 | (4,487)                                 | 8,252           |
| Mortgage loans                    | 336                                     | (1,007)         |
| Partnerships                      | (7,063)                                 | (119)           |
| Other invested assets             | (9,941)                                 | 545             |
| Net investment (losses) gains     | <u>\$ (48,445)</u>                      | <u>\$ 5,925</u> |

**Federal Income Taxes**

Federal income tax expense was \$22 million for the three months ended March 31, 2025 compared to income tax expense of \$24 million for the same period in 2024. The Company's effective tax rate was 23.1% and 23.7% for the three months ended March 31, 2025 and 2024, respectively. The decrease in expense was largely driven by the decrease in pretax income of \$5 million.

**Non-Core Earnings**

Non-core earnings primarily include short-term income volatility that results from the fair value measurement under GAAP of certain indexed product liabilities, which are sensitive to movement in equity market indexes and future interest rate assumptions, and the related impact to DAC and deferred sales inducements. Non-core earnings decreased pre-tax operating earnings by \$51 million for the three months ended March 31, 2025, and increased pre-tax earnings by \$7 million for the same period in 2024. The decrease in 2025 non-core earnings reflects equity market and interest rate volatility along with unfavorable Market Risk Benefit activity. The gains in 2024 resulted from the positive equity market.

## SUMMARY OF FINANCIAL POSITION

### Balance Sheet Information

The Company's investment objective is to keep its promises to policyholders by earning competitive net investment income within prudent, strategic asset allocation, asset liability management, and risk management frameworks. This includes portfolio and issuer diversification and careful consideration of various scenarios including interest rate, credit, and liquidity risks through market cycles. The Company's investment portfolio consists primarily of available-for-sale debt and equity securities, agency mortgage-backed securities, directly underwritten commercial and residential real estate mortgages and contract loans.

As of March 31, 2025, total assets were \$54.9 billion, primarily attributable to investments that support life insurance policy and annuity contracts with more than 1.4 million customers.

Cash and investments increased \$250 million from December 31, 2024, which included a \$303 million increase in unrealized gains (losses) on available-for-sale debt securities and a \$1.2 billion decrease in derivative assets, primarily equity index options used to hedge our indexed product liabilities. After excluding derivative assets and net unrealized gains and losses, total cash and invested assets as of March 31, 2025 were \$44.3 billion compared to \$43.2 billion as of December 31, 2024. The increase in cash and investments were driven by increasing cash flow from our growing life and annuity business. The remainder of the portfolio consists primarily of partnerships and other invested assets, cash, trading debt securities, equity securities, policy loans, and other short-term investments.

Total liabilities as of March 31, 2025 were \$52.0 billion, compared to \$52.4 billion as of December 31, 2024. The decrease was primarily due to a decrease in derivative liabilities and other liabilities and accrued expenses offset by an increase in policyholder account liabilities and market risk benefits liabilities, which is related to implementation of LTDI.

We evaluate our capital adequacy based on internally defined risk tolerances, regulatory requirements, rating agency and creditor expectations and business needs. We regularly evaluate the impact on our capital of potential macroeconomic, financial and insurance stresses. We believe that our capital resources are sufficient to satisfy future requirements and meet our obligations to policyholders, creditors and debtholders, including those arising from reasonably foreseeable contingencies or events.

The following table provides a summary of the Company's consolidated balance sheet data:

|                                              | As of<br>March 31, 2025 | As of<br>December 31, 2024 |
|----------------------------------------------|-------------------------|----------------------------|
|                                              | <i>(in thousands)</i>   |                            |
| <b>Assets:</b>                               |                         |                            |
| Cash and investments                         | \$ 42,688,183           | \$ 42,438,486              |
| Other general account assets                 | 11,405,494              | 11,929,354                 |
| Separate account assets                      | 826,696                 | 857,783                    |
| Total assets                                 | <u>\$ 54,920,373</u>    | <u>\$ 55,225,623</u>       |
| <b>Liabilities and Stockholder's Equity:</b> |                         |                            |
| Total liabilities                            | <u>52,046,683</u>       | <u>52,426,840</u>          |
| Stockholder's Equity:                        |                         |                            |
| Retained earnings                            | 5,168,615               | 4,513,604                  |
| Accumulated other comprehensive loss         | <u>(2,294,925)</u>      | <u>(1,714,821)</u>         |
| Total stockholder's equity                   | <u>2,873,690</u>        | <u>2,798,783</u>           |
| Total liabilities and stockholder's equity   | <u>\$ 54,920,373</u>    | <u>\$ 55,225,623</u>       |

### Cash Flow and Liquidity Information

Cash and restricted cash were \$554 million as of March 31, 2025, compared to \$681 million as of December 31, 2024. In addition to liquidity sourced from cash flows including premiums, deposits, investment income and maturities, the Company has access to secured asset-based borrowing capacity through membership in the Federal Home Loan Banks of Boston and Dallas. The Company evaluates liquidity risk quarterly by projecting cash flows under a stress scenario to ensure that there is sufficient liquidity to meet operating demands and objectives over a 36-month period, without consideration of mitigating actions such as the liquidation of investment holdings and changes in our investment strategy and product offerings.

In 2021, NLVF entered into a facility agreement with a Delaware trust that gives the Company the right over a 30-year period to issue at any time up to \$750 million of 4.161% Senior Notes due August 15, 2051 to the Delaware trust in exchange for a corresponding amount of U.S. Treasury securities held by the Delaware trust, therefore providing an alternative source of liquidity and capital available at the Company's sole discretion. As of December 31, 2024, NLVF has not exercised its issuance right with respect to the facility agreement and there are no 4.161% Senior Notes outstanding.

The following table includes the Company's consolidated cash flows provided by or used in operating, investing, and financing activities:

|                                           | For the Three Months Ended March 31,<br>2025 | 2024             |
|-------------------------------------------|----------------------------------------------|------------------|
|                                           | <i>(in thousands)</i>                        |                  |
| Net cash used in operating activities     | \$ (115,125)                                 | \$ (98,819)      |
| Net cash used in investing activities     | (1,548,564)                                  | (697,760)        |
| Net cash provided by financing activities | 1,536,805                                    | 888,102          |
| Net (decrease) increase in cash           | <u>\$ (126,884)</u>                          | <u>\$ 91,523</u> |

Net cash used in operating activities was \$115 million for the three months ended March 31, 2025, compared to net cash used of \$99 million for the same period in 2024. The cash used in operating activities compared to the prior year period were relatively consistent.

Net cash used in investing activities was \$1.5 billion for the three months ended March, 31 2025, compared to \$698 million for the same period in 2024. The change in cash used in investing activities compared to the prior year period were driven by cost of investments acquired, net of sales, primarily due to growth in the bond portfolio and mortgage portfolios and the reduction in short-term broker collateral held.

Net cash provided by financing activities was \$1.5 billion for the three months ended March 31, 2025, compared to \$888 million for the same period in 2024. The change in net cash provided by financing activities compared to the prior year period was due to higher deposits, net of withdrawals, and funds received as part of the Funding Agreement Backed Note ("FABN") issuance in January of 2025.

## Other Selected Data

|                                                                                        | As of<br>March 31, 2025           | As of<br>December 31, 2024 | Change         |
|----------------------------------------------------------------------------------------|-----------------------------------|----------------------------|----------------|
|                                                                                        | <i>(in billions)</i>              |                            |                |
| Life insurance in force (before reinsurance ceded)                                     | <u>\$ 399.2</u>                   | <u>\$ 387.4</u>            | <u>\$ 11.8</u> |
| Total cash and invested assets (excluding unrealized gains and losses and derivatives) | <u>\$ 44.3</u>                    | <u>\$ 43.2</u>             | <u>\$ 1.1</u>  |
|                                                                                        | <b>For the Three Months Ended</b> |                            |                |
|                                                                                        | <b>March 31, 2025</b>             | <b>March 31, 2024</b>      | <b>Change</b>  |
| <u>Weighted New Annualized Premium ("WNAP")</u>                                        |                                   |                            |                |
| <u>Sales</u>                                                                           | <i>(in millions)</i>              |                            |                |
| Life                                                                                   | \$ 156                            | \$ 143                     | \$ 13          |
| Annuity                                                                                | <u>164</u>                        | <u>151</u>                 | <u>13</u>      |
| Total Life and Annuity WNAP                                                            | <u>\$ 320</u>                     | <u>\$ 294</u>              | <u>\$ 26</u>   |

## PROSPECTIVE INFORMATION

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

- Difficult conditions in the global capital markets and the economy;
- Significant market valuation fluctuations of the Company's investments, including any that are relatively illiquid;
- Differing interpretations in the methodologies, estimations and assumptions for the valuation of fixed maturity, equity and trading securities;
- Subjectivity in determining the amount of allowances and impairments taken on certain Company investments;
- Defaults on commercial mortgages held by the Company and volatilities in performance;
- Exposure to structured finance securities;
- Exposure to alternative investments;
- Exposure to mortgage-backed securities;
- Impairments of other institutions;
- Changes in interest rates and exposure to credit spreads;
- Effectiveness of the Company's hedging strategies and availability of hedging instruments;
- Impact of economic conditions on customers and vendors;
- Downgrades or potential downgrades in the Company's ratings;
- Changes in accounting rules;
- Adverse regulatory and legislative developments;
- Litigation and regulatory investigations;
- Changes in tax laws and the interpretation thereof;
- Inability to pay guaranteed policy benefits;
- Effectiveness of the Company's risk management policies and procedures;
- Lack of available, affordable or adequate reinsurance;
- Failure of counterparties to perform under reinsurance agreements, hedging instruments, or other contracts with the Company;

- Significant competition in the Company's businesses;
- Sensitivity of the amount of statutory capital the Company must hold to factors outside of its control;
- Adequacy of the Company's reserves for future policy benefits and claims;
- Deviations from assumptions regarding future mortality, morbidity, and interest rates used in calculating reserve amounts and pricing the Company's products;
- Ability to attract and retain producing agents and key personnel;
- Ability to raise additional capital;
- Costs related to future pension obligations;
- Impact of international tension between the United States and other nations, terrorist attacks or ongoing military and other actions;
- Pandemics or other catastrophic events; and
- A computer system failure or security breach.

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

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

We will continue to manage our investment portfolio with the objective of competitive net investment income within prudent strategic asset allocation, asset liability management, and risk management frameworks.

### **Basis of Presentation and Principles of Consolidation**

The following consolidated financial statements of NLVF have been prepared in conformity with GAAP. These financial statements should be read in conjunction with and are qualified in their entirety by reference to the Company's consolidated financial statements as of and for the years ended December 31, 2024 and 2023, which have been audited by PricewaterhouseCoopers LLP, including the accompanying notes which are an integral part of the audited financial statements. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ, possibly materially, from those estimates.

The consolidated financial statements of the Company include the accounts of NLVF and its direct and indirect subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

**NLV Financial Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**As of March 31, 2025 and December 31, 2024**

(in thousands)

**Assets:**

Cash and investments:

Available-for-sale debt securities (net of allowance for credit losses of \$14,328 in 2025 and \$9,321 in 2024) (amortized cost of \$31,355 in 2025 and \$30,328 in 2024)

Equity securities

Trading debt securities

Mortgage loans (net of allowance for credit losses of \$10,446 in 2025 and \$11,321 in 2024)

Policy loans

Real estate investments

Derivative assets

Other invested assets

Short term investments

Cash and restricted cash

Total cash and investments

Deferred policy acquisition costs

Accrued investment income

Premiums and fees receivable

Amounts recoverable from reinsurers (net of allowance for credit losses of \$502 in 2025 and \$702 in 2024)

Property and equipment, net

Corporate owned life insurance

Deferred tax asset

Federal income tax recoverable

Deposit asset

Market risk benefits assets

Other assets

Separate account assets

**Total assets**

**Liabilities:**

Policy liabilities:

Policy benefit liabilities

Policyholder account liabilities

Policyholders' deposits

Policy claims payable

Policyholders' dividends and dividend obligations

Total policy liabilities

Amounts payable to reinsurers

Funds withheld payable

Derivative liabilities

Market risk benefit liabilities

Other liabilities and accrued expenses

Pension and other post-retirement benefit obligations

Debt

Separate account liabilities

**Total liabilities**

**Stockholder's equity:**

Class A common stock, 2,000 shares authorized, no shares issued and outstanding

Class B common stock, par value of \$0.01, 1,001 shares authorized, 100 shares issued and outstanding

Preferred stock, 500 shares authorized, no shares issued and outstanding

Retained earnings

Accumulated other comprehensive loss

**Total stockholder's equity**

**Total liabilities and stockholder's equity**

|    | As of<br>March 31, 2025 | As of<br>December 31, 2024 |
|----|-------------------------|----------------------------|
| \$ | 28,563,315              | \$ 27,205,614              |
|    | 156,122                 | 152,039                    |
|    | 2,830,862               | 2,932,550                  |
|    | 5,820,247               | 5,594,531                  |
|    | 1,608,915               | 1,545,381                  |
|    | 21,423                  | 20,761                     |
|    | 1,146,892               | 2,342,167                  |
|    | 1,561,914               | 1,608,366                  |
|    | 424,814                 | 356,514                    |
|    | 553,679                 | 680,563                    |
|    | 42,688,183              | 42,438,486                 |
|    | 4,609,645               | 5,033,836                  |
|    | 410,364                 | 397,208                    |
|    | 11,920                  | 20,600                     |
|    | 438,693                 | 595,410                    |
|    | 180,900                 | 178,264                    |
|    | 625,904                 | 620,663                    |
|    | 434,488                 | 529,979                    |
|    | 149,958                 | 70,521                     |
|    | 4,167,918               | 4,247,588                  |
|    | 55,413                  | —                          |
|    | 320,291                 | 235,285                    |
|    | 826,696                 | 857,783                    |
| \$ | 54,920,373              | \$ 55,225,623              |
| \$ | 4,039,505               | \$ 3,982,727               |
|    | 38,597,694              | 38,422,074                 |
|    | 181,844                 | 170,423                    |
|    | 151,529                 | 136,403                    |
|    | 9,409                   | 8,666                      |
|    | 42,979,981              | 42,720,293                 |
|    | 68,382                  | 35,268                     |
|    | 4,911,104               | 4,957,551                  |
|    | 447,688                 | 1,342,102                  |
|    | 711,714                 | —                          |
|    | 994,571                 | 1,397,865                  |
|    | 188,920                 | 198,496                    |
|    | 917,627                 | 917,482                    |
|    | 826,696                 | 857,783                    |
| \$ | 52,046,683              | \$ 52,426,840              |
| \$ | —                       | \$ —                       |
|    | —                       | —                          |
|    | —                       | —                          |
|    | 5,168,615               | 4,513,604                  |
|    | (2,294,925)             | (1,714,821)                |
| \$ | 2,873,690               | \$ 2,798,783               |
| \$ | 54,920,373              | \$ 55,225,623              |



**NLV Financial Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Three Months Ended March 31, 2025 and 2024**

*(in thousands)*

**Revenues:**

Insurance premiums  
Policy and contract charges  
Commissions and fee income  
Net investment income  
Net investment (losses) income  
Other income

**Total revenues**

**For the Three Months Ended  
March 31,**

|                                   | <b>2025</b>      | <b>2024</b> |
|-----------------------------------|------------------|-------------|
| \$                                | <b>101,872</b>   | \$ 91,660   |
|                                   | <b>367,446</b>   | 332,445     |
|                                   | <b>19,172</b>    | 17,430      |
|                                   | <b>233,191</b>   | 663,311     |
|                                   | <b>(48,445)</b>  | 5,925       |
|                                   | <b>16,458</b>    | 26,113      |
|                                   | <b>689,694</b>   | 1,136,884   |
|                                   |                  |             |
|                                   | <b>(17,108)</b>  | 4,071       |
|                                   | <b>219,307</b>   | 188,251     |
|                                   | <b>5,514</b>     | 5,116       |
|                                   | <b>103,330</b>   | 485,409     |
|                                   | <b>12,972</b>    | —           |
|                                   | <b>127,328</b>   | 121,029     |
|                                   | <b>16,966</b>    | 16,723      |
|                                   | <b>124,286</b>   | 214,399     |
|                                   | <b>592,595</b>   | 1,034,998   |
| <b>Income before income taxes</b> | <b>97,099</b>    | 101,886     |
| Income tax expense                | <b>22,399</b>    | 24,147      |
| <b>Net income</b>                 | <b>\$ 74,700</b> | \$ 77,739   |

**Benefits and expenses:**

Increase in policy liabilities  
Policy benefits  
Policyholders' dividends and dividend obligations  
Interest credited to policyholder account liabilities  
Change in Market Risk Benefits  
Operating expenses  
Interest expense  
Policy acquisition expenses

**Total benefits and expenses**

**Income before income taxes**

Income tax expense

**Net income**

**NLV Financial Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Stockholder's Equity**  
**For the Three Months Ended March 31, 2025 and 2024**

|                                                                     | Class A<br>Common<br>Stock |   | Class B<br>Common<br>Stock |   | Preferred<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total          |                 |
|---------------------------------------------------------------------|----------------------------|---|----------------------------|---|--------------------|----------------------|--------------------------------------------------------|----------------|-----------------|
| <i>(in thousands)</i>                                               |                            |   |                            |   |                    |                      |                                                        |                |                 |
| January 1, 2024                                                     | \$                         | — | \$                         | — | \$                 | —                    | \$ 3,940,015                                           | \$ (1,391,336) | \$ 2,548,679    |
| Net income                                                          |                            | — |                            | — |                    | —                    | 77,739                                                 | —              | 77,739          |
| Effect of implementation<br>of ASU 2016-13, net                     |                            | — |                            | — |                    | —                    | —                                                      | —              | —               |
| Change in unrealized gains<br>on available-for-sale securities, net |                            | — |                            | — |                    | —                    | —                                                      | (131,554)      | (131,554)       |
| Change in cash flow hedge on<br>debt issuance, net                  |                            |   |                            |   |                    |                      |                                                        | 10             | 10              |
| Change in additional minimum<br>pension liability, net              |                            |   |                            |   |                    |                      |                                                        | 1,637          | 1,637           |
| Total comprehensive loss                                            |                            |   |                            |   |                    |                      |                                                        |                | <u>(52,168)</u> |
| March 31, 2024                                                      | \$                         | — | \$                         | — | \$                 | —                    | \$ 4,017,754                                           | \$ (1,521,243) | \$ 2,496,511    |
| January 1, 2025                                                     | \$                         | — | \$                         | — | \$                 | —                    | \$ 4,513,604                                           | \$ (1,714,821) | \$ 2,798,783    |
| Net income                                                          |                            | — |                            | — |                    | —                    | 74,700                                                 | —              | 74,700          |
| Effect of implementation<br>of ASU 2018-12, net                     |                            | — |                            | — |                    | —                    | 580,311                                                | —              | 580,311         |
| Change in unrealized gains<br>on available-for-sale securities, net |                            | — |                            | — |                    | —                    | —                                                      | (583,619)      | (583,619)       |
| Change in cash flow hedge on<br>debt issuance, net                  |                            |   |                            |   |                    |                      |                                                        | (802)          | (802)           |
| Change in additional minimum<br>pension liability, net              |                            |   |                            |   |                    |                      |                                                        | 4,317          | 4,317           |
| Total comprehensive income                                          |                            |   |                            |   |                    |                      |                                                        |                | <u>74,907</u>   |
| March 31, 2025                                                      | \$                         | — | \$                         | — | \$                 | —                    | \$ 5,168,615                                           | \$ (2,294,925) | \$ 2,873,690    |

**NLV Financial Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Three Months Ended March 31, 2025 and 2024**

|                                                                                   | For the Three Months Ended<br>March 31, |               |
|-----------------------------------------------------------------------------------|-----------------------------------------|---------------|
|                                                                                   | 2025                                    | 2024          |
| <i>(in thousands)</i>                                                             |                                         |               |
| <b>Cash flows from operating activities:</b>                                      |                                         |               |
| Net income                                                                        | \$ 74,700                               | \$ 77,739     |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                         |               |
| Provision for deferred income taxes                                               | 94,929                                  | (28,366)      |
| Interest credited to policyholder account liabilities                             | 116,157                                 | 485,409       |
| Amortization of deferred policy acquisition costs                                 | 87,919                                  | 176,966       |
| Policy and contract charges                                                       | (367,446)                               | (332,445)     |
| Net investment (gains) losses                                                     | 48,445                                  | (5,925)       |
| Change in fair value of derivatives                                               | 275,611                                 | (223,012)     |
| Change in corporate owned life insurance policies                                 | (5,241)                                 | (6,515)       |
| Depreciation                                                                      | 9,192                                   | 7,828         |
| Other                                                                             | (8,235)                                 | 144           |
| Changes in assets and liabilities:                                                |                                         |               |
| Accrued investment income                                                         | (13,157)                                | (7,277)       |
| Deferred policy acquisition costs                                                 | (284,021)                               | (241,105)     |
| Policy liabilities                                                                | (87,203)                                | 52,205        |
| Other assets and liabilities                                                      | (56,775)                                | (54,465)      |
| Net cash used in operating activities                                             | (115,125)                               | (98,819)      |
| <b>Cash flows from investing activities:</b>                                      |                                         |               |
| Proceeds from sales, maturities and repayments of investments                     | 2,121,416                               | 801,613       |
| Cost of investments acquired                                                      | (3,248,524)                             | (1,264,591)   |
| Derivatives, net                                                                  | 24,461                                  | 55,126        |
| Property and equipment additions                                                  | (13,520)                                | (13,812)      |
| Change in policy loans                                                            | (63,534)                                | (74,414)      |
| Change in short term investments                                                  | (68,300)                                | (315,242)     |
| Change in short term broker collateral                                            | (221,100)                               | 104,910       |
| Other                                                                             | (79,463)                                | 8,650         |
| Net cash used in investing activities                                             | (1,548,564)                             | (697,760)     |
| <b>Cash flows from financing activities:</b>                                      |                                         |               |
| Policyholders' deposits                                                           | 1,756,649                               | 1,583,502     |
| Policyholders' withdrawals                                                        | (601,919)                               | (701,281)     |
| Advances from Federal Home Loan Banks                                             | 888,299                                 | 187,077       |
| Repayments to Federal Home Loan Banks                                             | (996,299)                               | (187,077)     |
| Advances from Funding Agreement-Backed Note                                       | 500,000                                 | —             |
| Change in other deposits                                                          | (3,335)                                 | 5,881         |
| Other financing activities                                                        | (6,590)                                 | —             |
| Net cash provided by financing activities                                         | 1,536,805                               | 888,102       |
| <b>Net (decrease) increase in cash</b>                                            | <b>(126,884)</b>                        | <b>91,523</b> |
| <b>Cash and restricted cash:</b>                                                  |                                         |               |
| Beginning of period                                                               | 680,563                                 | 667,541       |
| End of period                                                                     | \$ 553,679                              | \$ 759,064    |