

NLV Financial Corporation and Subsidiaries

**Annual Performance Review and
Consolidated Financial Statements**

**As of and for the Years Ended
December 31, 2024 and 2023**

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 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:

- **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. 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 pre-tax operating income and core earnings, which are both pre-tax, non-GAAP financial measures, to evaluate our financial performance. Pre-tax operating income excludes income taxes and net investment gains (losses). It also excludes the portion of amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements, and policyholder dividend obligations, that are related to net investment gains (losses).

Core earnings equal pre-tax operating 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.

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:

	For the Year Ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Total revenues	\$ 4,033,116	\$ 3,734,994
Net investment (gains) losses	(10,086)	39,548
Net investment gains from derivatives that hedge equity indexed products, which is included in interest credited to policyholder liabilities on a core earnings basis	(339,904)	(417,684)
Total revenues on a core earnings basis	<u>\$ 3,683,126</u>	<u>\$ 3,356,858</u>

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

	For the Year Ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Net income	\$ 573,589	\$ 217,437
Net investment (gains) losses	(10,086)	39,548
Amortization of DAC and sales inducements, and policyholder dividend obligations, and other adjustments related to net investment gains and losses	8,983	14,149
Income tax expense	147,551	62,437
Pre-tax operating income	<u>720,037</u>	<u>333,571</u>
Non-core (gains) losses, primarily volatility resulting from the measurement of indexed product liabilities	(213,525)	137,268
Core earnings	<u>\$ 506,512</u>	<u>\$ 470,839</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 years ended December 31, 2024 and 2023, 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 and net investment gains. Included in the Company's total revenues on a GAAP basis are market value gains on derivative instruments of \$340 million in 2024, compared to derivative gains of \$418 million for the same period in 2023. On a core earnings basis, which excludes from revenue such derivative gains as well as net investment gains (losses), the Company's total revenues for the twelve months of 2024 were up 10% from the same period in 2023. This increase was driven by strong growth in the life insurance business, including an increase in policy and contract charges of 12%, as well as increased net investment income of 7%.

Net income was \$574 million in 2024, compared to \$217 million in 2023. Net income in 2024 included positive non-core earnings of \$214 million, compared to negative non-core earnings of \$137 million for the same period in 2023, and net investment gains of \$10 million, compared to net investment losses of \$40 million for the same period in 2023.

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Adoption of this ASU requires an entity to estimate lifetime credit losses for most financial assets not reported at fair value, premiums receivable, amounts recoverable from reinsurers and certain off-balance sheet credit exposures based on relevant information about past events, current conditions, and reasonable and supportable forecasts that may affect the collectability of reported amounts. Additionally, modifications to the impairment model for AFS debt securities remove the requirement for entities to consider the length of time the fair value has been below amortized cost and subsequent fair value recoveries, or declines, when determining if an asset is impaired. Both the current expected credit loss and AFS debt securities impairment models employ an allowance methodology to record impairments that can be modified in following periods due to improvements in expected cash flows.

The guidance was applied through a cumulative-effect adjustment to beginning retained earnings for expected credit losses. Upon adoption of this ASU for AFS debt securities, the Company determined that an additional allowance adjustment to the opening balance of retained earnings as of January 1, 2023 was not necessary due to a qualitative assessment of impairment factors the Company has determined to be sufficient in assessing whether a credit loss existed.

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 \$507 million in 2024, up from \$471 million for the same period in 2023. The increase in core earnings were driven by higher revenues from growth in policy and contract charges, primarily on our indexed universal life products, and net investment income. These were partially offset by higher interest credited driven by increased sales in indexed universal life and fixed annuities as well as 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 years ended December 31, 2024 and 2023 are described in detail below.

	For the Year Ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Revenues:		
Insurance premiums	\$ 406,504	\$ 376,371
Policy and contract charges	1,379,508	1,232,932
Commissions, fees and other income	117,845	77,865
Net investment income	1,779,269	1,669,690
Total revenues, on a core earnings basis	3,683,126	3,356,858
Benefits and expenses:		
Increase in policy liabilities	48,181	50,171
Policy benefits	728,206	679,471
Policyholders' dividends and dividend obligations	19,532	21,014
Interest credited to policyholder account liabilities	1,128,930	1,034,319
Operating expenses	556,422	454,668
Interest expense	68,388	67,014
Policy acquisition expenses	626,955	579,362
Total benefits and expenses, on a core earnings basis	3,176,614	2,886,019
Core earnings	\$ 506,512	\$ 470,839

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 \$31 million, or 8%, to \$407 million in 2024 from \$376 million for the same period in 2023. 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 \$147 million, or 12%, to \$1.4 billion in 2024 from \$1.2 billion in 2023. 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 increased by \$40 million, or 51% to \$118 million in 2024 from \$78 million in 2023, primarily due to an increase in reinsurance related revenue and interest received on an IRS income tax refund.

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 \$1.8 billion in 2024, compared to \$1.7 billion in 2023. This increase was driven by higher income from the bond portfolio 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 Year Ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Net investment income		
Debt securities	\$ 1,545,990	\$ 1,312,352
Equity securities	21,997	19,275
Mortgage loans	230,783	194,876
Policy loans	68,969	55,411
Real estate	5,734	4,728
Derivatives	4,171	(5,198)
Partnerships	116,151	96,787
Other investment income	(164,433)	31,157
Gross investment income	1,829,362	1,709,388
Less: Investment expenses	(50,093)	(39,698)
Net investment income on a core earnings basis	\$ 1,779,269	\$ 1,669,690

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 increase of \$48 million in 2024, compared to a net increase of \$50 million for the same period in 2023. The change in policy liabilities was primarily due to elevated surrender activity resulting in a greater release of reserves during 2024, compared to the same period in 2023.

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 \$49 million to \$728 million in 2024 from \$679 million for the same period in 2023, driven by less favorable experience on death benefits, accelerated benefits riders and increased 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 decreased \$1 million to \$20 million in 2024 from \$21 million for the same period in 2023, primarily due to lower dividends incurred on the Closed Block in the current period.

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 increased \$95 million to \$1.1 billion in 2024 from \$1.0 billion for the same period in 2023. This increase reflects growth in account value within our indexed and fixed annuity product lines, driven by sales growth, partially offset by activity ceded for the AeCe Transaction.

The actuarial assumption updates included in core interest credited positively impacted core earnings by \$40 million and \$26 million in 2024 and 2023, respectively, and primarily related to indexed annuity products.

Operating Expenses

Operating expenses consist primarily of administrative, maintenance and operational expenses related to servicing the Company's business. Operating expenses increased \$101 million to \$556 million in 2024 compared to \$455 million for the same period in 2023, primarily due to higher growth-related personnel costs, as well as consulting and legal fees.

Interest Expense

Interest expense consists of interest paid on the Company's surplus notes and senior notes. Interest expense totaled \$68 million and \$67 million in 2024 and 2023, respectively.

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. DAC for participating life insurance, universal life insurance, and annuities is amortized and recognized in income in relation to future estimated gross profits. 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 \$627 million in 2024, up from \$579 million for the same period in 2023. This increase was primarily attributable to continued growth in the life and annuity lines of business.

Net Investment Gains (Losses)

The Company recorded net investment gains of \$10 million in 2024 compared to net investment losses of \$40 million for the same period in 2023. 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 gains in 2024 were driven by positive market impacts to equity trading securities and partnerships and an embedded derivative related to the AeCe Transaction, partially offset by impairments of debt securities and realized losses on debt securities, net of amounts ceded to AeCe. Net investment losses in 2023 were primarily driven by these negative market impacts to partnerships, credit losses related to debt securities as well as current year impairments of debt securities and partnership, partially offset by positive market 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 Year Ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Net investment gain (losses) on:		
Debt securities	\$ (97,093)	\$ (24,816)
Equity securities	18,624	12,487
Mortgage loans	(4,326)	2,799
Partnerships	4,298	(38,197)
Other invested assets	88,583	8,179
Net investment gain (losses)	\$ 10,086	\$ (39,548)

Federal Income Taxes

Federal income tax expense was \$148 million in 2024 compared to income tax expense of \$62 million for the same period in 2023. The Company's effective tax rate was 20.5% and 22.3% in 2024 and 2023, respectively. The decrease in the effective tax rate was driven by lower statutory earnings resulting in lower state tax expense.

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 increased pre-tax operating earnings by \$214 million in 2024, and reduced pre-tax earnings by \$137 million for the same period in 2023. The increase in 2024 non-core earnings resulted from a change to certain assumptions used in the fair value measurement and related DAC and deferred sales inducement amortization. The losses in 2023 reflected the equity market volatility and increased interest rates during the period.

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 December 31, 2024, total assets were \$55.2 billion, primarily attributable to investments that support life insurance policy and annuity contracts with more than 1.4 million customers.

Cash and investments increased \$4.2 billion from December 31, 2023, which included a \$464 million decrease in unrealized gains (losses) on available-for-sale debt securities and a \$153 million 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 December 31, 2024 were \$43.2 billion compared to \$38.4 billion as of December 31, 2023. 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 December 31, 2024 were \$52.4 billion, compared to \$42.9 billion as of December 31, 2023. The increase was primarily due to increases in policyholder account liabilities and funds withheld payable attributed to the AeCe Reinsurance Transaction.

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 December 31, 2024	As of December 31, 2023
	<i>(in thousands)</i>	
Assets:		
Cash and investments	\$ 42,438,486	\$ 38,228,183
Other general account assets	11,929,354	6,418,086
Separate account assets	857,783	825,824
Total assets	<u>\$ 55,225,623</u>	<u>\$ 45,472,093</u>
Liabilities and Stockholder's Equity:		
Total liabilities	<u>52,426,840</u>	<u>42,923,414</u>
Stockholder's Equity:		
Retained earnings	4,513,604	3,940,015
Accumulated other comprehensive loss	(1,714,821)	(1,391,336)
Total stockholder's equity	<u>2,798,783</u>	<u>2,548,679</u>
Total liabilities and stockholder's equity	<u>\$ 55,225,623</u>	<u>\$ 45,472,093</u>

Cash Flow and Liquidity Information

Cash and restricted cash were \$681 million as of December 31, 2024, compared to \$668 million as of December 31, 2023. 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. This agreement provides an alternative source of liquid assets that the Company can access at its 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 Year Ended December 31,	
	2024	2023
	<i>(in thousands)</i>	
Net cash provided by (used in) operating activities	\$ 63,419	\$ (229,581)
Net cash used in investing activities	(4,291,197)	(3,005,895)
Net cash provided by financing activities	4,240,800	3,704,855
Net increase in cash	<u>\$ 13,022</u>	<u>\$ 469,379</u>

Net cash provided by operating activities was \$63 million in 2024, compared to net cash used of \$230 million for the same period in 2023. The change in cash provided by (used in) operating activities compared to the prior year period were driven by increased net investment income as well as the AeCe Transaction partially offset by net federal income taxes paid and increase operating expenses.

Net cash used in investing activities was \$4.3 billion in 2024, compared to \$3.0 billion for the same period in 2023. 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 change in short-term broker collateral held. These increases were partially offset by a decrease short-term investments due to higher interest rates.

Net cash provided by financing activities was \$4.2 billion in 2024, compared to \$3.7 billion for the same period in 2023. The change in net cash provided by financing activities compared to the prior year period was due to an increase in net policyholder deposits of \$98 million, an increase in net issuances of Federal Home Loan Bank ("FHLB") funding agreements of \$89 million and funds received as part of the AeCe Transaction of \$283 million.

Other Selected Data

	As of December 31, 2024	As of December 31, 2023	Change
	<i>(in billions)</i>		
Life insurance in force (before reinsurance ceded)	\$ <u>387.4</u>	\$ <u>334.4</u>	\$ <u>53.0</u>
Total cash and invested assets (excluding unrealized gains and losses and derivatives)	\$ <u>43.2</u>	\$ <u>38.4</u>	\$ <u>4.8</u>
	For the Year Ended		
	December 31, 2024	December 31, 2023	Change
<u>Weighted New Annualized Premium ("WNAP")</u>			
<u>Sales</u>	<i>(in millions)</i>		
Life	\$ <u>635</u>	\$ <u>530</u>	\$ <u>105</u>
Annuity	<u>697</u>	<u>629</u>	<u>68</u>
Total Life and Annuity WNAP	<u>\$ <u>1,333</u></u>	<u>\$ <u>1,159</u></u>	<u>\$ <u>174</u></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 December 31, 2024 and December 31, 2023

(in thousands)

Assets:

Cash and investments:

Available-for-sale debt securities (net of allowance for credit losses of \$9,321 in 2024 and \$15,133 in 2023) (amortized cost of \$30,328 in 2024 and \$29,461 in 2023)

Equity securities

Trading debt securities

Mortgage loans (net of allowance for credit losses of \$11,321 in 2024 and \$8,270 in 2023)

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 \$702 in 2024 and \$560 in 2023)

Property and equipment, net

Corporate owned life insurance

Deferred tax asset

Federal income tax recoverable

Deposit Asset

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

Other liabilities and accrued expenses

Pension and other post-retirement benefit obligations

Federal income tax payable

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 December 31, 2024	As of December 31, 2023
\$	27,205,614	\$ 26,799,650
	152,039	132,305
	2,932,550	154,306
	5,594,531	4,762,202
	1,545,381	1,244,017
	20,761	21,584
	2,342,167	2,494,681
	1,608,366	1,553,932
	356,514	397,965
	680,563	667,541
	42,438,486	38,228,183
	5,033,836	4,434,425
	397,208	353,848
	20,600	19,622
	595,410	139,554
	178,264	170,222
	620,663	598,668
	529,979	515,449
	70,521	—
	4,247,588	—
	235,285	186,298
	857,783	825,824
\$	55,225,623	\$ 45,472,093
\$	3,982,727	\$ 3,935,308
	38,422,074	34,099,412
	170,423	149,630
	136,403	141,356
	8,666	9,307
	42,720,293	38,335,013
	35,268	23,775
	4,957,551	—
	1,342,102	1,577,475
	1,397,865	1,031,663
	198,496	183,157
	—	29,603
	917,482	916,904
	857,783	825,824
\$	52,426,840	\$ 42,923,414
\$	—	\$ —
	—	—
	—	—
	4,513,604	3,940,015
	(1,714,821)	(1,391,336)
\$	2,798,783	\$ 2,548,679
\$	55,225,623	\$ 45,472,093

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

(in thousands)

Revenues:

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

For the Year Ended December 31,	
2024	2023
\$ 406,504	\$ 376,371
1,379,508	1,232,932
75,410	63,757
2,119,173	2,087,374
10,086	(39,548)
42,435	14,108
4,033,116	3,734,994

Benefits and expenses:

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

48,181	50,171
728,206	679,471
19,532	21,014
1,199,835	1,530,050
556,422	454,668
68,388	67,014
691,412	652,732
3,311,976	3,455,120

Income before income taxes

Income tax expense

Net income

721,140	279,874
147,551	62,437
\$ 573,589	\$ 217,437

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2024 and 2023

	Class A Common Stock		Class B Common Stock		Preferred Stock		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total	
<i>(in thousands)</i>												
January 1, 2023	\$	—	\$	—	\$	—	\$	3,729,404	\$	(1,819,007)	\$ 1,910,397	
Net income		—		—		—		217,437		—	217,437	
Effect of implementation of ASU 2016-13, net		—		—		—		(6,826)		—	(6,826)	
Change in unrealized gains on available-for-sale securities, net		—		—		—		—		421,119	421,119	
Change in cash flow hedge on debt issuance, net										41	41	
Change in additional minimum pension liability, net										6,511	6,511	
Total comprehensive income											638,282	
December 31, 2023	\$	—	\$	—	\$	—	\$	3,940,015	\$	(1,391,336)	\$ 2,548,679	
January 1, 2024	\$	—	\$	—	\$	—	\$	3,940,015	\$	(1,391,336)	\$ 2,548,679	
Net income		—		—		—		573,589		—	573,589	
Change in unrealized gains on available-for-sale securities, net		—		—		—		—		(325,654)	(325,654)	
Change in cash flow hedge on debt issuance, net										(1,503)	(1,503)	
Change in additional minimum pension liability, net										3,672	3,672	
Total comprehensive income											250,104	
December 31, 2024	\$	—	\$	—	\$	—	\$	4,513,604	\$	(1,714,821)	\$ 2,798,783	

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	For the Year Ended December 31,	
	2024	2023
<i>(in thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 573,589	\$ 217,437
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	71,523	(223,137)
Interest credited to policyholder account liabilities	1,199,835	1,530,051
Amortization of deferred policy acquisition costs	590,919	543,327
Policy and contract charges	(1,379,508)	(1,232,932)
Net investment (gains) losses	(10,086)	39,548
Change in fair value of derivatives	(348,975)	(437,286)
Change in corporate owned life insurance policies	(21,995)	(24,735)
Depreciation	31,924	(18,848)
Other	6,600	(337)
Changes in assets and liabilities:		
Accrued investment income	(43,359)	(49,630)
Deferred policy acquisition costs	(1,105,935)	(922,450)
Policy liabilities	631,274	245,647
Other assets and liabilities	(132,387)	103,764
Net cash provided by (used in) operating activities	63,419	(229,581)
Cash flows from investing activities:		
Proceeds from sales, maturities and repayments of investments	6,863,656	2,482,806
Cost of investments acquired	(11,295,260)	(5,455,304)
Derivatives, net	283,528	(194,855)
Property and equipment additions	(42,090)	12,930
Change in policy loans	(301,364)	(176,319)
Change in short term investments	41,451	(102,453)
Change in short term broker collateral	51,227	429,070
Other	107,655	(1,770)
Net cash used in investing activities	(4,291,197)	(3,005,895)
Cash flows from financing activities:		
Policyholders' deposits	6,388,731	6,097,524
Policyholders' withdrawals	(2,564,054)	(2,370,742)
Advances from Federal Home Loan Banks	845,103	132,758
Repayments to Federal Home Loan Banks	(765,658)	(142,758)
Change in other deposits	53,551	(11,927)
Other financing activities	283,127	—
Net cash provided by financing activities	4,240,800	3,704,855
Net increase in cash	13,022	469,379
Cash and restricted cash:		
Beginning of period	667,541	198,162
End of period	\$ 680,563	\$ 667,541

NLV Financial Corporation and Subsidiaries

Financial Statements

**As of and for the Years Ended
December 31, 2024 and 2023**

NLV Financial Corporation and Subsidiaries
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December 31, 2024 and 2023

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Report of Independent Auditors

To the Board of Directors of NLV Financial Corporation

Opinion

We have audited the accompanying consolidated financial statements of NLV Financial Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial



likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 20, 2025

(in thousands)

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

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

(in thousands)

Revenues:

	2024	2023
Insurance premiums	\$ 406,504	\$ 376,371
Policy and contract charges	1,379,508	1,232,932
Commissions and fee income	75,410	63,757
Net investment income	2,119,173	2,087,374
Net investment gains (losses)	10,086	(39,548)
Other income	42,435	14,108
Total revenues	4,033,116	3,734,994

Benefits and expenses:

Increase in policy liabilities	48,181	50,171
Policy benefits	728,206	679,471
Policyholders' dividends and dividend obligations	19,532	21,015
Interest credited to policyholder account liabilities	1,199,835	1,530,051
Operating expenses	556,422	454,666
Interest expense	68,388	67,014
Policy acquisition expenses	691,412	652,732

Total benefits and expenses

3,311,976 3,455,120

Income before income taxes

721,140 279,874

Income tax expense

147,551 62,437

Net income

\$ 573,589 \$ 217,437

Other comprehensive income (loss), net of tax:

Unrealized losses on available-for-sale investments	\$ (325,654)	\$ 421,120
Cash flow hedge on debt issuance	(1,503)	41
Change in funded status of retirement plans	3,672	6,510

Total other comprehensive (loss) income

(323,485) 427,671

Comprehensive income

\$ 250,104 \$ 645,108

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

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2024 and 2023

	Class A Common Stock	Class B Common Stock	Preferred Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
<i>(in thousands)</i>						
December 31, 2022	\$ —	\$ —	\$ —	\$ 3,729,404	\$ (1,819,007)	\$ 1,910,397
Effect of implementation of ASU 2016-13, net				(6,826)		(6,826)
Comprehensive income:						
Net income	—	—	—	217,437	—	217,437
Other comprehensive income	—	—	—	—	427,671	427,671
Total comprehensive income				217,437	427,671	645,108
December 31, 2023	\$ —	\$ —	\$ —	\$ 3,940,015	\$ (1,391,336)	\$ 2,548,679
Comprehensive income:						
Net income	—	—	—	573,589	—	573,589
Other comprehensive loss	—	—	—	—	(323,485)	(323,485)
Total comprehensive income				573,589	(323,485)	250,104
December 31, 2024	\$ —	\$ —	\$ —	\$ 4,513,604	\$ (1,714,821)	\$ 2,798,783

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

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

(in thousands)

Cash flows from operating activities:

	2024	2023
Net income	\$ 573,589	\$ 217,437
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Provision for deferred income taxes	71,523	(223,137)
Interest credited to policyholder account liabilities	1,199,835	1,530,051
Amortization of deferred policy acquisition costs	590,919	543,327
Policy and contract charges	(1,379,508)	(1,232,932)
Net investment losses	(10,086)	39,548
Change in fair value of derivatives	(348,975)	(437,286)
Change in corporate owned life insurance policies	(21,995)	(24,735)
Depreciation	31,924	(18,848)
Other	6,600	(337)
Changes in assets and liabilities:		
Accrued investment income	(43,359)	(49,630)
Deferred policy acquisition costs	(1,105,935)	(922,450)
Policy liabilities	631,274	245,647
Other assets and liabilities	(132,387)	103,764
Net cash provided (used) by operating activities	63,419	(229,581)

Cash flows from investing activities:

Proceeds from sales, maturities and repayments of investments	6,863,656	2,482,806
Cost of investments acquired	(11,295,260)	(5,455,304)
Derivatives, net	283,528	(194,855)
Property and equipment additions	(42,090)	12,930
Change in policy loans	(301,364)	(176,319)
Change in short term investments	41,451	(102,453)
Change in short term broker collateral	51,227	429,070
Other	107,655	(1,770)
Net cash used by investing activities	(4,291,197)	(3,005,895)

Cash flows from financing activities:

Policyholders' deposits	6,388,731	6,097,524
Policyholders' withdrawals	(2,564,054)	(2,370,742)
Advances from Federal Home Loan Banks	845,103	132,758
Repayments to Federal Home Loan Banks	(765,658)	(142,758)
Change in other deposits	53,551	(11,927)
Other financing activities	283,127	—
Net cash provided by financing activities	4,240,800	3,704,855

Net increase in cash 13,022 469,379

Cash and restricted cash:

Beginning of year	667,541	198,162
End of year	\$ 680,563	\$ 667,541

Supplemental disclosure of cash flow information:

Interest paid	\$ 63,424	\$ 63,415
Income taxes paid, net	\$ 163,494	\$ 192,072

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

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 1 – NATURE OF OPERATIONS AND STRUCTURE

NLV Financial Corporation (“NLVF”) and its subsidiaries and affiliates (collectively, the “Company”) offer a broad range of life insurance and annuity products through its insurance operations, which include National Life Insurance Company (“National Life”), which was chartered in Vermont in 1848, and Life Insurance Company of the Southwest (“LSW”), a Texas domiciled stock life insurer, which is a wholly-owned subsidiary of National Life. The Company employs approximately 1,475 people, primarily concentrated in Montpelier, Vermont and Addison, Texas.

On January 1, 1999, pursuant to a mutual holding company reorganization, National Life converted from a mutual to a stock life insurance company. Concurrent with the conversion to a stock life insurance company, National Life created a closed block of insurance and annuity policies (the “Closed Block”). Prior to the conversion, policyowners held policy contractual and membership rights from National Life. The reference to “policyowner,” “policyholder” or “policy” throughout this document includes both life insurance and annuity contract owners. The contractual rights, as defined in the various insurance and annuity policies, remained with National Life after the conversion. This reorganization was approved by policyowners of National Life and was completed with the approval of the Commissioner of the Vermont Department of Financial Regulation. Membership interests held by policyowners of National Life at December 31, 1998, were converted to membership interests in National Life Holding Company (“NLHC”), a mutual insurance holding Company created for this purpose. Under the provisions of the reorganization of National Life from a mutual to a stock life insurance company, National Life issued 2.5 million common stock \$1 par shares to its parent, NLVF, as a transfer from retained earnings.

All of National Life’s outstanding shares are currently held by its parent, NLVF, which is a wholly owned subsidiary of NLHC, the mutual holding company. Policyholders of National Life hold membership interests in NLHC. NLHC and its subsidiaries are collectively known as the National Life Group. NLHC has ownership of all of NLVF’s common stock class B shares outstanding. NLVF has assets and operations primarily related to the issuance of debt and as the sponsor of certain employee related benefit plans. Under the terms of the reorganization, NLHC must always hold a majority of the voting shares of NLVF.

On March 6, 2015, National Life Distribution, LLC (“NLD”) was formed as a subsidiary of LSW. NLD serves as a master agency for the Company’s field force operations. National Life and LSW incur commission expenses based on applicable product commission schedules agreed to with NLD.

On August 5, 2015, Catamount Reinsurance Company (“Catamount”) was formed as a subsidiary of National Life. Catamount is a special purpose financial insurance company domiciled in the state of Vermont. Catamount entered into a coinsurance with funds withheld agreement with National Life to reinsure the majority of in force Closed Block policies for statutory reporting. In 2016, the Catamount legal entity was transferred as a dividend to NLVF.

On August 17, 2016, Longhorn Reinsurance Company (“Longhorn”) was formed as a subsidiary of National Life. Longhorn is a special purpose financial insurance company domiciled in the state of Vermont. Longhorn entered into a coinsurance with funds withheld agreement with LSW to reinsure certain indexed universal life (“IUL”) insurance policies issued by LSW from January 1, 2011, through December 31, 2016, for statutory reporting. In 2019, the Longhorn legal entity was transferred as a dividend to NLVF. Effective October 1, 2024, all remaining policies were recaptured by LSW. Effective November 25, 2024, Longhorn is considered a “dormant captive insurance company,” as defined in 8 V.S.A. Section 6024.

In April 2024, NLIC initially invested approximately \$16.6 million with a total commitment of \$25.1 million to acquire a 9.41% voting equity interest in AeCe Holding Company, LLC (“AeCe Hold Co”), a Delaware limited liability company that holds all of the outstanding capital stock of AeCe ISA Ltd. (“AeCe”), a Bermuda-based reinsurer. The minority interest investment is accounted for as an equity method partnership. Refer to Note 6

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 1 – NATURE OF OPERATIONS AND STRUCTURE (continued)

for information regarding the Company's initial reinsurance transaction with AeCe.

The Company's leading life insurance product lines include indexed universal life, whole life, term life and universal life. The Company offers 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.

The Company's leading annuity product lines are indexed annuities and fixed interest rate annuities. The Company offers 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. The Company 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.

The Company provides this broad range of life insurance and annuity products to a national client base through an extensive network of independent agents and an affiliated distribution channel. The Company focuses on serving Middle America in its target market of customers with household income of between \$75,000 and \$150,000, offering products with benefits that help Middle America customers meet needs during their lifetime, including lifetime income in retirement and accelerated death benefits if the insured becomes terminally, chronically or critically ill. In its individual annuity business, the Company focuses on the 403(b) K-12 educator markets. The Company 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, professional, and other middle to upper income individuals. The Company has in excess of 1.4 million customers. National Life is licensed to do business in all 50 states and the District of Columbia. LSW is licensed in 49 states and the District of Columbia. Catamount and Longhorn are licensed to do business in Vermont only. However, effective November 25, 2024, Longhorn is considered a "dormant captive insurance company," as defined in 8 V.S.A. Section 6024. About 53% of the Company's total collected premiums and deposits are from residents of California, Texas, Florida and New York.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and universal life-type insurance contracts; policy liabilities; valuation of investments; derivative instruments; and embedded derivatives;

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates (continued)

determination of hedging effectiveness on interest rate swaps; evaluation of impairments; valuations related to benefit plans, income taxes and litigation and regulatory contingencies. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the debt or equity markets could have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Subsequent Events

The Company has evaluated events subsequent to December 31, 2024, and through the consolidated financial statement issuance date of February 20, 2025. The Company has not evaluated subsequent events after the issuance date for presentation in these consolidated financial statements.

In December 2024, the Company established a funding agreement-backed note program ("FABN"), whereby an unaffiliated Delaware trust was established to issue notes to private unaffiliated investors. Proceeds were used to purchase funding agreements from LSW. On January 23, 2025, the unaffiliated Delaware trust issued five-year funding agreement-backed notes with a principal amount of \$500 million and bearing interest of 5.4% payable semi-annually. Concurrently, LSW issued \$500 million in funding agreements to the Delaware trust.

Cash and Restricted Cash

Included in cash are cash equivalents which consist of commercial paper with maturities of three months or less.

At December 31, 2024 and 2023, the Company had restricted cash of \$666.4 million and \$614.5 million, respectively, related to broker collateral on the Company's derivative investments.

Certain non-cash transactions have been excluded from the statement of cash flows in 2024 and 2023. In 2024, these amounts include capitalized bond interest of \$8.0 million, losses from equity method partnerships of (\$6.0) million, and bond and mortgages received for the initial AeCe reinsurance transaction of \$120.1 million. In 2023, these amounts include capitalized bond and bank loan interest of \$3.4 million and loss from equity method partnerships of (\$5.9) million.

Short Term Investments

Short term investments include money market accounts that are carried at net asset value ("NAV") which approximates fair value. These short-term investments include liquid debt instruments purchased with original maturities of one year or less.

Investments

The Company's investment portfolio consists primarily of available-for-sale ("AFS") debt securities. These securities are reported at fair value. Changes in the fair values of AFS debt securities are reflected in other comprehensive income ("OCI") after adjustments for related deferred policy acquisition costs, policyholder dividend obligations, loss reserve recognition, reserves and deferred income taxes. Changes in the fair values of equity securities are reflected through net investment gains and (losses) in the Consolidated Statements of Comprehensive Income. When determining fair value, the Company utilizes observable market inputs and considers available data from a third-party pricing service, independent brokers and pricing matrices. Publicly available prices are used whenever possible. In the event that publicly available pricing is not available, the

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

securities are submitted to independent brokers for pricing, or they are valued using a pricing matrix, which maximizes the use of observable inputs that include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers and/or cash flows. This process includes quantitative and qualitative analysis and is performed by the Company's investment professionals.

Recognition and Presentation of Credit Losses

The evaluation of securities for impairment is a quantitative and qualitative process, which is subject to risks and uncertainties. The Company has a security monitoring process overseen by investment and accounting professionals to identify securities, using certain quantitative and qualitative characteristics, which could potentially be impaired.

AFS Debt Securities

AFS debt securities, where fair value is below amortized cost, are reviewed quarterly to determine whether the amortized cost basis of the security is recoverable. Qualitative factors are first considered including, but not limited to, the extent of the decline and the reasons for the decline in value, credit rating and general credit spread widening, and the financial condition of the issuer. If analysis of these qualitative factors results in potential impairment, and the Company has determined that it does not intend to sell, or is more likely than not, required to sell the asset, the credit impairment is measured as the extent to which the amortized cost exceeds the net present value of projected future cash flows ("net present value"), subject to the asset's fair value floor. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the AFS debt security at the date of acquisition. If the Company has determined that it will sell or will more likely than not be required to sell, a security in scope for an impairment assessment, the Company records a write-down of the asset based on the difference between the asset's amortized cost basis and fair value.

Credit impairment is recognized as an allowance for credit losses and recorded in net investment gains and (losses). If the Company has deemed all or a portion of the amortized cost uncollectible, the allowance is removed from the balance sheet by writing down the amortized cost basis of the AFS debt security. For AFS debt securities with recorded credit allowances recognized from previous assessments, the allowance is subject to reversal in future periods if conditions indicate that the credit quality of the asset has improved.

The Company adopted ASU 2016-13 effective January 1, 2023. Refer to Note 3 for additional information about the adoption. Prior to the adoption of ASU 2016-13, these assets were analyzed under other-than-temporarily impaired ("OTTI") guidance which considered the length of time and extent to which the fair value has been less than cost or amortized cost and the expected recovery period of the security when determining whether a credit loss exists.

The Company has elected not to measure an allowance for credit losses for accrued interest receivables as uncollectible accrued interest receivable balances are written off in a timely manner, within 90 days past due, by reversing interest income at the individual security level.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trading Debt Securities

Assets held in segregated custody accounts in support of funds withheld coinsurance and modified coinsurance arrangements have been designated as trading debt securities. Trading debt securities are reported at fair value with changes in fair value recognized in net investment gains and (losses). Refer to Note 6, for additional information on the funds withheld coinsurance and modified coinsurance arrangements.

Mortgage Loans

Mortgage loans on commercial and residential real estate are carried at amortized cost less a valuation allowance for probable losses for current expected credit losses (CECL). Upon adoption of ASU 2016-13, certain off-balance sheet credit exposures (i.e., unfunded mortgage loan commitments where the Company cannot unconditionally cancel the commitment) are also subject to a CECL allowance. See Note 11 for additional information. The CECL allowance represents the Company's best estimate of expected credit losses over the remaining life of the assets or off-balance sheet credit exposures. The determination of the allowance considers historical credit loss experience, current conditions and reasonable and supportable forecasts.

The CECL allowance reflects the Company's expected credit losses of the amortized cost basis using default adjusted cash flow method, which incorporates property-and loan level cash flow with the estimated default and prepayment assumptions. Model assumptions and factors are reviewed and updated as appropriate.

The CECL allowance on commercial and residential mortgage loans can increase or decrease from period to period based on the factors noted above. The change in allowance is recognized in net investment gains and (losses) in the consolidated statements of comprehensive income. As it relates to unfunded commitments that are in scope of this guidance, the CECL allowance is reported in "Other liabilities," and the change in the allowance is recognized in net investment gains and (losses).

For mortgage loans that were deemed impaired, an impairment loss was recognized through net investment gains and (losses) as the difference between the carrying amount and the Company's share of either (a) the present value of the expected future cash flows discounted at the loan's original effective interest rate, (b) the loan's observable market price or (c) the fair value of the collateral. Interest income on an impaired loan is accrued to the extent it was deemed collectable, and the loan continues to perform under its original or restructured terms. Interest income on defaulted loans was recognized when received.

Policy Loans

Policy loans are reported at their unpaid balance and are fully collateralized by related cash surrender values.

Real Estate

Real estate acquired in satisfaction of debt is classified either as held for investment or available for sale and transferred to real estate from mortgage loans at the lower of cost or fair value. Real estate investments held for investment purposes are reported at depreciated cost and real estate investments classified as available for sale are reported at the lower of cost or fair value, less the costs to sell, and are not depreciated. In evaluating real estate impairments, the Company considers, among other things, the fair value of the real estate compared to its carrying value.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Invested Assets

Investments in limited partnerships are included in other invested assets. Partnerships over which the Company does not have significant influence are carried at fair value. The Company obtains the fair value of these investments generally from NAV information provided by the general partner or manager of the limited partnership, the financial statements of which generally are audited annually. Changes in the fair value of these limited partnerships are included in net investment gains and (losses) within the Consolidated Statements of Comprehensive Income. Limited partnerships over which the Company has significant influence are accounted for using the equity method. Under the equity method, the Company's pro-rata share of the partnerships' profits and losses are recognized in the Company's net investment income, and dividends received from the partnerships are recognized as return of capital up until the point that the initial investment has been fully recovered.

The Company receives U.S. Treasuries as broker collateral on the Company's derivative investments. These assets are considered restricted and are included in other invested assets. The Company also receives cash as broker collateral. For additional information, see Cash and Restricted Cash herein.

The Company's investments in affordable housing projects are included in other invested assets and are amortized using the proportional amortization method within income tax expense. The associated tax credits are also included as a component of income tax expense. For additional information, see Note 8.

The Company's investments in solar tax credit entities are included in other invested assets and are accounted for using the equity method. The Company's share of the entities' profits and losses are recognized as a component of net investment income.

Variable Interest Entities

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions related to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity. The primary beneficiary, which is the interest holder that has both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE, is required to consolidate the VIE. The Company has variable interests in VIEs through a certain investment in notes and other invested assets. At December 31, 2024 and 2023, the Company had no interests in VIEs that met the criteria for consolidation. See Note 5 for additional information.

Derivatives

Derivatives include long options, short options, swaptions, interest rate swaps and futures contracts. All derivatives are carried at fair value. Changes in the fair value of derivatives not designated as hedges are reflected in net investment income.

The Company designates certain interest rate swaps as cash flow hedges when they have met the requirements to be deemed cash flow hedges. The interest rate swaps that are designated as cash flow hedges are used to convert floating rate assets to fixed rate. The Company recognizes unrealized and realized gains and losses on the swaps and on the related hedged items within net investment income. For additional information, see Note 5.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net investment gains and (losses)

Net investment gains and (losses) on the Company's Consolidated Statements of Comprehensive Income include realized capital gains (losses) which are recognized using the specific identification method. Net realized capital gains (losses) include adjustments for related deferred policy acquisition costs, sales inducement assets, credit losses, reserves, policyholder dividend obligations, income taxes and impairment of capitalized software.

Accumulated Other Comprehensive Income ("AOCI")

The balance of and changes in each component of AOCI attributable to the Company for the years ended December 31, 2024 and 2023, are as follows (in thousands):

	Unrealized gains (losses) on available-for-sale investments	Cash flow hedge on debt issuances	Change in funded status of retirement plans	Total
Balance, December 31, 2022	\$ (1,728,083)	\$ (435)	\$ (90,489)	\$ (1,819,007)
Other comprehensive income before reclassifications	413,870	41	(114)	413,797
Amounts reclassified from AOCI	7,251	—	6,623	13,874
Balance, December 31, 2023	<u>\$ (1,306,962)</u>	<u>\$ (394)</u>	<u>\$ (83,980)</u>	<u>\$ (1,391,336)</u>
Other comprehensive loss before reclassifications	(423,922)	(1,503)	(2,790)	(428,215)
Amounts reclassified from AOCI	98,268	—	6,462	104,730
Balance, December 31, 2024	<u>\$ (1,632,616)</u>	<u>\$ (1,897)</u>	<u>\$ (80,308)</u>	<u>\$ (1,714,821)</u>

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accumulated Other Comprehensive Income (“AOCI”) (continued)

Reclassifications out of AOCI during the year ended December 31, 2024 were as follows (in thousands):

AOCI component	Amounts reclassified out of AOCI (1)	Affected line item in the Consolidated Statements of Comprehensive Income
Unrealized gains (losses) on available-for-sale investments	\$ (106,894) (17,496) \$ (124,390) 26,122 (98,268)	Sale of investments - in net investment gains and (losses) Impairment expense - in net investment gains and (losses) Total before tax Income tax benefit Net of tax
Change in funded status of retirement plans (2)	\$ (8,180) 1,718 (6,462)	Amortization of actuarial gain/(loss) - in operating expenses Income tax benefit Net of tax
Total reclassifications for the period	\$ (104,730)	Net of tax

(1) Positive amounts indicate gains/benefits reclassified out of AOCI. Negative amounts indicate losses/costs reclassified out of AOCI.

(2) These AOCI components are included in the computation of net periodic pension cost (see Note 9 for additional details).

Reclassifications out of AOCI during the year ended December 31, 2023 were as follows (in thousands):

AOCI component	Amounts reclassified out of AOCI (1)	Affected line item in the Consolidated Statements of Comprehensive Income
Unrealized gains (losses) on available-for-sale investments	\$ 17,011 (26,189) \$ (9,178) 1,927 (7,251)	Sale of investments - in net investment gains and (losses) Impairment expense - in net investment gains and (losses) Total before tax Income tax benefit Net of tax
Change in funded status of retirement plans (2)	\$ (8,383) 1,760 (6,623)	Amortization of actuarial gain/(loss) - in operating expenses Income tax benefit Net of tax
Total reclassifications for the period	\$ (13,874)	Net of tax

(1) Positive amounts indicate gains/benefits reclassified out of AOCI. Negative amounts indicate losses/costs reclassified out of AOCI.

(2) These AOCI components are included in the computation of net periodic pension cost (see Note 9 for additional details).

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Home Loan Banks

National Life is a member of the Federal Home Loan Bank of Boston (“FHLB Boston”) which provides National Life with access to a secured asset-based borrowing capacity. National Life had pledged collateral of \$487.0 million and \$377.7 million as of December 31, 2024 and 2023, respectively. As of December 31, 2023, National Life had a letter of credit of \$25.0 million. The letter of credit was terminated on November 14, 2024. Outstanding advances under this program were \$302.0 million and \$168.1 million as of December 31, 2024 and 2023, respectively. The membership requires an investment in the common stock of FHLB Boston. As of December 31, 2024 and 2023, National Life held \$17.1 million and \$12.0 million of FHLB common stock, which is redeemable by FHLB Boston. It is considered restricted and is reported in other invested assets at par value.

LSW is a member of the Federal Home Loan Bank of Dallas (“FHLB Dallas”) which provides LSW with access to a secured asset-based borrowing capacity, including the ability to obtain loans as an alternative source of liquidity and to issue funding agreements. LSW had pledged collateral of \$2.9 billion and \$3.1 billion as of December 31, 2024 and 2023, respectively. Outstanding advances under this program were \$2.0 billion and \$2.1 billion as of December 31, 2024 and 2023, respectively. The membership requires an investment in the common stock of FHLB Dallas. As of December 31, 2024 and 2023, LSW held \$79.1 million and \$73.8 million of FHLB common stock, which is redeemable by FHLB Dallas. It is considered restricted and is reported in other invested assets at par value.

All of the outstanding advances in the form of funding agreements are included in policyholder account liabilities. The proceeds from these advances have been invested in a pool of fixed and floating rate income assets. The Company had no outstanding advances in the form of borrowings as of December 31, 2024 and 2023. Total interest expense of \$13.2 million and \$9.1 million was paid to FHLB Boston in 2024 and 2023, respectively. Total interest expense of \$115.6 million and \$112.5 million was paid to FHLB Dallas in 2024 and 2023, respectively.

National Life repaid advances to FHLB Boston of \$189.4 million and \$38.0 million in 2024 and 2023, respectively. LSW repaid advances to FHLB Dallas of \$576.3 million and \$104.8 million in 2024 and 2023, respectively.

Off-Balance Sheet Arrangements

In October 2021, NLVF entered into a facility agreement with a Delaware trust, unrelated to the Company, 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. The undrawn amount in association with the facility agreement is an off-balance sheet arrangement unless the Company were to exercise its issuance right. This agreement provides an alternative source of liquid assets that the Company can access at its discretion. For additional details, see Note 10.

Policy Acquisition Expenses

Commissions and other costs that are related directly to the successful acquisition of new or renewal insurance contracts are eligible to be deferred. Deferred policy acquisition costs (“DAC”) for participating life insurance, universal life insurance and annuities are amortized in relation to estimated gross profits. Amortization is adjusted retrospectively for actual experience and when estimates of future gross profits are revised. Deferred policy acquisition costs for these products are adjusted for related unrealized gains (losses) on available-for-sale debt securities, (after deducting any related policyholder dividend obligations), through AOCI, net of related deferred income taxes. DAC for non-participating term and whole life insurance and participating limited-

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy Acquisition Expenses (continued)

payment and single-payment life insurance is amortized in relation to premium income using assumptions consistent with those used in computing policy benefit liabilities.

At least annually, the Company reviews long-term assumptions underlying the projections of estimated gross profits and its calculation of the recoverability of DAC balances. These assumptions include changes in projected investment rates, interest crediting rates, policyholder dividend rates, mortality, expenses, contract lapses, withdrawals, surrenders and amortization period. The adjustments to DAC to reflect the update of the actuarial assumptions in 2024 and 2023 resulted in net decreases in deferred policy acquisition expenses of \$12.8 million and \$14.2 million, respectively. The update of actuarial assumptions also resulted in adjustments to sales inducement assets and liabilities and policy liabilities. For additional information, see Note 2 – Policy Liabilities.

The Company offers various sales incentives including bonus interest credited on its annuity products at the point of sale, as well as higher interest crediting rates in the first policy year. The Company capitalizes and amortizes these sales inducements to the extent they are explicitly identified in the contract at inception, incremental to amounts credited on similar contracts without bonus interest and higher than the contract's expected ongoing crediting rates for periods after the bonus period. Sales inducement assets are reported within DAC and are amortized based on the underlying gross profits of the products, with amortization adjusted periodically to reflect actual experience, as well as updates to assumptions for future estimated gross profits.

For internal replacements of insurance contracts, the Company determines whether the new contract has substantially changed from the original contract based on certain criteria such as whether the change requires additional underwriting, pricing that was not contemplated in the original contract or significant benefit changes. If the Company determines that the contract has substantially changed, the deferred acquisition costs related to the original contract are written off through a charge to policy acquisition expenses.

Property and Equipment

Property and equipment is reported at depreciated cost. Assets are depreciated over their useful life using the straight-line method of depreciation. The table below outlines the useful life for each asset class:

Asset Class	Years
Software	5
Equipment	5
Furniture	7
Renovations/semi-permanent fixtures	20
Home office/other buildings	40

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

The tables below reflect the cost and accumulated depreciation for each major asset class as of December 31, 2024 and 2023 (in millions):

	December 31, 2024		
	Cost	Accumulated Depreciation	Carrying Value
Software	\$ 387.6	\$ (266.1)	\$ 121.5
Equipment	38.3	(32.9)	5.4
Furniture	32.2	(25.7)	6.5
Renovations	20.1	(8.5)	11.6
Home office	116.8	(83.5)	33.3
	<u>\$ 595.0</u>	<u>\$ (416.7)</u>	<u>\$ 178.3</u>

	December 31, 2023		
	Cost	Accumulated Depreciation	Carrying Value
Software	\$ 358.7	\$ (241.9)	\$ 116.8
Equipment	35.0	(30.9)	4.1
Furniture	28.1	(24.1)	4.0
Renovations	19.7	(7.6)	12.1
Home office	113.3	(80.1)	33.2
	<u>\$ 554.8</u>	<u>\$ (384.6)</u>	<u>\$ 170.2</u>

Depreciation expense recognized in operating expenses was \$32.2 million and \$33.7 million for the years ended December 31, 2024 and 2023, respectively.

Corporate Owned Life Insurance

The Company holds life insurance contracts on certain members of management and other key individuals. The Company made no corporate owned life insurance (“COLI”) purchases in 2024 or 2023. The Company’s investment in COLI is reported at the cash surrender value of these COLI contracts, which totaled \$620.7 million and \$598.7 million at December 31, 2024 and 2023, respectively.

COLI income includes the net change in cash surrender value and any benefits received or accrued. COLI income was \$24.4 million and \$27.1 million in 2024 and 2023, respectively, and is included in other income.

Receivable from Agents

The Company accrues receivables for amounts due from agents. These amounts due include commissions recoverable from policy lapses or surrenders. As of December 31, 2024 and 2023, the Company had receivables from agents of \$160.6 million and \$124.5 million, respectively, which are included in other assets on the Consolidated Balance Sheets. Upon adoption of ASU 2016-13, the Company assesses whether a credit loss exists for balances receivable from agents. The allowance for credit losses were \$9.9 million and \$6.0 million as of December 31, 2024 and 2023, respectively.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate Accounts

Variable products are reported within the separate accounts when investment risk is borne by the policyholder, investment income and investment gains and losses accrue directly to the policyholder and the separate account meets additional accounting criteria to qualify for separate account treatment. The assets supporting the variable portion of variable annuity and variable universal life contracts that qualify for separate account treatment are carried at fair value and reported as separate account assets, with an equivalent summary total reported as separate account liabilities. Liabilities for minimum guaranteed benefits related to separate account policies are included in policy liabilities. Separate account results related to policyholders' interests are excluded from the Company's consolidated results of operations.

The assets of the Company's separately funded pension plans are held in the Company's separate accounts at fair value.

Policy Liabilities

Policy benefit liabilities for participating life insurance are developed using the net level premium method, with interest and mortality assumptions used in calculating policy cash surrender values. Participating life insurance terminal dividend reserves are accrued in relation to gross profits and are included in policy benefit liabilities. The average investment yield used in estimating gross profits for participating contracts was 4.1% as of December 31, 2024 and 2023.

Policy benefit liabilities for non-participating life insurance, disability income insurance and certain annuities are developed using the net level premium method with assumptions for interest, mortality, morbidity, and voluntary terminations. In addition, disability income policy benefit liabilities include provisions for future claim administration expenses.

Policyholder account liabilities for non-indexed universal life insurance and investment-type annuities represent amounts that inure to the benefit of the policyholders before surrender charges. Policyholder account liabilities for indexed life insurance and annuity liabilities, which includes amounts relating to the Guaranteed Lifetime Income Rider, consist of a combination of underlying account value and embedded derivatives. The underlying account value is primarily based on deposits plus any interest credited, less amounts assessed for mortality, administrative and other policy fees. The embedded derivative component represents the fair value of the Company's future obligations related to interest crediting that is based on the performance of various indexes, as specified in the respective contracts. Such embedded derivatives are carried at fair value, with the change in fair value recorded through interest credited to policyholder account liabilities.

The fair value of the embedded derivative component includes assumptions about future interest rates and interest rate structures, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity, the level and limits on contract participation in any future increases in the underlying indexes and an explicit risk margin for policyholder behavior, as well as a margin to reflect the impact the Company's own credit rating would have in the view of a market participant.

The guaranteed minimum interest rates for the Company's fixed interest rate annuities range from 0.1% to 5.6%. The guaranteed minimum interest rates for the Company's fixed interest rate universal life insurance policies range from 1.0% to 5.0%. These guaranteed minimum rates are before deduction for any policy administration fees or mortality charges.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy Liabilities (continued)

As part of the Company's annual actuarial assumption update, certain assumptions were revised for various blocks of business, including premium persistency, investment income, mortality, pricing, and lapse and surrender rates, which resulted in net decreases in policy liabilities of \$53.3 million and \$67.7 million as of December 31, 2024 and 2023, respectively.

The Company tests reserves for any premium deficiency using best estimate assumptions. If a deficiency is found to exist, an additional reserve is typically recorded. There were no increases to the premium deficiency reserve in 2024 or 2023. The Company also tests reserves for adequacy assuming that all unrealized gains (losses) on investments are realized and posts shadow reserves for any deficiency. As of December 31, 2024 and 2023, the shadow loss reserve was \$0.

The Company also held a shadow reserve related to its Guaranteed Lifetime Income Rider in policy benefit liabilities of (\$131.3) million and (\$161.1) million as of December 31, 2024 and 2023. The change in this shadow reserve is recorded in unrealized gains (losses) on available-for-sale investments within other comprehensive income. The net impact to accumulated other comprehensive income after shadow DAC and tax offsets was \$73.8 million and \$90.2 million as of December 31, 2024 and 2023, respectively.

Reserves are established, as appropriate, for separate account product guarantees. These reserves, which are not significant, are primarily related to guaranteed minimum death benefits on variable annuities equal to the amount of premiums paid less prior withdrawals (regardless of investment performance). Separate account product guarantee reserves are calculated as a percentage of collected mortality and expense risk and rider charges, with the current period change in reserves reported in policy benefits.

The Company offers persistency bonuses on certain products, whereby policyholders can receive additional interest credits by maintaining their policy in force for predetermined durations. These additional interest credits are accrued ratably over the bonus period and adjusted for actual persistency.

The components of the sales inducement liability ("SIL") are shown below (in thousands) and are included in policy liabilities:

	SIL	
	2024	2023
Beginning of year	\$ 98,330	\$ 102,204
Increase due to interest, amortization and assumption updates	(2,964)	1,258
Payments	(7,261)	(5,132)
End of year	<u>\$ 88,105</u>	<u>\$ 98,330</u>

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance

Amounts recoverable from and payable to reinsurers are estimated in a manner consistent with the related liabilities associated with the reinsured policies. Reinsurance premiums and benefits paid or provided are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

The Company reports its reinsurance recoverables net of an allowance for credit losses. The allowance is based upon the Company's ongoing review of amounts outstanding, length of collection periods, changes in reinsurer credit standing and other relevant factors, including information relating to past events, current conditions and reasonable and supportable forecasts. The Company assesses allowance for credit losses by individual reinsurers and uses a probability-of-default method. The establishment of reinsurance recoverables and the related allowance for credit losses is also an inherently uncertain process involving estimates. The allowance can increase or decrease from period to period based on the factors noted above. The change in allowance is recognized in net investment gains and (losses) in the statement of consolidated statement of comprehensive income.

Policyholders' Deposits

Policyholders' deposits primarily consist of death benefits held in interest-bearing accounts for life insurance contract beneficiaries.

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 arising from the Closed Block. Dividends are based on a scale that seeks to reflect the relative contribution of each group of policies to LSW's and National Life's overall operating results. The dividend scale is approved annually by the Board of Directors for the respective company.

Recognition of Insurance Revenues and Related Expenses

Premiums from traditional life insurance products, including term and whole life, and from certain annuities are recognized as revenue when due from the policyholder. Benefits and expenses are matched with income by providing for policy benefit liabilities and the deferral and amortization of policy acquisition costs so as to recognize profits over the life of the policies.

Premiums and surrenders from universal life insurance and investment-type annuities are reported as increases and decreases, respectively, in policyholder account liabilities. Revenues for these policies consist of mortality charges, policy administration fees and surrender charges deducted from policyholder account liabilities. Policy benefits charged to expense include benefit claims in excess of related policyholder account liabilities.

Premiums from disability income policies are recognized as revenue over the period to which the premiums relate. Benefits and expenses are matched with income by providing for policy benefit liabilities and the deferral and amortization of policy acquisition costs so as to recognize profits over the life of the policies.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Income Taxes

The Company files a consolidated tax return. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. Deferred income tax assets and liabilities are recognized based on temporary differences between financial statement carrying amounts and income tax bases of assets and liabilities using enacted income tax rates and laws.

NOTE 3 – NEW ACCOUNTING PRONOUNCEMENTS

Adopted

Leases

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. This guidance requires entities to assess whether a related party arrangement between entities under common control is a lease. If the Company determines an arrangement is a lease, it is to be accounted for on the same basis as an arrangement with an unrelated party. Additionally, any leasehold improvements associated with entities under common control have an amortization period consistent with the shorter of the remaining lease term and the useful life of the improvements. Lessees recognize leasehold improvements when they are the accounting owner of those improvements. For non-public entities, the pronouncement is effective for fiscal years beginning after December 15, 2023. The adoption of this standard did not have a material effect on the Company's consolidated financial condition and results of operations.

Not Yet Adopted

Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12 *Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. This guidance is intended to simplify and improve the recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. In November 2020, the FASB issued ASU 2020-11, *Financial Services—Insurance (Topic 944)*, Effective Date and Early Application, to defer the effective date of Topic 944. For non-public entities, the pronouncement is effective for fiscal years beginning after December 15, 2024. The Company will adopt ASU 2018-12 effective January 1, 2025 using the modified retrospective transition method where permitted and apply the guidance as of January 1, 2025 (and record transition adjustments as of January 1, 2024) in the 2025 financial statements.

The Company has an established governance framework to manage the implementation of the standard. The Company has substantially completed its implementation efforts including, but not limited to, implementing refinements to key accounting policy decisions, modifications to actuarial valuation models, updates to data sourcing capabilities, automation of key financial reporting and analytical processes and updates to internal control over financial reporting and disclosure.

The Company expects the standard to have a material financial impact on its consolidated financial condition and results of operations and will significantly increase disclosures. As of the January 1, 2024 transition date, the implementation of the standard will result in a net decrease to stockholders equity, primarily from the change to fair value calculation of liabilities for certain market risk benefits, the cumulative effect of changes in the non-performance risk on market risk benefits and removal of shadow deferred policy acquisition costs. Included in this net decrease is the positive cumulative effect of remeasuring in-force non-participating traditional and limited-pay insurance contract liabilities using upper-medium grade fixed income instrument yields as of the

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NOTE 3 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

transition date. In addition to the impacts to the balance sheet, the Company also expects an impact to the pattern of earnings emergence following the transition date.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*. This guidance provides for more detailed income tax disclosures, including disaggregated information relating to the effective tax rate reconciliation and information on income taxes paid. For non-public entities, the pronouncement is effective for fiscal years beginning after December 15, 2025. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early application is permitted. The Company is currently assessing the impact of this standard.

NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Fair value measurement requires consideration of three broad valuation techniques: (i) the market approach, (ii) the income approach and (iii) the cost approach. Entities are required to determine the most appropriate valuation technique to use, given what is being measured and the availability of sufficient inputs. The guidance prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available.

The Company has categorized its assets and liabilities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Company categorizes financial assets and liabilities recorded at fair value on the balance sheet as follows:

- **Level 1** - Unadjusted quoted prices accessible in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities utilizing Level 1 inputs include equity securities listed in active markets, U.S. Treasury securities and certain short-term investments.
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs). The types of assets and liabilities utilizing Level 2 inputs generally include U.S. agency and government securities, mortgage-backed securities ("MBSs") and asset-backed securities ("ABSs"), corporate debt, private placement investments, preferred stocks and derivatives, including options and interest rate swaps and short-term investments. Generally, the Company classifies debt securities in Level 2 as market activity is not deemed to be substantial enough to warrant classification as an active market. Separate account assets classified within this level are generally similar to those classified within this level for the general accounts.

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NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

- **Level 3** - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate about the assumptions market participants would use at the measurement date in pricing the asset or liability. Consideration is given to the risk inherent in both the method of valuation and the valuation inputs. Generally, the types of assets and liabilities utilizing Level 3 valuations are embedded derivative liabilities.

In many situations, inputs used to measure the fair value of an asset or liability position may fall into different levels of the fair value hierarchy. In these situations, the Company will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable (e.g., changes in interest rates) and unobservable (e.g., changes in risk assumptions) inputs are used in the determination of fair values that the Company has classified within Level 3. Consequently, these values and the related gains and losses are based upon both observable and unobservable inputs. If inputs to pricing models that were previously unobservable become observable, then an asset or liability can be transferred from Level 3 to Level 2.

Determination of fair values

The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices where available and where prices represent fair value. The Company also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company's default spreads, liquidity and, where appropriate, risk margins on unobservable parameters. In the event that the Company believes that quoted prices are not representative of the true market value, due to distressed sales or inactive markets, the Company may make adjustments to quoted prices to estimate fair value.

Valuation Techniques

Available-for-sale debt securities and short-term investments - The fair value of AFS securities and short-term investments in an active and orderly market (e.g., not distressed or forced liquidation) is determined by management after considering one of four primary sources of information: unadjusted quoted prices accessible in active markets for identical assets or liabilities at the measurement date, third-party pricing services, independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third-party pricing services; the remaining unpriced securities are submitted to independent brokers for prices; or lastly, securities are priced using an internal pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or cash flows and prepayments speeds. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, third-party pricing services will normally derive the security prices from recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable information as outlined above. If there are no recent reported trades, the third-party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and are then discounted at a market rate.

Prices from third-party pricing services are often unavailable for securities that are rarely traded or are traded only in privately negotiated transactions. As a result, certain securities are priced via independent broker quotations which utilize inputs that may be difficult to corroborate with observable market-based data. Additionally, the majority of these independent broker quotations are non-binding. A pricing matrix is used to price securities for which the Company is unable to obtain either a price from a third-party pricing service or an independent broker quotation, by discounting the expected future cash flows from the security by a developed market discount rate utilizing current credit spreads on comparable securities.

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NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

The Company has analyzed the third-party pricing services' valuation methodologies and related inputs and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Money markets included in short term investments are valued using NAV as a practical expedient and are not categorized in the fair value hierarchy. Most prices provided by a third-party pricing service are classified into Level 2 because the inputs used in pricing the securities are market observable. Due to a general lack of transparency in the process that brokers use to develop prices, valuations that are based on brokers' prices are classified as Level 3. Some valuations may be classified as Level 2 if the price can be corroborated.

Information specific to the valuation of certain classes of investment securities is as follows:

U.S. government obligations - The fair values of U.S. government obligations, which include U.S. Treasuries, are based on observable broker bids from active market makers and inter-dealer brokers, as well as yield curves from dealers for same or comparable issues. U.S. Treasury securities are actively traded and categorized in Level 1 of the fair value hierarchy.

Government agencies - Government agencies, authorities and subdivisions securities include U.S. agencies and municipal bonds. The fair values of municipal bonds are using market quotations from recently executed transactions, spread pricing models, as well as interest rates. Government agency securities are valued based on market observable yield curves, interest rates and spreads. Municipal bonds and government agency securities are generally categorized as Level 2.

Valuation Techniques (continued)

Corporates - Corporate bonds as well as asset-backed securities ("ABS") are valued using cash flow models based on appropriate observable inputs such as market quotes, yield curves, interest rates and spreads and are generally categorized as Level 2.

Private placements - Fair values of private placement securities are determined using industry accepted models based on observable spreads. These securities are generally categorized in Level 2 of the fair value hierarchy. However, in instances where significant inputs are unobservable, they are categorized as Level 3.

Mortgage-backed securities - The fair value of the mortgage-backed securities ("MBS") are valued using cash flow models based on appropriate observable inputs such as market quotes, yield curves, interest rates, and spreads and are generally categorized as Level 2.

Included in the pricing of ABS, commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS") are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. Actual prepayment experience may vary from these estimates. RMBS consist primarily of FNMA and GNMA mortgage-backed securities.

Equity securities - The fair value of equity securities is based on unadjusted quoted market prices from a third-party pricing service as well as primary and secondary broker quotes. These securities are generally categorized as Level 1 for common stocks and Level 2 for preferred stocks. Equity securities that are valued using NAV as a practical expedient are not categorized in the fair value hierarchy.

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NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Trading debt securities - Fair values of exchange-traded debt securities are based on unadjusted quoted market prices from pricing services as well as primary and secondary brokers/dealers. Trading debt securities are generally categorized as Level 2 of the fair value hierarchy.

Derivatives - Derivative instruments held by the Company include options, swaptions, interest rate swaps and futures contracts. Fair value of these over the counter (“OTC”) derivative products is calculated using models such as the Black-Scholes option-pricing model, which uses pricing inputs observed from actively quoted markets and is widely accepted by the financial services industry. The majority of the Company’s OTC derivative products use this and other pricing models and are categorized as Level 2. Fair values of futures are based on quoted prices which are observable and readily and regularly available in an active market. Therefore, futures are categorized as Level 1.

Other invested assets - Investments in limited partnerships are included in other invested assets. Limited partnerships do not have a readily determinable fair value, and, as such, the Company values them at its pro-rata share of the limited partnership’s NAV, or its equivalent. Investments in limited partnerships are not categorized in the fair value hierarchy. Also included in other invested assets are U.S. Treasuries held as restricted collateral, which are categorized as Level 1.

Valuation Techniques (continued)

Separate account assets - Separate account assets include assets supporting our variable products that primarily consist of investments in mutual funds which are carried at fair value utilizing NAV as a practical expedient. Separate account assets also include the assets of the Company’s separately funded pension plans, which are primarily comprised of bonds and generally categorized as Level 2. See Note 9 for additional information on the fair value hierarchy and valuation techniques for these pension plan assets. Separate account assets that are valued using NAV as a practical expedient are not categorized in the fair value hierarchy.

Policyholder account liabilities - Embedded derivatives contained in equity-indexed annuity and life contracts are included in policyholder account liabilities at fair value. The fair value of these derivatives is measured based on actuarial and capital market assumptions related to projected cash flows over the expected lives of the contracts. Option pricing models are used to estimate fair value, using assumptions about market conditions and policyholder behavior. The fair value measurement incorporates an explicit risk margin for policyholder behavior and for the impact the Company’s own credit or nonperformance risk would have in the view of a market participant. Given the significant unobservable inputs used to value embedded derivatives, they are included in Level 3.

Amounts payable to reinsurers – Modco embedded derivatives are carried at fair value and included in amounts payable to reinsurers. The fair value of modco embedded derivatives is measured at an amount equal to the unrealized gains (losses) of trading debt securities held in a segregated custody account in support of modified coinsurance arrangements. Accordingly, such modco embedded derivatives are categorized on a basis consistent with the related trading debt securities.

Funds withheld payable – the funds withheld payable is primarily valued based on the fair value of the underlying investments, which have quoted prices or other observable inputs to pricing. Included in the funds withheld payable are embedded derivatives carried at fair value. The fair value of embedded derivatives is measured at an amount equal to the unrealized gains (losses) of trading debt and AFS debt securities held in a segregated custody account in support of the funds withheld coinsurance arrangement. Accordingly, such embedded derivatives are categorized on a basis consistent with the related trading debt and AFS debt securities.

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NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Financial Instruments Measured at Fair Value on a Recurring Basis

Presented below is the fair value of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2024 (in thousands):

Assets	Level 1	Level 2	Level 3	Total
AFS debt securities:				
U.S. government obligations	\$ 315,555	\$ —	\$ —	\$ 315,555
Government agencies, authorities and subdivisions	—	1,620,775	—	1,620,775
Corporates	—	18,299,037	62,980	18,362,017
Private placements	—	1,981,822	802,284	2,784,106
Mortgage-backed securities	—	4,088,276	34,885	4,123,161
Total AFS debt securities	315,555	25,989,910	900,149	27,205,614
Trading debt securities	—	2,932,550	—	2,932,550
Equity securities ⁽²⁾	1,583	11,185	26,259	39,027
Derivative assets	3,454	2,334,993	3,720	2,342,167
Other invested assets ⁽²⁾	103,634	—	—	103,634
Separate account assets ⁽²⁾	986	279,552	—	280,538
Amounts recoverable from reinsurers	—	—	4,140	4,140
Total assets subject to fair value disclosure ⁽²⁾	\$ 425,212	\$ 31,548,190	\$ 934,268	\$ 32,907,670
Liabilities	Level 1	Level 2	Level 3	Total
Policyholder account liabilities ⁽¹⁾	\$ —	\$ —	\$ 5,821,690	\$ 5,821,690
Funds withheld payable	—	4,957,551	—	4,957,551
Derivative liabilities	—	1,342,102	—	1,342,102
Total liabilities subject to fair value disclosure	\$ —	\$ 6,299,653	\$ 5,821,690	\$ 12,121,343

1. The most sensitive assumption in determining policy liabilities for indexed annuities is the rate used to discount the excess projected contract values. This discount rate reflects the Company's nonperformance risk. If the discount rates used to discount the excess projected contract values at December 31, 2024 were to change by approximately 100 basis points, the fair value of the embedded derivative would change significantly, partially offset by a change to deferred policy acquisition costs.
2. In accordance with Topic 820, certain investments that are measured at fair value using NAV (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. See Financial Instruments Measured Using NAV, below.

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NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Financial Instruments Measured at Fair Value on a Recurring Basis (continued)

The table below summarizes the reconciliation of the beginning and ending balances and related changes for the year ended December 31, 2024 for fair value measurements for which significant unobservable inputs were used in determining each instrument's fair value (in thousands):

	Beginning Balance	Transfer In to Level 3	Transfer Out of Level 3	Net Investment Gains/Loss In Earnings (realized and unrealized) ¹	Unrealized in OCI ²	Purchases	Issuances	Sales	Settlements	Ending Balance	Net Investment Gains/Losses In Earnings for Assets and Liabilities Still Held at the Ending Date
Assets											
Government agencies, authorities and subdivisions	\$ 9,580	\$ —	\$ (9,974)	\$ (17)	\$ 411	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporates	63,018	—	—	458	1,286	29,356	—	(31,138)	—	62,980	—
Private placements	259,388	90,500	—	(2)	3,553	465,215	—	(16,370)	—	802,284	—
Mortgage-backed securities	—	—	—	829	68	35,830	—	(1,842)	—	34,885	—
Equity securities	25,194	—	—	—	2,903	—	—	(1,838)	—	26,259	—
Derivatives	—	—	—	—	—	3,720	—	—	—	3,720	—
Amounts recoverable from reinsurers	4,852	—	—	(248)	—	—	—	—	(464)	4,140	—
Total assets	\$ 362,032	\$ 90,500	\$ (9,974)	\$ 1,020	\$ 8,221	\$ 534,121	\$ —	\$ (51,188)	\$ (464)	\$ 934,268	\$ —
Liabilities											
Policyholder account liabilities	\$ 4,956,842	\$ —	\$ —	\$ 386,766	\$ —	\$ —	\$ —	\$ —	\$ 478,082	\$ 5,821,690	\$ —
Total liabilities	\$ 4,956,842	\$ —	\$ —	\$ 386,766	\$ —	\$ —	\$ —	\$ —	\$ 478,082	\$ 5,821,690	\$ —

1. Includes (losses) gains on sales of financial instruments, changes in fair value of certain instruments, and impairments.
2. Includes changes in fair value of certain instruments.

Presented below is the fair value of all assets and liabilities subject to fair value determination as of December 31, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
AFS debt securities:				
U.S. government obligations	\$ 259,110	\$ —	\$ —	\$ 259,110
Government agencies, authorities and subdivisions	—	1,836,925	9,580	1,846,505
Corporates	—	19,749,178	63,018	19,812,196
Private placements	—	2,212,508	259,388	2,471,896
Mortgage-backed securities	—	2,409,943	—	2,409,943
Total AFS debt securities	259,110	26,208,554	331,986	26,799,650
Trading debt securities	—	154,306	—	154,306
Equity securities ⁽²⁾	1,694	14,568	25,194	41,456
Derivative assets	2,625	2,492,056	—	2,494,681
Other invested assets ⁽²⁾	77,707	—	—	77,707
Separate account assets ⁽²⁾	586	290,084	—	290,670
Amounts recoverable from reinsurers	—	18,398	4,852	23,250
Total assets subject to fair value disclosure ⁽²⁾	\$ 341,722	\$ 29,177,966	\$ 362,032	\$ 29,881,720
Liabilities				
Policyholder account liabilities ⁽¹⁾	\$ —	\$ —	\$ 4,956,842	\$ 4,956,842
Derivative liabilities	—	1,577,475	—	1,577,475
Total liabilities subject to fair value disclosure	\$ —	\$ 1,577,475	\$ 4,956,842	\$ 6,534,317

1. The most sensitive assumption in determining policy liabilities for indexed annuities is the rate used to discount the excess projected contract values. This discount rate reflects the Company's nonperformance risk. If the discount rates used to discount the excess projected contract values at December 31, 2023 were to change by approximately 100 basis points, the fair value of the embedded derivative would change significantly with an offset to deferred policy acquisition costs.
2. In accordance with Topic 820, certain investments that are measured at fair value using NAV (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. See Financial Instruments Measured Using NAV, below.

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NOTE 4 – FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Financial Instruments Measured at Fair Value on a Recurring Basis (continued)

The table below summarizes the reconciliation of the beginning and ending balances and related changes for the year ended December 31, 2023 for fair value measurements for which significant unobservable inputs were used in determining each instrument's fair value (in thousands):

	Beginning Balance	Transfer In to Level 3	Transfer Out of Level 3	Net Investment Gains/Loss In Earnings (realized and unrealized) ¹	Unrealized in OCI ²	Purchases	Issuances	Sales	Settlements	Ending Balance	Net Investment Gains/Losses In Earnings for Assets and Liabilities Still Held at the Ending Date
Assets											
Government agencies, authorities and subdivisions	\$ 10,288	\$ —	\$ —	\$ (17)	\$ (691)	\$ —	\$ —	\$ —	\$ —	\$ 9,580	\$ —
Corporates	67,294	—	(12,981)	133	(1,542)	18,558	—	(8,444)	—	63,018	—
Private placements	200,625	1,250	—	—	(830)	62,882	—	(4,539)	—	259,388	—
Mortgage-backed securities	14,505	—	(14,262)	(78)	159	—	—	(324)	—	—	—
Equity securities	26,095	—	—	—	(901)	—	—	—	—	25,194	—
Amounts recoverable from reinsurers	4,024	—	—	1,109	—	—	—	—	(281)	4,852	—
Total assets	\$ 322,831	\$ 1,250	\$ (27,243)	\$ 1,147	\$ (3,805)	\$ 81,440	\$ —	\$ (13,307)	\$ (281)	\$ 362,032	\$ —
Liabilities											
Policyholder account liabilities	\$ 3,553,552	\$ —	\$ —	\$ 729,559	\$ —	\$ —	\$ —	\$ —	\$ 673,731	\$ 4,956,842	\$ —
Total liabilities	\$ 3,553,552	\$ —	\$ —	\$ 729,559	\$ —	\$ —	\$ —	\$ —	\$ 673,731	\$ 4,956,842	\$ —

1. Includes (losses) gains on sales of financial instruments, changes in fair value of certain instruments, and other-than-temporary impairments.
2. Includes changes in fair value of certain instruments.

Financial Instruments Measured Using NAV

Presented below are investments that are measured using NAV as a practical expedient as of December 31, 2024 and 2023 (in thousands):

	Fair Value as of December 31,		Unfunded	Redemption Frequency	Redemption
Assets	2024	2023	Commitments as of December 31, 2024	(If Currently Eligible)	Notice Period
	<i>(in thousands)</i>				
Equity securities	\$ 113,013	\$ 90,848	\$ —	Not applicable	Not applicable
Other invested assets	1,383,390	1,334,697	599,115	Not applicable	Not applicable
Short term investments	356,514	397,965	—	Not applicable	Not applicable
Separate account assets	577,244	535,167	4,392	Not applicable	Not applicable
Total	\$ 2,430,161	\$ 2,358,677	\$ 603,507		

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NOTE 5 – INVESTMENTS

Available-for-Sale Debt Securities

The amortized cost and the fair values of AFS debt securities at December 31, 2024 and December 31, 2023 were as follows (in thousands):

At December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Credit Loss Allowance	Fair Value
AFS debt securities:					
U.S. government obligations	\$ 344,112	\$ 13	\$ 28,570	\$ —	\$ 315,555
Government agencies, authorities and subdivisions	1,816,746	2,522	198,493	—	1,620,775
Corporates:					
Asset-backed securities	4,119,333	32,962	47,524	—	4,104,771
Communications	1,139,464	8,126	189,487	5,957	952,146
Consumer & retail	5,002,947	16,390	829,287	3,364	4,186,686
Education	1,004	—	55	—	949
Financial institutions	3,798,200	45,337	470,373	—	3,373,164
Industrial and chemicals	2,390,191	22,058	351,889	—	2,060,360
REITS	415,664	1,565	31,190	—	386,039
Transportation	553,120	2,247	83,890	—	471,477
Utilities	3,387,290	16,674	577,539	—	2,826,425
Total corporates	20,807,213	145,359	2,581,234	9,321	18,362,017
Private placements	3,046,642	12,133	274,669	—	2,784,106
Mortgage-backed securities	4,309,606	15,602	202,047	—	4,123,161
Total AFS debt securities	<u>\$ 30,324,319</u>	<u>\$ 175,629</u>	<u>\$ 3,285,013</u>	<u>\$ 9,321</u>	<u>\$ 27,205,614</u>

At December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Credit Loss Allowance	Fair Value
AFS debt securities:					
U.S. government obligations	\$ 275,180	\$ 37	\$ 16,107	\$ —	\$ 259,110
Government agencies, authorities and subdivisions	2,007,564	6,311	167,370	—	1,846,505
Corporates:					
Asset-backed securities	3,815,545	21,786	96,270	—	3,741,061
Communications	1,244,379	14,604	153,538	7,773	1,097,672
Consumer & retail	5,372,188	41,084	650,707	5,217	4,757,348
Financial institutions	4,270,412	59,093	449,371	296	3,879,838
Industrial and chemicals	2,617,063	36,386	283,217	—	2,370,232
REITS	494,169	3,984	29,414	—	468,739
Transportation	610,543	3,184	67,269	33	546,425
Utilities	3,423,054	30,290	502,399	64	2,950,881
Total corporates	21,847,353	210,411	2,232,185	13,383	19,812,196
Private placements	2,733,462	6,051	265,867	1,750	2,471,896
Mortgage-backed securities	2,596,983	14,180	201,220	—	2,409,943
Total AFS debt securities	<u>\$ 29,460,542</u>	<u>\$ 236,990</u>	<u>\$ 2,882,749</u>	<u>\$ 15,133</u>	<u>\$ 26,799,650</u>

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NOTE 5 – INVESTMENTS (continued)

Available-for-Sale Debt Securities (continued)

Unrealized gains (losses) included as a component of accumulated other comprehensive income as of December 31, 2024 and 2023, and changes therein included in other comprehensive income for the years ended December 31, 2024 and 2023, were as follows (in thousands):

	2024	2023
Balance, beginning of year	\$ (1,306,962)	\$ (1,728,083)
Net unrealized gains (losses) on AFS securities	(468,353)	843,970
Net unrealized losses on other invested assets	1,045	(409)
Deferred policy acquisition costs	84,395	(242,277)
Reserves	(29,780)	(68,000)
Deferred income taxes	87,039	(111,943)
Policyholder dividend obligation	—	(220)
Increase (decrease) in net unrealized gains (losses)	(325,654)	421,121
Balance, end of year	\$ (1,632,616)	\$ (1,306,962)

	2024	2023
Balance, end of year includes:		
Net unrealized (losses) gains on AFS securities	\$ (3,105,613)	\$ (2,637,260)
Net unrealized losses on other invested assets	—	(1,045)
Deferred policy acquisition costs	907,197	822,802
Reserves	131,341	161,121
Deferred income taxes	434,459	347,420
Total	\$ (1,632,616)	\$ (1,306,962)

The amortized cost and fair values of debt securities by contractual maturity at December 31, 2024, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost	Fair Value
Due in one year or less	\$ 560,197	\$ 558,904
Due after one year through 5 years	2,857,249	2,846,870
Due after 5 years through 10 years	4,682,004	4,604,748
Due after ten years	17,915,263	15,071,931
Mortgage-backed securities	4,309,606	4,123,161
Total	\$ 30,324,319	\$ 27,205,614

The Company determines the cost of investments sold based on average cost. The proceeds and gross realized gains (losses) on AFS and trading debt securities and equity securities are shown below (in thousands):

	2024	2023
Proceeds on debt securities	\$ 3,204,199	\$ 921,136
Gross realized gains on debt securities	27,604	27,056
Gross realized losses on debt securities	(119,528)	(10,458)
Proceeds on equity securities	1,838	—

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Available-for-Sale Debt Securities (continued)

The Company recognized realized losses resulting from declines in the fair value of debt securities of \$15.7 million in 2024. In 2023, the Company recognized realized losses resulting from other than temporary declines in the fair value of debt securities of \$26.2 million.

See Note 2 for additional information on the factors considered in determining credit losses.

Gross unrealized losses and investment fair values, aggregated by investment category, industry sector and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2024 were as follows (in thousands):

Description of securities	Less than 12 months		12 months or more		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. government obligations	\$ 101,610	\$ 2,590	\$ 210,305	\$ 25,980	\$ 311,915	\$ 28,570
Government agencies, authorities and subdivisions	460,178	15,083	1,015,367	183,410	1,475,545	198,493
Corporates:						
Asset-backed securities	532,821	9,836	643,049	37,688	1,175,870	47,524
Communications	130,549	5,090	624,112	184,397	754,661	189,487
Consumer & retail	545,171	21,830	3,035,516	807,457	3,580,687	829,287
Education	949	55	—	—	949	55
Financial institutions	431,667	13,258	2,044,783	457,115	2,476,450	470,373
Industrial and chemicals	255,118	8,262	1,352,266	343,627	1,607,384	351,889
REITS	196,276	6,641	120,537	24,549	316,813	31,190
Transportation	69,868	3,162	336,758	80,728	406,626	83,890
Utilities	536,265	22,041	1,832,236	555,498	2,368,501	577,539
Total corporates	2,698,684	90,175	9,989,257	2,491,059	12,687,941	2,581,234
Private placements	150,976	5,245	1,531,744	269,424	1,682,720	274,669
Mortgage-backed securities	1,598,021	22,627	1,252,012	179,420	2,850,033	202,047
Total debt securities	\$ 5,009,469	\$ 135,720	\$ 13,998,685	\$ 3,149,293	\$ 19,008,154	\$ 3,285,013

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Available-for-Sale Debt Securities (continued)

Gross unrealized losses and investment fair values, aggregated by investment category, industry sector and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2023 were as follows (in thousands):

Description of securities	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government obligations	\$ 6,285	\$ 69	\$ 249,397	\$ 16,038	\$ 255,682	\$ 16,107
Government agencies, authorities and subdivisions	411,938	10,241	1,144,817	157,129	1,556,755	167,370
Corporates:						
Asset-backed securities	222,965	2,267	2,026,757	94,003	2,249,722	96,270
Communications	15,417	(7,476)	773,025	161,014	788,442	153,538
Consumer & retail	131,549	3,280	3,618,995	647,427	3,750,544	650,707
Financial institutions	146,544	4,019	2,664,111	445,352	2,810,655	449,371
Industrial and chemicals	80,696	3,372	1,631,011	279,845	1,711,707	283,217
REITS	26,123	795	297,140	28,619	323,263	29,414
Transportation	47,259	7,545	402,061	59,724	449,320	67,269
Utilities	95,740	2,895	2,171,006	499,504	2,266,746	502,399
Total corporates	766,293	16,697	13,584,106	2,215,488	14,350,399	2,232,185
Private placements	57,445	924	1,845,163	264,943	1,902,608	265,867
Mortgage-backed securities	265,642	1,977	1,407,756	199,243	1,673,398	201,220
Total debt securities	<u>\$ 1,507,603</u>	<u>\$ 29,908</u>	<u>\$ 18,231,239</u>	<u>\$ 2,852,841</u>	<u>\$ 19,738,842</u>	<u>\$ 2,882,749</u>

The Company determined that an adjustment to earnings for credit losses related to these debt securities was not warranted at December 31, 2024 and 2023, based upon the Company's analysis of market factors affecting the fair value of debt securities, as well as facts and circumstances surrounding the individual securities, the Company's assessment of projected future cash flows and the Company's ability and intent to hold the individual securities to maturity or recovery.

The Company does not intend to sell these securities nor are there any requirements to sell these securities. The Company will continue to monitor these holdings for any underlying deterioration in future quarters that would indicate that an individual security will not recover and will record credit losses as appropriate.

Trading Debt Securities

Trading debt securities consist of fixed maturity securities held in a segregated custody account, which support funds withheld coinsurance and modified coinsurance arrangements. The cost of trading debt securities held at December 31, 2024 and 2023, was \$2.9 billion and \$154.3 million, respectively.

Equity Securities

The cost of equity securities held at December 31, 2024 and 2023 was \$152.0 million and \$132.3 million, respectively. The total return on certain equity investments is intended to offset the net appreciation or depreciation in value of certain defined contribution deferred compensation liabilities. The net change in deferred compensation liabilities is included in operating expenses.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Mortgage Loans and Real Estate

The distributions of mortgage loans and real estate at December 31, 2024 were as follows (in thousands):

	2024	2023
<u>Geographic Region</u>		
New England	3.8 %	4.6 %
Middle Atlantic	8.0	6.9
East North Central	7.5	9.3
West North Central	12.1	15.1
South Atlantic	18.7	18.3
East South Central	2.8	3.3
West South Central	11.1	11.1
Mountain	14.3	13.2
Pacific	21.7	18.2
Total	100.0 %	100.0 %
<u>Property Type</u>		
Apartment	21.2 %	23.0 %
Retail	15.1	20.9
Office Building	16.5	20.5
Industrial	24.9	27.7
Other Commercial	4.2	5.2
Residential	18.1	2.7
Total	100.0 %	100.0 %
Mortgage loans	\$ 5,594,531	\$ 4,762,202
Real estate investments	20,761	21,584
Total mortgage loans and real estate	\$ 5,615,292	\$ 4,783,786

The Company applies a consistent and disciplined approach to evaluating and monitoring credit risk, and monitors credit quality on an ongoing basis. Quality ratings are based on internal evaluations of each loan's specific characteristics, considering a number of key inputs. The two most significant contributors to the credit quality are debt service coverage and loan-to-value ratios. The debt service coverage ratio measures the amount of property cash flow available to meet annual interest and principal payments on debt. The loan-to-value ratio ("LTV"), commonly expressed as a percentage, compares the amount of the loan to the fair value of the underlying property collateralizing the loan.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Mortgage Loans and Real Estate (continued)

The following tables summarize the credit quality of the Company's current commercial mortgage loan portfolio based on loan-to-value and debt service coverage ratios:

Debt Service Coverage Ratios as of December 31, 2024
(amounts in millions)

LTV Range	≥ 2.0x	1.5x to <2.0x	1.25x to <1.5x	1.0x to <1.25x	<1.0x	Total Carrying Value
< 50%	\$ 561.5	\$ 158.9	\$ 44.2	\$ 113.7	\$ 16.2	\$ 894.5
50% - 60%	544.6	346.4	40.7	92.3	2.9	1,026.9
60% - 70%	437.0	552.1	80.0	81.8	—	1,150.9
70% - 80%	450.0	257.8	148.2	136.3	6.7	999.0
80% - 90%	137.6	119.6	61.0	10.6	20.9	349.7
> 90%	19.7	29.7	60.2	34.1	27.3	171.0
Total	\$ 2,150.4	\$ 1,464.5	\$ 434.3	\$ 468.8	\$ 74.0	\$ 4,592.0

Debt Service Coverage Ratios as of December 31, 2023
(amounts in millions)

LTV Range	≥ 2.0x	1.5x to <2.0x	1.25x to <1.5x	1.0x to <1.25x	<1.0x	Total Carrying Value
< 50%	\$ 525.5	\$ 286.0	\$ 32.7	\$ 104.5	\$ 6.1	\$ 954.8
50% - 60%	484.0	523.6	39.4	15.9	3.1	1,066.0
60% - 70%	572.2	476.2	184.6	66.0	—	1,299.0
70% - 80%	408.4	208.0	92.3	37.1	—	745.8
80% - 90%	105.3	107.3	84.3	27.3	7.0	331.2
> 90%	45.8	54.9	61.2	46.1	36.1	244.1
Total	\$ 2,141.2	\$ 1,656.0	\$ 494.5	\$ 296.9	\$ 52.3	\$ 4,640.9

Upon adoption of ASU 2013-16, the difference between the total carrying value reflected in the tables above and the carrying value of commercial mortgage loans reflected in the Consolidated Balance Sheets is due to the related credit loss allowance which is a general allowance not attributable to any one mortgage and the market value adjustment on the hedge. Additionally, the table above does not reflect residential mortgage loans and the associated credit loss allowance.

Mortgage loans and related credit loss allowance at December 31, 2024, and valuation allowance as of December 31, 2023, were as follows (in thousands):

	2024	2023
Commercial loans	\$ 4,591,970	\$ 4,640,915
Residential loans	1,015,508	131,025
Credit loss /valuation allowance	(11,906)	(8,680)
Impaired loans	—	—
Market value adjustment on hedge	(1,041)	(1,058)
Total	\$ 5,594,531	\$ 4,762,202

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Mortgage Loans and Real Estate (continued)

The table below includes additional disclosures for impaired loans as of December 31, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Impaired loans:		
Average total investment	\$ —	\$ —
Interest income recognized	—	—
Interest received	—	—
Unpaid principal balance	—	—

No mortgage loan or real estate impairments were recognized in 2024 or 2023.

Mortgage Loans Modified in a Troubled Debt Restructuring

The Company may grant concessions related to the borrowers' financial difficulties, including: 1) reduction of the contractual interest rate, 2) extension of the maturity date at an interest rate lower than current market interest rates and/or 3) a reduction of accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment recorded in connection with the troubled debt restructuring. Upon adoption of ASU 2016-13, a credit loss allowance is recognized for the value of concessions made under a troubled debt restructuring. Through the portfolio monitoring process, the Company may have recorded a specific credit loss allowance prior to the quarter when the loan was modified in a troubled debt restructuring. Accordingly, the carrying value (after specific credit loss allowance) before and after modification through a troubled debt restructuring may not change significantly.

At December 31, 2024 and 2023, no loans were modified during the period in a troubled debt restructuring. Payment default is determined in the same manner as delinquency status, which is when interest and principal payments are 90 days past due.

Other Invested Assets

Other invested assets included the following as of December 31, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Limited partnerships	\$ 1,380,313	\$ 1,331,022
Affordable housing tax credits	22,175	37,881
Non-cash broker collateral	103,634	77,707
FHLB common stock	96,235	85,753
Other	6,009	21,570
Other invested assets	<u>\$ 1,608,366</u>	<u>\$ 1,553,933</u>

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Variable Interest Entities

The table below includes certain information regarding VIEs in which the Company held a variable interest as of December 31, 2024 and 2023 (in thousands).

Investment Type	2024		2023	
	Total VIE Assets (1)	Maximum Exposure to Loss (2)	Total VIE Assets (1)	Maximum Exposure to Loss (2)
Investment in notes	\$ 759,699	\$ 759,699	\$ 417,099	\$ 417,099
Other invested assets	69,225	68,815	25,086	22,938

1. Represents assets of the VIEs which the Company does not have the right to make use of to satisfy its own obligations.
2. Represents the Company's investments in these entities, plus any accrued receivables due from these entities.

Net Investment Income

The components of net investment income for the years ended December 31, 2024 and 2023, were as follows (in thousands):

	2024	2023
Debt securities	\$ 1,545,990	\$ 1,312,352
Equity securities	10,651	8,564
Mortgage loans	230,783	194,876
Policy loans	68,969	55,411
Real estate	5,734	4,728
Derivatives	353,146	432,089
Partnerships	116,151	96,787
Other investment income	(162,157)	22,264
Gross investment income	2,169,267	2,127,071
Less: investment expenses	(50,094)	(39,697)
Net investment income	\$ 2,119,173	\$ 2,087,374

Net Investment Gains and (Losses)

The following summarizes the components of net investment gains and (losses), including impairments, by asset category for the years ended December 31, 2024 and 2023 (in thousands):

	2024	2023
Debt securities	\$ (97,093)	\$ (24,816)
Equity securities	18,624	12,487
Mortgage loans	(4,326)	2,799
Partnerships	4,298	(38,197)
Other invested assets	88,583	8,179
Total	\$ 10,086	\$ (39,548)

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Derivatives

The Company enters into interest rate swaps to reduce market risks from changes in interest rates. These swaps are used to hedge changes in fair value of certain bond and mortgage investments. The Company has designated interest rate swaps as cash flow hedges. The interest rate swaps are used to convert fixed rate assets to floating rate. The Company recognizes gains and losses on the swaps along with the related hedged items within net investment income on the Consolidated Statements of Comprehensive Income. Ineffectiveness recognized through net investment income in the years ended December 31, 2024 and 2023, was (\$2.3) million and \$8.9 million, respectively.

The Company credits interest on policyholder account liabilities for certain of its products based on the performance of certain indexes (such as S&P 500), subject to contractual participation rates and caps on returns. These participation rates and caps are set each policy anniversary. The Company economically hedges the exposure for the next policy year, at the time the participation rates and caps are set, by entering into over-the-counter (OTC) options and exchange-traded futures contracts on the underlying indexes in an amount that approximates the obligation of the Company to credit interest at the policy anniversary, with adjustments for lapse assumptions. These derivative instruments do not qualify for hedge accounting and, therefore, changes in their fair value are included within net investment income. Call options purchased are included in derivatives assets at fair value. Call options written are included in derivatives liabilities and are carried at fair value. Since the derivatives purchased are based on the same indexes that the crediting rates are based upon, they substantially offset the market risk associated with the crediting rate in the policy year being hedged.

Under U.S. GAAP, indexed annuity and life contracts reported in policyholder account liabilities include embedded derivatives, which reflect the fair value of the Company's future obligations related to interest crediting that is based on the performance of certain indexes, as specified in the respective contracts. The embedded derivative liabilities were \$5.82 billion and \$4.96 billion at December 31, 2024 and 2023, respectively.

The Company purchases options only from highly rated counterparties. However, in the event a counterparty failed to perform, the Company's exposure would be equal to the fair value of the net options held from that counterparty. The Company held collateral from counterparties as secured OTC call options to mitigate a portion of this risk in the amount of \$769.7 million and \$692.6 million as of December 31, 2024 and 2023, respectively. The Company utilizes a scale based on credit rating of the counterparty to determine the appropriate amount of counterparty risk. As of December 31, 2024, there was no derivative counterparty exposure that exceeded \$2.2 million, net of collateral. The Company executes transactions in flexible exchange ("FLEX") options in order to hedge equity market volatility. Unlike OTC options, FLEX options are cleared and guaranteed by the Options Clearing Corporation and therefore are not subject to counterparty credit risk.

The Company has embedded derivatives related to reinsurance contracts that are accounted for on a funds withheld coinsurance and a modified coinsurance basis. An embedded derivative exists because the arrangement exposes the reinsurer to third party credit risk. The embedded derivative is included in funds withheld payable, with changes in the fair value of the embedded derivative reported in net investment gains and (losses).

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Derivatives (continued)

The notional amounts and the fair value of derivatives at December 31, 2024 and 2023, excluding embedded derivatives, were as follows (in thousands):

	2024		2023		Primary Underlying Risk Exposure
	Notional	Carrying Value of Assets / (Liabilities)	Notional	Carrying Value of Assets / (Liabilities)	
Derivatives Designated as Hedge Accounting Instruments:					
Interest rate swaps ⁽¹⁾	\$ 120,000	\$ (1,659)	\$ —	\$ —	Interest Rates
Total Derivatives Designated as Hedge Accounting Instruments		\$ (1,659)		\$ —	
Derivatives Not Designated as Hedge Accounting Instruments:					
Futures - Long ⁽²⁾	\$ 38,767	\$ (840)	\$ 5,302	\$ 158	Equity Market
Options - Long	27,945,987	2,336,903	22,868,013	2,489,737	Equity Market
Options - Short	(17,429,914)	(1,341,639)	(15,392,101)	(1,575,889)	Equity Market
Swaptions purchased	195,000	1,621	310,000	2,318	Interest Rates
Swaptions - Short	(45,000)	(463)	(150,000)	(1,586)	Interest Rates
Total Derivatives Not Designated as Hedge Accounting Instruments		\$ 995,582		\$ 914,738	
Total Derivatives		\$ 993,923		\$ 914,738	

- Interest rate swaps are reflected gross of cash margin collateral of \$1.8 million as of December 31, 2024.
- Futures are reflected gross of cash margin collateral of \$3.4 million and \$2.5 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, the following amounts were recorded on the Company's Consolidated Balance Sheets relating to the carrying amount of hedged assets (liabilities) and cumulative basis adjustments included in the carrying amount for hedged items designated in fair value hedging relationships (in thousands):

	2024		2023	
	Carrying Amount of the Hedged Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Hedged Assets / (Liabilities) ⁽¹⁾	Carrying Amount of the Hedged Assets / (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Hedged Assets / (Liabilities) ⁽²⁾
Available-for-sale debt securities	\$ —	\$ (4,828)	\$ —	\$ (9,556)
Mortgage Loans	—	(922)	—	(922)

- There were no material fair value hedging accounting adjustments for hedged assets / (liabilities) for discontinued hedging relationships.
- There were material fair value hedging accounting adjustments for hedged assets / (liabilities) for discontinued hedging relationships.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 5 – INVESTMENTS (continued)

Cash Flow Hedges

The primary derivative instruments used by the Company in its cash flow hedge accounting relationships are interest rate swaps. These instruments are only designated for hedge accounting in instances where the appropriate criteria are met. The Company does not use futures, options, credit, currency swaps, currency forwards, foreign currency denominated debts or equity derivatives in any of its cash flow hedge accounting relationships.

As of December 31, 2024, the following table provides the financial statement classification and impact of derivatives used in qualifying hedge relationships, including the offset of the hedged item in fair value hedge relationships (in thousands):

Derivatives Designated as Cash Flow Hedges	Location of Gain (Loss) Recognized in OCI	Amount Recognized in OCI (Effective Portion)	Location of Gain (Loss) Reclassified from OCI to Earnings (Effective Portion)	Amount Reclassified from OCI to Earnings (Effective Portion)	Amount of Gain (Loss) Recognized in Earnings (Ineffective Portion)
Interest Rate Swap	Other Comprehensive Income	\$ 1,543	Interest Expense	\$ 116	-

Derivatives Designated as Cash Flow Hedges	Balance Sheet Location	Fair Value as of Reporting Date
Interest Rate Swap	Derivative Assets	\$ 1,659

NOTE 6 – REINSURANCE

The Company reinsures certain risks assumed in the normal course of business. Effective March 2018, for certain indexed universal life products, the Company may retain up to \$4 million of risk on an individual life. For other individual life products sold on or after August 16, 2004, the Company generally retains no more than \$2 million of risk on any person (excluding accidental death benefits and dividend additions). For individual life products sold after 2001 but prior to August 16, 2004, the Company generally retains no more than \$1 million of risk on any person (excluding accidental death benefits and dividend additions). On individual life business issued prior to 2002, the Company generally retains no more than \$3 million of risk (excluding accidental death benefits and dividend additions). Reinsurance for life, annuity and disability products are ceded under yearly renewable term, coinsurance, modified coinsurance, and funds withheld agreements with various reinsurers for a total reinsurance recoverable (including deposit asset) of \$4.8 billion and \$139.6 million as of December 31, 2024 and 2023, respectively.

Effective January 1, 2023, new issuances of certain of our indexed universal life products are subject to a quota share modified coinsurance arrangement with an unaffiliated reinsurer. The quota share ceded is currently 10% and may be adjusted for future sales. As the ceding company we retain the reserves, as well as the assets backing those reserves, and the reinsurer shares proportionally in all financial terms of the reinsured policies based on their respective percentage of the risk.

On April 18, 2024, LSW executed a funds withheld coinsurance agreement with AeCe, effective as of April 1, 2024 (“AeCe Reinsurance Agreement”). 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

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 6 – REINSURANCE (continued)

prior to December 31, 2026 as long as the consent of both parties exists. The ceded reserves and funds withheld balance as of December 31, 2024 were \$5.0 billion.

AeCe procured LOCs from third-party financial institutions to support AeCe's obligations under the AeCe Reinsurance Agreement, with LSW as the beneficiary. The face amount of the LOCs as of December 31, 2024 were \$87.5 million.

The effects of reinsurance for the years ended December 31, 2024 and 2023, were as follows (in thousands).

	2024	2023
Insurance premiums:		
Direct	\$ 440,524	\$ 413,488
Reinsurance assumed	171	175
Reinsurance ceded	(34,191)	(37,292)
Total insurance premiums	<u>\$ 406,504</u>	<u>\$ 376,371</u>
Increase (decrease) in policy liabilities:		
Direct	\$ 15,128	\$ 12,710
Reinsurance assumed	—	—
Reinsurance ceded	33,053	37,461
Total increase in policy liabilities	<u>\$ 48,181</u>	<u>\$ 50,171</u>
Policy benefits:		
Direct	\$ 788,886	\$ 743,473
Reinsurance assumed	(21,611)	151
Reinsurance ceded	(39,069)	(64,153)
Total policy benefits	<u>\$ 728,206</u>	<u>\$ 679,471</u>
Policyholders' dividends:		
Direct	\$ 19,550	\$ 21,035
Reinsurance ceded	(18)	(20)
Total policyholders' dividends	<u>\$ 19,532</u>	<u>\$ 21,015</u>

The Company remains liable in the event any reinsurer is unable to meet its assumed obligations. The Company regularly evaluates the financial condition of its reinsurers and concentrations of credit risk of reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company's largest reserve credit as of December 31, 2024 was with AeCe ISA Ltd. for \$5.4 billion. The Company's largest reserve credit as of December 31, 2023 was with Hannover Life Reinsurance Company of America for \$515.2 million. Total life insurance in force subject to reinsurance as of December 31, 2024 and 2023, was approximately \$387.4 billion and \$334.4 billion, respectively.

The Company assumes a small amount of reinsurance from other companies. These reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses and provide additional capacity for growth.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 7 – DEFERRED POLICY ACQUISITION COSTS

The table below reflects the changes in the deferred policy acquisition costs asset for the years ended December 31, 2024 and 2023.

(in thousands)

	2024	2023
Balance, beginning of year	\$ 4,434,425	\$ 4,297,579
Acquisition costs deferred	1,105,935	922,450
Amortization	(590,919)	(543,327)
Adjustment through other comprehensive income	84,395	(242,277)
Balance, end of year	<u>\$ 5,033,836</u>	<u>\$ 4,434,425</u>

The components of the sales inducement asset ("SIA") are shown below (amounts in millions):

	SIA	
	2024	2023
Beginning of year	\$ 239.4	\$ 226.1
Deferral	56.7	35.2
Amortization and assumption changes, net	(35.3)	(21.9)
End of year	<u>\$ 260.8</u>	<u>\$ 239.4</u>

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 8 – FEDERAL INCOME TAXES

The Company files income tax returns in the U.S. federal and certain state jurisdictions. The Company is not subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2021.

The components of federal income taxes and a reconciliation of the expected and actual federal income taxes and income tax rates for the years ended December 31 were as follows (in thousands):

	2024		2023	
	Amount	Rate	Amount	Rate
Current	\$ 76,032		\$ 283,768	
Deferred	71,519		(221,331)	
Total income tax expense	<u>\$ 147,551</u>		<u>\$ 62,437</u>	
Expected income taxes	\$ 151,439	21.0 %	\$ 58,774	21.0 %
Dividends received deduction	(788)	(0.1)	(1,151)	(0.4)
Affordable housing tax credits	(13,945)	(1.9)	(15,567)	(5.6)
Corporate owned life insurance	(5,205)	(0.7)	(5,755)	(2.1)
State income taxes	2,619	0.4	12,278	4.4
Other, net	1,788	0.1	(1,042)	(0.4)
Total without amortization	<u>\$ 135,908</u>		<u>\$ 47,537</u>	
Effective rate without amortization		<u>18.8 %</u>		<u>17.0 %</u>
Affordable housing tax credit amortization	\$ 11,643	1.6 %	\$ 14,900	5.3 %
Total income tax expense	<u>\$ 147,551</u>		<u>\$ 62,437</u>	
Effective federal income tax rate		<u>20.4 %</u>		<u>22.3 %</u>

The Inflation Reduction Act (“IRA”) was enacted on August 16, 2022. The IRA includes a new corporate alternative minimum tax (“CAMT”) that goes into effect for tax years beginning after 2022. Based on guidance issued through Notice 2023-64 on September 12, 2023 and the proposed regulations on September 12, 2024, the Corporation falls under the applicable financial statement income threshold and therefore is considered a nonapplicable reporting entity in 2024. A nonapplicable reporting entity does not reasonably expect to be subject to the CAMT for the current reporting period and is not required to recognize a payable for the CAMT or further assess the impact of the CAMT on current or deferred tax computations.

As of 2024, there are no unrecognized tax benefits for the Company. It is likely there will be no significant change in the amount of unrecognized tax benefits within the next twelve months.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense. The Company did not have any interest or penalties accrued at December 31, 2024 and 2023.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 8 – FEDERAL INCOME TAXES (continued)

Components of net deferred income tax liabilities at December 31 were as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Deferred income tax assets:		
Net UCG AFS debt/equity securities	\$ 592,398	\$ 508,647
Policy liabilities	738,949	736,470
Pension and other employee benefits	49,134	44,645
Loss carryforwards	6,457	4,372
Total deferred income tax assets	1,386,938	1,294,134
Deferred income tax liabilities:		
Deferred policy acquisition costs	775,326	694,292
Debt/equity securities	30,750	31,880
Other invested assets	32,563	38,311
Property and equipment	11,051	9,995
Other	7,269	4,207
Total deferred income tax liabilities	856,959	778,685
Total net deferred income tax assets	<u>\$ 529,979</u>	<u>\$ 515,449</u>

ASC 740 outlines the requirement to reduce the measurement of deferred tax assets that are not expected to be realized in the form of a valuation allowance. Recent changes in market conditions, including rising interest rates, created significant net unrealized losses in the company's available for sale debt security portfolio. The resulting deferred tax assets are due to these unrealized losses, which are capital in nature and if realized, are generally only deductible to the extent of realized capital gains. When evaluating the need for a valuation allowance, the company assessed their ability and intent to hold the underlying securities to recovery. After weighing all positive and negative evidence, including management's assertion that the available for sale debt security portfolio will be held to recovery, no valuation allowance is necessary at December 31, 2024.

At December 31, 2024, the Company has \$6.5 million of federal net operating loss carryforwards with no expiration date and no tax credit carryforwards.

NOTE 9 – BENEFIT PLANS

The Company sponsors a qualified defined benefit pension plan covering nearly all employees. The plan is non-contributory, with benefits for National Life employees hired prior to July 1, 2001, based on an employee's retirement age, years of service and compensation near retirement. Benefits for National Life employees hired after June 30, 2001, and other Company employees, are based on the amount credited to the employee's account each year, which is a factor of the employee's age, service and compensation, increased at a specified rate of interest. The plan was closed to new employees hired on or after January 1, 2021.

The Company also sponsored a frozen non-contributory qualified defined benefit plan that provided benefits to employees in the career channel general agencies. The plan was amended effective January 1, 2004, to freeze plan benefits. No new participants were admitted to the plan after December 31, 2003, and there were no increases in benefits after December 31, 2003, for existing participants. These pension plans were separately funded. Plan assets were primarily mutual funds and bonds held in a Company separate account and funds invested in a group variable annuity contract held in the general account of National Life. None of the securities held in the Company's separate account were issued by the Company. The plan was terminated effective July 31, 2023.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

The Company sponsors other pension plans, including a non-contributory defined benefit plan for National Life affiliated general agents who met the eligibility requirements to enter the plan prior to January 1, 2005, and a non-contributory defined supplemental benefit plan for certain executives. These defined benefit pension plans are non-qualified and are not separately funded.

The Company sponsors defined benefit postemployment plans that provide medical benefits to employees, agency staff and agents. Medical coverage is contributory; with retiree contributions adjusted annually and contain cost sharing features such as deductibles and copayments. The postemployment plans are not separately funded, and the Company, therefore, pays for plan benefits from operating cash flows. The costs of providing these benefits are recognized as they are earned by employees.

The Company also sponsors various defined contribution and deferred compensation plans. The Company provides employees with a 401(k) plan. Under the Company's 401(k) plan for employees, eligible employees earning less than a specified amount and hired prior to January 1, 2021 receive a 75% match up to 6% of an employee's salary, subject to maximum contribution guidelines. Employees earning more than the specified amount receive a 50% match up to 6% of an employee's salary, subject to maximum contribution guidelines. Employees hired on or after January 1, 2021 will receive a 100% match up to 6% of an employee's salary, subject to maximum contribution guidelines. Additional employee voluntary contributions may be made to the plans subject to contribution guidelines. Vesting and withdrawal privilege schedules are attached to the Company's matching contributions. Effective January 1, 2016, agency employees became a part of the employee 401(k) plan with the same matching contributions as home office employees.

The Company also provides a 401(k) plan for its regular full-time agents. The Company makes an annual contribution equal to 6.1% of an agent's compensation up to the Social Security Taxable Wage Base plus 7.5% of the agent's compensation in excess of the Social Security Taxable Wage Base. In addition, the agent may elect to defer a portion of the agent's compensation, up to the legal limit on elective deferrals, and have that amount contributed to the plan. Total annual contributions cannot exceed certain limits which vary based on total agent compensation.

For all of the Company's 401(k) plans, accumulated funds may be invested in a group annuity contract issued by National Life or in mutual funds. These plans are not separately funded. Costs associated with these plans are included in operating expenses. Liabilities for these plans are included in pension and other post-retirement benefit obligations.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

Information with respect to the defined benefit plans as of and for the years ended December 31, 2024 and 2023, was as follows (in thousands):

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 395,331	\$ 398,621	\$ 16,398	\$ 16,181
Service cost for benefits earned during the period	4,837	4,964	105	141
Interest cost on benefit obligation	19,141	19,585	796	817
Plan participants' contributions	—	—	413	481
Actuarial (gains) losses	(12,617)	9,671	(968)	552
Settlement/curtailment	(5,332)	(11,865)	—	—
Benefits paid	(25,128)	(25,645)	(1,413)	(1,774)
Benefit obligation, end of year	376,232	395,331	15,331	16,398
Change in plan assets:				
Plan assets, beginning of year	322,814	322,131	—	—
Actual return on plan assets	(681)	25,272	—	—
Employer contributions	17,304	13,475	1,000	1,293
Settlement/curtailment	(5,331)	(12,419)	—	—
Plan participants' contributions	—	—	413	481
Benefits paid	(25,128)	(25,645)	(1,413)	(1,774)
Plan assets, end of year	308,978	322,814	—	—
Funded Status	\$ (67,254)	\$ (72,517)	\$ (15,331)	\$ (16,398)

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Amounts recognized in the Consolidated Balance Sheets as of December 31:				
Pension and other post-retirement benefit obligations liability	\$ (39,633)	\$ (38,816)	\$ 20,595	\$ 21,520
Accumulated other comprehensive income	106,887	111,333	(5,264)	(5,122)
Net amount recognized	\$ 67,254	\$ 72,517	\$ 15,331	\$ 16,398
Pension and other post-retirement benefit obligations liability	\$ (67,254)	\$ (72,517)	\$ (15,331)	\$ (16,398)
Amounts recognized in accumulated other comprehensive income consists of:				
Net actuarial loss (gain)	\$ 106,887	\$ 111,333	\$ (5,264)	\$ (5,122)
Net prior service cost	31	45	—	—
	\$ 106,918	\$ 111,378	\$ (5,264)	\$ (5,122)

The actuarial losses included in the December 31, 2024, for the defined benefit obligation resulted from an increase in salaries, retiree longevity and increase in lump sum retiree payments. The actuarial gain for the other benefit obligation resulted from an increase in the discount rate during the same period.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

The total accumulated benefit obligation (“ABO”), the accumulated benefit obligation and fair value of plan assets for the Company’s pension plans with accumulated benefit obligations in excess of plan assets, and the projected benefit obligation (“PBO”) and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets as of the measurement date was as follows as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Total Accumulated Benefit Obligation	\$ 355,976	\$ 375,256
Plans with ABO in excess of plan assets:		
ABO	355,976	375,256
Fair value of plan assets (1)	308,978	322,806
Plans with PBO in excess of plan assets:		
PBO	376,232	395,331
Fair value of plan assets (1)	308,978	322,806

(1) The difference to total plan assets shown on the prior page is due to accrual for income and liabilities that are not carried at fair value.

The components of net periodic benefit cost for the years ended December 31, 2024 and 2023, were as follows (in thousands):

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Service cost for benefits earned during the period	\$ 4,837	\$ 4,964	\$ 105	\$ 141
Interest cost on benefit obligation	19,141	19,585	796	817
Expected income on plan assets	(17,891)	(18,163)	—	—
Net amortization of actuarial losses (gains)	8,992	9,556	(826)	(1,187)
Amortization of prior service benefits and plan amendments	1,409	14	—	—
Net periodic benefit cost (included in operating expenses)	\$ 16,488	\$ 15,956	\$ 75	\$ (229)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (in thousands):

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Net (loss) gain	\$ (5,956)	\$ (2,562)	\$ 968	\$ (552)
Amortization of loss (gain)	8,992	9,556	(826)	(1,187)
Recognition of settlement loss	1,409	—	—	—
Amortization of prior service cost (benefits)	—	14	—	—
Total recognized in other comprehensive income	\$ 4,445	\$ 7,008	\$ 142	\$ (1,739)

The actuarial assumptions used in determining benefit obligations at the measurement dates were as follows:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Discount rate	4.95% - 5.60%	4.65% - 5.05%	5.30% - 5.60%	4.85% - 5.05%
Rate of increase in future compensation levels	4.0% - 5.0%	4.0% - 5.0%		
Interest crediting rate	4.88%	4.88%		

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

The weighted-average assumptions used to determine net periodic benefit cost:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Discount rate	4.65% - 5.05%	5.25%	4.85% - 5.05%	5.25%
Rate of increase in future compensation levels	4.0% - 5.0%	4.0% - 5.0%		
Expected long term return on plan assets	5.80%	6.00%		
Interest crediting rate	4.88%	4.88%		

Included in the pension and other post-retirement benefit obligations liability as reported on the Consolidated Balance Sheets are deferred compensation and employee disability liabilities of \$115.9 million and \$94.7 million as of December 31, 2024 and 2023, respectively.

The assumed weighted average health care trend rate for next year is 6.25%. The ultimate health care cost trend rate is 4.50% and is expected to be achieved in 2035. Trend rates are developed and reviewed annually based on discussions with various carriers and a comprehensive review of available surveys.

The Company uses the straight-line method of amortization for prior service cost and unrecognized gains and losses.

The percentage distribution of the fair value of total plan assets held as of the measurement date is as follows:

Plan Asset Category	December 31, 2024	December 31, 2023
Fixed income	90%	90%
Group annuity contract and other	10%	10%
Total	100%	100%

The primary objective is to maximize long-term total return within the investment policy and guidelines. The Company's investment policy for the plan assets associated with the separately funded plans is to maintain a target allocation of approximately 90%-100% fixed income and 0–10% alternative investments when measured at fair value.

The Company's expected future long-term rate of return is 5.80% for the home office employee plan is based upon the combination of current asset mix of partnerships and fixed income, the Company's historical and projected experience and on long-term projections by investment research organizations.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

The concentrations of credit risk associated with the plan assets are shown in the table below (in thousands):

		2024	2023
Fixed income	Aerospace/Defense	\$ 11,971	\$ 11,132
	Airlines	445	463
	Airports	4,256	4,331
	Automotive	2,304	2,946
	Banking	29,309	30,134
	Cable	4,941	5,358
	Chemicals	1,936	4,118
	Consumer products	3,227	3,309
	Food and Beverage	13,396	17,502
	Government agency	3,376	3,528
	Health Care	9,608	10,807
	Housing	17,863	19,066
	Insurance - Health	3,082	3,345
	Insurance - Property and Casualty	13,025	13,994
	Insurance - Life	4,515	4,839
	Independent	2,095	2,214
	Integrated	5,235	3,655
	Local authorities	7,722	7,772
	Machine Construction	1,471	1,660
	Manufacturing	5,931	4,900
	Media	3,298	3,750
	Metals/Mining	8,149	7,746
	Midstream	862	1,176
	Pharmaceuticals	17,345	18,456
	Railroads	8,583	9,259
	Real Estate Investment Trusts	8,264	5,197
	Retailers	11,927	12,836
	Technology	25,795	26,088
	Transportation	4,010	4,345
	Utilities	32,269	31,309
	Wireless	5,004	5,365
	Wirelines	5,163	6,379
	Total fixed income	276,377	286,979
Partnerships		21,717	24,957
Cash		986	4
Short term cash equivalents		6,073	7,305
Group annuity		650	533
	Total Investments (1)	\$ 305,803	\$ 319,778

(1) The difference to total plan assets of \$308,978 in 2024 and \$322,814 for 2023 shown in the changes in plan assets are accruals for income and liabilities.

The assets of the Company's separately funded pension plans are held in the Company's separate account.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

The valuation techniques used for the plan assets are:

Corporates – Corporate bonds are valued using cash flow models based on appropriate observable inputs such as market quotes, yield curves, interest rates and spreads. Corporate bonds are categorized as Level 2 in the fair value hierarchy. Bond mutual funds that have a readily determinable NAV are not categorized in the fair value hierarchy.

Partnerships - Investments in limited partnerships do not have a readily determinable fair value, and, as such, the Company values them at its pro-rata share of the limited partnership's NAV, or its equivalent. Investments in limited partnerships are not categorized in the fair value hierarchy.

Short-term cash equivalents – Short-term investments include money market accounts that are carried at NAV which approximates fair value. Investments in short term cash equivalents are not categorized in the fair value hierarchy.

Group annuity - This category consists of an investment in a National Life group variable annuity contract. The contract is carried at amortized cost, which approximates fair value. These assets are categorized in Level 2 of the hierarchy.

The valuation of plan assets as of December 31, 2024 and 2023, is as follows (in thousands):

2024 Fair Value	Level 1	Level 2	Level 3	Total
Assets				
Corporates ⁽¹⁾	\$ —	\$ 279,552	\$ —	\$ 279,552
Cash	986	—	—	986
Group annuity	—	650	—	650
Total Plan Assets ⁽¹⁾	\$ 986	\$ 280,202	\$ —	\$ 281,188

2023 Fair Value	Level 1	Level 2	Level 3	Total
Assets				
Corporates ⁽¹⁾	\$ —	\$ 290,084	\$ —	\$ 290,084
Cash	4	—	—	4
Group annuity	—	533	—	533
Total Plan Assets ⁽¹⁾	\$ 4	\$ 290,617	\$ —	\$ 290,621

1. In accordance with Topic 820, certain investments that are measured at fair value using NAV (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. As of December 31, 2024, the fair value of these investments in partnerships and short-term cash equivalents were \$21,717 and \$6,073, respectively. As of December 31, 2023, the fair value of these investments in partnerships and short-term cash equivalents were \$24,957 and \$7,305, respectively.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 9 – BENEFIT PLANS (continued)

Projected benefit payments for defined benefit obligations for each of the five years following December 31, 2024, and in aggregate for the five years thereafter is as follows (in thousands):

<u>Year</u>	<u>Projected Pension Benefit Payments</u>	<u>Projected Other Benefit Payments</u>
2025	\$ 28,550	\$ 1,239
2026	27,920	1,225
2027	28,211	1,222
2028	29,479	1,198
2029	29,249	1,154
2030-2034	144,060	5,450

The Company's general policy is to contribute the regulatory minimum required amount into its separately funded defined benefit pension plan. However, the Company may elect to make larger contributions subject to maximum contribution limitations. The Company's expected contribution for 2025 into its separately funded defined benefit pension plans is anticipated to be up to \$5 million.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 10 – DEBT

Debt consists of the following (in thousands):

	2024	2023
7.5% Senior Notes:	\$ 198,903	\$ 198,779
\$200 million, maturing August 2033, interest payable semiannually on February 15 and August 15. The notes are unsecured and subordinated to any existing or future indebtedness of NLVF and its subsidiaries.		
6.5% Senior Notes:	67,653	67,617
Original issue of \$75 million, maturing March 2035, interest payable semiannually on March 15 and September 15. The notes are unsecured and subordinated to any existing or future indebtedness of NLVF and its subsidiaries. In 2009, the Company's subsidiary, National Life repurchased \$7.0 million of the senior notes. Interest paid to the subsidiary is eliminated in consolidation.		
10.5% Surplus Notes:	166,745	166,656
Original issue of \$200 million, maturing September 15, 2039, interest payable semiannually on March 15 and September 15. The notes are unsecured and subordinated to any existing or future indebtedness of National Life.		
5.25% Surplus Notes:	484,181	483,852
\$500 million, maturing July 19, 2068, interest payable semiannually on January 19 and July 19. The notes are unsecured and subordinated to any existing or future indebtedness of National Life.		
Total debt	<u>\$ 917,482</u>	<u>\$ 916,904</u>

In July 2018, National Life issued surplus notes with a principal balance of \$350 million that mature in 2068. These surplus notes will accrue interest at a fixed rate of 5.25% until July 18, 2048, and thereafter at a floating rate equal to the Three-month USD LIBOR rate, or applicable LIBOR benchmark successor rate with an additional spread adjustment, plus 3.314%. The surplus notes are redeemable by National Life on or after July 19, 2048. In July 2018, National Life also completed an exchange transaction, in which it issued an additional \$22.1 million of the 5.25% surplus notes in exchange for its 10.5% surplus notes, originally issued in 2009, with a principal balance of \$12.8 million. The discount at the time of the exchange, \$9.3 million, will be recognized in interest expense over the life of the 5.25% surplus notes. In April 2019, National Life issued an additional \$128 million of the 2068 5.25% surplus notes, which brought the total of that issuance to \$500 million.

Interest paid on the 7.5% senior notes was \$15.0 million in 2024 and 2023. Interest paid on the 6.5% senior notes was \$4.9 million in 2024 and 2023. Interest paid on the 10.5% surplus note was \$17.6 million in 2024 and 2023. Interest paid on the 5.25% surplus note was \$26.3 million in 2024 and 2023.

Subject to state regulatory limits and collateral requirements, National Life and LSW have secured asset-borrowing capacity available from FHLB Boston and FHLB Dallas, respectively. For additional information on FHLB, see Note 2.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 10 – DEBT (continued)

Facility Agreement for Senior Notes Issuance

In October 2021, NLVF entered into a 30-year facility agreement with a Delaware trust in connection with the sale by the Delaware trust of \$750 million of pre-capitalized trust securities in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The Delaware trust invested the proceeds from the sale of the Delaware trust securities in a portfolio of principal and interest strips of U.S. Treasury securities. The facility agreement provides the Company the right to issue and sell to the Delaware trust up to an aggregate principal amount outstanding at any one time of \$750 million of NLVF's 4.161% Senior Notes due August 15, 2051, in exchange for a corresponding amount of U.S. Treasury securities held by the Delaware trust. NLVF's 4.161% Senior Notes will not be issued unless and until the issuance right is exercised. In return, NLVF pays a semi-annual facility fee to the Delaware trust at a rate of 2.0665% per year (applied to the unexercised portion of the maximum amount of Senior Notes that NLVF could issue and sell to the Delaware trust), and NLVF reimburses the Delaware trust for its expenses. The facility fees paid were \$15.5 million in each of 2024 and 2023.

The issuance right will be exercised automatically in full upon our failure to make certain payments to the Delaware trust, such as paying the facility fee, reimbursing the Delaware trust for its expenses, or paying for any defaulted assets required to be purchased at their face amount from the Delaware trust, if the failure to pay is not cured within 30 days, or upon certain bankruptcy events involving NLVF. The Company is also required to exercise the issuance right in full if NLVF's consolidated net worth has fallen below \$1.0 billion, subject to adjustment from time to time in certain cases, and upon certain other events described in the facility agreement.

Prior to any involuntary exercise of the issuance right, NLVF has the right to repurchase any or all of the 4.161% senior notes then held by the Delaware trust in exchange for a corresponding amount of U.S. Treasury securities. At any time and from time to time prior to February 15, 2051, NLVF may redeem any outstanding senior notes, in whole or in part, at a redemption price equal to the greater of par or a make-whole price, or thereafter, at par. 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.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company is subject, in the ordinary course of business, to claims, litigation, arbitration proceedings and governmental examinations. Although the Company is not aware of any actions, proceedings or allegations that reasonably should give rise to a material adverse impact to the Company's financial position or liquidity, the outcome of any particular matter cannot be foreseen with certainty. It is the opinion of management that the ultimate resolution of these matters will not materially impact the Company's financial condition.

The Company is also involved in class action or putative class action litigation.

On April 30, 2020, two individuals filed a Consolidated Class Action Complaint in a lawsuit pending in the U.S. District Court for the Northern District of California and captioned In re PFA Insurance Marketing Litigation. Plaintiffs brought claims against Premier Financial Alliance, Inc. ("PFA"), an independent marketing organization with which LSW does business, for alleged violations of the California Unfair Competition and Endless Chain Scheme Laws and New Jersey Consumer Fraud Act and alleged that LSW should be held liable as a result of its business relationship with PFA. The Company strongly disputes these allegations and contested them vigorously. The parties reached an agreement to settle the lawsuit on a class basis, and it has been resolved. The Company did not concede or admit any wrongdoing or liability as part of the settlement and

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

continues to deny each, any and all allegations of wrongdoing, fault, liability, or damage whatsoever that were or could have been asserted in the lawsuit.

The Company has a multi-year contract with NTT Data, Inc. which expires September 30, 2028. The contract provides data processing, application development, information systems application and infrastructure services from NTT Data. The Company paid \$56.9 million and \$44.4 million under this contract in 2024 and 2023, respectively.

The Company has a multi-year contract with I-Pipeline which expires December 31, 2026. The contract provides business support through electronic applications. Application development is provided under separate agreements. The Company paid \$8.0 million and \$5.4 million under this contract in 2024 and 2023, respectively.

The Company has a multi-year contract with Cognizant which expires June 30, 2029. The contract provides application support, application development and Quality Assurance (QA") services. The Company paid \$20.4 million and \$18.0 million under this contract in 2024 and 2023, respectively.

The Company has a multi-year contract with Microsoft which expires June 30, 2025. The contract provides software licenses to Microsoft end-user and data center products. The Company paid \$8.7 million and \$6.8 million under this contract in 2024 and 2023, respectively.

The Company signed a multi-year contract with Salesforce.com which expires January 31, 2024. The contract provides customer relationship management application licenses and support. The Company paid \$1.3 million under this contract in 2024 and 2023.

The Company has a multi-year contract with Ultimate Software Group which expires December 31, 2027. The contract provides agent/agency and employee payroll services and support. The Company paid \$3.0 million and \$1.6 million under this contract in 2024 and 2023, respectively.

The Company has a multi-year contract with Zinnia Tech Solutions, LLC which expires February 26, 2026. The contract provides services for managing annuity and life products. Build services are provided under separate agreements. The Company paid \$2.1 million and \$1.4 million under this contract in 2024 and 2023, respectively.

As a lessee, the Company leases office space and office equipment under various operating leases. Lease assets and liabilities are recognized at the commencement of a lease based on the present value of lease payments over the lease term. The Company elected to adopt the package of practical expedients allowed in ASU 842. The Company applies a risk-free rate as the discount rate when determining lease classification and valuing the right of use assets and lease liabilities. Leases for office facilities contain options for renewals that may be exercised.

NLV Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

The lease assets and liabilities as of December 31, 2024 and 2023, were as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Assets		
Operating lease assets (1)	\$ 23,297	\$ 23,336
Total lease assets	<u>\$ 23,297</u>	<u>\$ 23,336</u>
Liabilities		
Operating lease liabilities (2)	\$ 27,645	\$ 27,940
Total lease liabilities	<u>\$ 27,645</u>	<u>\$ 27,940</u>

(1) Operating lease assets are primarily reported within Other assets on the Consolidated Balance Sheets.

(2) Operating lease liabilities are reported within Other liabilities and accrued expenses on the Consolidated Balance Sheets.

The lease cost for the year ended December 31, 2024 and 2023, was as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Operating lease cost (1)	5,648	6,085
Total lease cost	<u>\$ 5,648</u>	<u>\$ 6,085</u>

(1) Operating lease costs are primarily included in Operating expenses on the Consolidated Statements of Comprehensive Income.

Payments for operating leases were for the year ended December 31, 2024, were \$6.3 million.

The following represents future payments due by period for lease obligations (in thousands):

	<u>Operating leases</u>
For the year ending December 31:	
2025	\$ 6,401
2026	6,297
2027	5,927
2028	5,815
2029	4,089
Thereafter	1,151
Total lease payments	29,680
Less: interest	(2,035)
Present value of lease liabilities	<u>\$ 27,645</u>

The weighted-average remaining lease term and weighted-average discount rate as of December 31, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term (in years):		
Operating leases	4.8	5.4
Weighted-average discount rate:		
Operating leases	2.88 %	2.44 %

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NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

The Company had unfunded mortgage loan, partnership and AFS debt security commitments of \$191.4 million, \$599.5 million and \$926.1 million, respectively, at December 31, 2024. Partnership commitments may be called by the partnership during the commitment period (on average two to five years) to fund the purchase of new investments and partnership expenses. Once the commitment period expires, the Company is under no obligation to fund the remaining unfunded commitment but may elect to do so. However, the Company may elect to fund the remaining unfunded commitment. The liability for expected credit losses related to these unfunded mortgage loan commitments is reported in miscellaneous liabilities. The liability is measured in the manner as the funded mortgage loan portfolio. As of December 31, 2024, the amount of the liability for expected credit losses of unfunded commitments is \$0.3 million.

Alternative Sources of Liquidity

In October 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. This agreement provides an alternative source of liquid assets that the Company can access at its discretion. For additional details, see Note 10.

NOTE 12 – NATIONAL LIFE CLOSED BLOCK

National Life established and began operating the Closed Block on January 1, 1999. The Closed Block was established pursuant to regulatory requirements as part of the reorganization into a mutual holding company corporate structure. The Closed Block was established for the benefit of holders of certain of National Life's individual participating life insurance and annuity policies in force at December 31, 1998. The Closed Block is designed to give reasonable assurance to holders of policies in the Closed Block that assets will be available to provide for payment of policy benefits, including the continuation of dividends throughout the life of such policies based upon the 1998 dividend scale if the experience underlying such dividend scale (including portfolio interest rates) continues as it was in 1998, and for appropriate adjustment in such dividend scale if the experience changes. The Closed Block is expected to remain in effect until all policies within the Closed Block are no longer in force. Assets assigned to the Closed Block at January 1, 1999, together with projected future premiums and investment returns, are reasonably expected to be sufficient to pay out all future Closed Block policy benefits, expenses and taxes. Such benefits include dividends paid out under the current dividend scale, adjusted to reflect future changes in the underlying experience. The assets and liabilities allocated to the Closed Block are recorded in the Company's financial statements on the same basis as other similar assets and liabilities. National Life remains contingently liable for all contractual benefits and expenses of the Closed Block.

If actual cumulative Closed Block earnings are greater than expected cumulative earnings, only the expected earnings will be recognized in net income of the Company. Actual cumulative earnings in excess of expected earnings represent undistributed earnings attributable to Closed Block policyholders.

These excess earnings are recorded as a policyholder dividend obligation (included in policyholders' dividend liability) to be paid to Closed Block policyholders unless offset by future results that are less than expected. If actual cumulative performance is less favorable than expected, only actual earnings will be recognized in income. Unrealized gains in the Closed Block generated a policyholder dividend obligation through accumulated other comprehensive income of \$0 at December 31, 2024 and 2023. The total policyholder dividend obligation at December 31, 2024 and 2023, was \$0.

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NOTE 12 – NATIONAL LIFE CLOSED BLOCK (continued)

Summarized financial information for the Closed Block effects included in the consolidated financial statements as of December 31, 2024 and 2023, and for the years ended December 31, 2024 and 2023 is as follows (in thousands):

	2024	2023
Liabilities:		
Policy liabilities and accruals	\$ 2,230,542	\$ 2,353,736
Other liabilities	2,710	530
Total liabilities	<u>\$ 2,233,252</u>	<u>\$ 2,354,266</u>
Assets:		
Cash	\$ 744	\$ 154
Short-term investments	1,660	690
Available-for-sale debt securities	1,504,976	1,653,546
Mortgage loans	94,036	98,351
Policy loans	233,670	240,195
Accrued investment income	22,934	23,193
Premiums and fees receivable	4,287	2,073
Other assets	37,609	28,038
Total assets	<u>\$ 1,899,916</u>	<u>\$ 2,046,240</u>
Excess of reported liabilities over assets	\$ 333,336	\$ 308,026
Accumulated other comprehensive loss represented above	(183,477)	(144,186)
Unrealized loss and liabilities	<u>\$ 149,859</u>	<u>\$ 163,840</u>
	2024	2023
Revenues:		
Insurance premiums and other income	\$ 40,068	\$ 45,434
Net investment income	86,551	89,873
Net investment (losses) gains	1,263	(5,206)
Total revenues	<u>\$ 127,882</u>	<u>\$ 130,101</u>
Benefits and Expenses:		
Decrease in policy liabilities	(98,109)	(107,654)
Policy benefits	187,125	210,751
Policyholders' dividends and dividend obligations	12,413	14,494
Interest credited to policyholder account liabilities	4,538	4,860
Operating expenses	3,665	3,043
Commission expenses	504	554
Total benefits and expenses	<u>\$ 110,136</u>	<u>\$ 126,048</u>
Pre-tax results of operations	17,746	4,053
Income tax expense	3,765	851
Closed Block results of operations	<u>\$ 13,981</u>	<u>\$ 3,202</u>
Excess of reported Closed Block liabilities over Closed Block assets:		
Beginning of year	163,840	167,065
Closed Block results of operations	13,981	3,202
Effect of implementation of ASU 2016-13, net	—	23
End of year	<u>\$ 149,859</u>	<u>\$ 163,840</u>

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NOTE 12 – NATIONAL LIFE CLOSED BLOCK (continued)

Amortized cost of available-for-sale debt securities held by the Closed Block was \$1.7 billion and \$1.8 billion at December 31, 2024 and 2023, respectively.

Participating insurance in force within the Closed Block at December 31, 2024 and 2023, was \$3.7 billion and \$3.9 billion, respectively.

Many expenses related to Closed Block policies and operations, including amortization of policy acquisition costs, are charged to operations outside the Closed Block; accordingly, the contribution from the Closed Block presented above does not represent the actual profitability of the Closed Block operations. Operating costs and expenses outside the Closed Block are therefore disproportionate to the actual business outside the Closed Block.

NOTE 13 – STATUTORY INFORMATION AND RESTRICTIONS

The Company's insurance operations, domiciled in the states of Vermont (National Life, Catamount and Longhorn) and Texas (LSW), prepare statutory financial statements in accordance with statutory accounting principles ("SAP") prescribed or permitted by the insurance departments of the states of domicile. Prescribed statutory accounting principles include the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners ("NAIC") as well as state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled in a particular state. Permitted statutory accounting practices include practices not prescribed by the domiciliary state but allowed by the domiciliary state regulatory authority. National Life and LSW do not have any permitted practices. Catamount and Longhorn have permitted practices approved by the State of Vermont. As of December 31, 2024, Longhorn is considered a "dormant captive insurance company."

Longhorn paid a dividend to NLVF of \$49.2 million, comprised of cash and invested assets. LSW paid no dividends to National Life in 2024 or 2023. National Life paid a cash dividend to NLVF of \$50 million in both 2024 and 2023. For U.S. GAAP, the dividends were eliminated in consolidation. Dividends declared by National Life and LSW in excess of the greater of ten percent of statutory surplus or statutory net gain from operations require pre-approval by the Commissioner of the Vermont Department of Financial Regulation and Commissioner of the Texas Department of Insurance, respectively.

In 2024, there was a capital contribution totaling \$49.2 million from NLVF to National Life, which included a capital contribution of \$49.2 million, comprised of \$30.6 million cash and Bonds with a market value of \$18.6 million. No capital contributions occurred in 2023.

National Life's statutory surplus was \$3.28 billion (unaudited) and \$3.06 billion at December 31, 2024 and 2023, respectively. Statutory net income (loss) was a net loss of \$33.9 million (unaudited) and a net gain of \$62.6 million (unaudited) in 2024 and 2023, respectively.

LSW's statutory surplus was \$2.56 billion (unaudited) and \$2.31 billion at December 31, 2024 and 2023, respectively. Statutory net income (loss) was a net gain of \$91.3 million (unaudited) and a net gain of \$585.7 million (unaudited) in 2024 and 2023, respectively.

Pursuant to certain statutory requirements, as of December 31, 2024, National Life and LSW had securities on deposit with a statutory carrying value of \$7.8 million and \$3.3 million, respectively, in insurance department special deposit accounts.

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NOTE 14 – PARTICIPATING LIFE INSURANCE

Participating life insurance in force was 9.3% and 9.7% of the face value of total insurance in force at December 31, 2024 and 2023, respectively. The premiums on participating life insurance policies were 3.5% and 4.0% of total individual life insurance premiums in 2024 and 2023, respectively.