

CONSOLIDATED FINANCIAL STATEMENTS

SBL Holdings, Inc. and Subsidiaries
Years Ended December 31, 2024, 2023 and 2022
With Report of Independent Auditors

SBL Holdings, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2024, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
SBL Holdings, Inc.

Opinion

We have audited the consolidated financial statements of SBL Holdings, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the 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 that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Ernst & Young LLP

March 31, 2025

SBL Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
Assets		
Investments:		
Fixed maturities, available for sale (\$38,127.6 million and \$40,945.3 million in amortized cost for 2024 and 2023, respectively; includes \$322.2 million and \$1,722.0 million related to consolidated variable interest entities for 2024 and 2023, respectively; includes \$46.5 million and \$8.1 million in credit loss allowances for 2024 and 2023, respectively)	\$ 37,807,643	\$ 40,285,008
Fixed maturities, trading	376,922	412,450
Equity securities	993,616	705,296
Notes receivable from related parties	2,079,394	995,715
Mortgage loans	2,745,425	787,674
Policy loans	70,373	71,647
Cash and cash equivalents (includes \$42.5 million and \$30.3 million related to consolidated variable interest entities for 2024 and 2023, respectively)	3,905,070	1,647,403
Short-term investments	91,020	160,893
Call options	1,020,039	759,014
Other invested assets	2,131,919	1,878,736
Total investments	<u>51,221,421</u>	<u>47,703,836</u>
Accrued investment income (includes \$0.9 million and \$36.4 million related to consolidated variable interest entities for 2024 and 2023, respectively)	684,931	815,687
Accounts receivable	384,491	387,929
Reinsurance recoverable	10,979,006	9,604,904
Deferred income tax asset	174,847	95,616
Property and equipment, net	45,876	48,027
Deferred policy acquisition costs	1,317,253	1,353,554
Deferred sales inducement costs	632,484	507,436
Value of business acquired	827,995	993,546
Goodwill	114,127	114,127
Other assets	183,775	250,973
Separate account assets	6,579,840	5,785,040
Total assets	<u>\$ 73,146,046</u>	<u>\$ 67,660,675</u>

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
Liabilities and stockholders' equity		
Liabilities:		
Policy reserves and annuity account values	\$ 45,375,066	\$ 42,468,945
Funds withheld and held liability	9,514,659	8,082,827
Accounts payable and accrued expenses	539,672	141,649
Senior notes	1,577,830	941,240
Revolving credit facility	—	633,358
Delayed draw term loan	2,883	50,489
Surplus notes	113,170	114,299
Debt from consolidated variable interest entities	47,255	237,533
Option collateral	894,549	647,922
Other liabilities	657,401	570,297
Repurchase agreements	328,443	1,012,497
Separate account liabilities	6,579,840	5,785,040
Total liabilities	<u>65,630,768</u>	<u>60,686,096</u>
Stockholders' equity:		
Common stock ⁽¹⁾	—	—
Preferred stock	770,491	770,491
Contributed capital	2,339,595	2,339,595
Accumulated other comprehensive income (loss)	(128,964)	(238,209)
Retained earnings	4,394,102	4,096,922
Total SBL Holdings, Inc. stockholders' equity	<u>7,375,224</u>	<u>6,968,799</u>
Noncontrolling interest	140,054	5,780
Total stockholders' equity	<u>7,515,278</u>	<u>6,974,579</u>
Total liabilities and stockholders' equity	<u>\$ 73,146,046</u>	<u>\$ 67,660,675</u>

⁽¹⁾ \$.001 par value, 260,000,000 shares authorized, 1,000 issued and outstanding

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Revenues:			
Net investment income	\$ 3,257,385	\$ 2,836,141	\$ 2,037,235
Asset-based and administrative fees	147,640	129,157	129,470
Other product charges	273,455	245,708	237,615
Change in fair value of options, futures and swaps	459,480	184,326	(688,811)
Investment-related gains (losses)	(82,924)	(86,330)	245,759
Other revenues	112,316	117,723	97,238
Total revenues	<u>4,167,352</u>	<u>3,426,725</u>	<u>2,058,506</u>
Benefits and expenses:			
Index credits and interest credited to account balances	1,144,596	603,212	413,004
Change in fixed index annuity embedded derivative and related benefits	(81,719)	377,405	(354,962)
Other benefits	654,449	458,214	129,062
Total benefits	<u>1,717,326</u>	<u>1,438,831</u>	<u>187,104</u>
Other operating expenses	504,642	467,024	463,311
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired	525,415	393,092	89,576
Interest expense	313,509	257,922	149,491
Total benefits and expenses	<u>3,060,892</u>	<u>2,556,869</u>	<u>889,482</u>
Income before income tax expense	1,106,460	869,856	1,169,024
Income tax expense	224,300	174,474	227,632
Net income	<u>882,160</u>	<u>695,382</u>	<u>941,392</u>
Less: Net income attributable to noncontrolling interest	31,118	4,407	—
Net income attributable to SBL Holdings, Inc.	<u>\$ 851,042</u>	<u>\$ 690,975</u>	<u>\$ 941,392</u>

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Net income	882,160	\$ 695,382	\$ 941,392
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on			
available for sale securities	324,858	1,013,763	(1,783,579)
Net effect of unrealized gains and losses on:			
Deferred policy acquisition costs, value of business			
acquired and deferred sales inducement costs	(135,579)	(162,267)	349,201
Policy reserves and annuity account values	(80,034)	(169,032)	264,861
Total other comprehensive income (loss), net of tax	109,245	682,464	(1,169,517)
Comprehensive income (loss)	991,405	1,377,846	(228,125)
Less: Comprehensive income (loss) attributable to noncontrolling interest	31,118	4,407	—
Comprehensive income (loss) attributable to SBL Holdings	\$ 960,287	\$ 1,373,439	\$ (228,125)

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Preferred Stock	Contributed Capital	Accumulated Other Comprehensive Income (Loss)	Total SBLH Retained Earnings	Noncontrolling Interest	Total
	<i>(In Thousands)</i>						
Balance at January 1, 2022	\$ —	\$ 770,491	\$ 2,339,595	\$ 248,844	\$ 2,577,257	\$ 1,373	\$ 5,937,560
Net income	—	—	—	—	941,392	—	941,392
Other comprehensive income, net	—	—	—	(1,169,517)	—	—	(1,169,517)
Preferred stock dividend	—	—	—	—	(53,874)	—	(53,874)
Balance at December 31, 2022	—	770,491	2,339,595	(920,673)	3,464,775	1,373	5,655,561
Net income	—	—	—	—	690,975	4,407	695,382
Other comprehensive income, net	—	—	—	682,464	—	—	682,464
Adoption of new accounting standards ¹	—	—	—	—	(4,952)	—	(4,952)
Preferred stock dividend	—	—	—	—	(53,876)	—	(53,876)
Balance at December 31, 2023	—	770,491	2,339,595	(238,209)	4,096,922	5,780	6,974,579
Net income	—	—	—	—	851,042	31,118	882,160
Other comprehensive income, net	—	—	—	109,245	—	—	109,245
Preferred stock dividend	—	—	—	—	(53,862)	—	(53,862)
Dividends to parent	—	—	—	—	(500,000)	—	(500,000)
Contribution of noncontrolling interest	—	—	—	—	—	103,156	103,156
Balance at December 31, 2024	\$ —	\$ 770,491	\$ 2,339,595	\$ (128,964)	\$ 4,394,102	\$ 140,054	\$ 7,515,278

¹ Effective January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments, as clarified and amended by ASU 2019-04, Codification Improvements to Topic 326; ASU 2019-05 Financial Instruments - Credit Losses (Topic 326): Targeted Relief; and ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses.

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Operating activities			
Net income	\$ 882,160	\$ 695,382	\$ 941,392
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:			
Index credits and interest credited to account balances	1,144,596	603,212	413,004
Policy acquisition costs deferred	(359,435)	(366,575)	(336,416)
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired	525,415	393,092	89,576
Investment-related (gains) losses	82,924	86,330	(245,759)
Change in fair value options, futures and swaps	(459,480)	(184,326)	688,811
Change in equity method investments	(234,662)	(160,039)	(20,847)
Change in fixed index annuity embedded derivative and related benefits	(81,719)	377,405	(354,962)
Amortization of investment premiums and discounts	(108,022)	(56,028)	(42,879)
Depreciation and amortization	1,798	15,126	16,142
Deferred income taxes	(108,483)	(136,432)	518
Change in annuity guarantees	532,692	423,100	112,310
Change in funds withheld and held liability	1,320,664	1,798,932	861,489
Change in accounts receivable	(24,860)	71,000	208,780
Change in investment income due and accrued	(524,342)	(447,892)	(543,253)
Change in accounts payable	11,802	10,745	(50,318)
Change in other liabilities	69,239	106,623	133,416
Other changes in operating assets and liabilities	(50,132)	(3,755)	(153,462)
Net cash and cash equivalents provided by operating activities	2,620,155	3,225,900	1,717,542
Investing activities			
Sales, maturities, or repayments of investments:			
Fixed maturities available for sale	21,932,541	8,096,104	9,327,799
Mortgage loans	338,443	103,769	296,179
Call options	950,526	228,231	166,257
Notes receivable from related parties	4,978,630	3,794,048	6,909,084
Net sales (purchases) of fixed maturities, trading	34,498	(89,561)	(50,330)
Other invested assets	783,176	868,683	445,505
	29,017,814	13,001,274	17,094,494
Acquisitions of investments:			
Fixed maturities available for sale	(18,087,100)	(12,883,101)	(12,635,030)
Mortgage loans	(2,162,112)	(100,406)	(127,675)
Call options	(522,286)	(377,257)	(581,798)
Notes receivable from related parties	(6,059,230)	(3,086,273)	(5,817,232)
Net sales (purchases) of equity securities at fair value	(212,515)	(47,936)	(100,103)
Other invested assets	(1,199,994)	(378,225)	(421,885)
	(28,243,237)	(16,873,198)	(19,683,723)

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Net sales (purchases) of property and equipment	\$ (263)	\$ (3,377)	\$ (677)
Net sales (purchases) of short-term investments	71,853	547,339	(206,459)
Net decrease (increase) in policy loans	1,274	2,318	1,781
Acquisitions of subsidiary, net of cash acquired	—	—	(42,102)
Net cash and cash equivalents used in investing activities	847,441	(3,325,644)	(2,836,686)
Financing activities			
Payments on revolving credit facility, surplus notes, notes payable related to commission assignments, notes payable, mortgage debt, and debt from consolidated VIEs	(1,125,090)	(102,363)	(345,287)
Issuance of revolving credit facility, senior notes, preferred stock and debt from consolidated VIEs	896,000	507,500	559,733
Contribution of noncontrolling interest	103,156	—	—
Preferred stock dividends paid	(53,862)	(53,876)	(53,874)
Net change in repurchase agreements	(684,055)	112,119	854,704
Deposits to annuity account balances	4,684,597	4,133,107	3,800,854
Withdrawals from annuity account balances	(5,030,675)	(4,217,583)	(3,226,787)
Net cash and cash equivalents provided by financing activities	(1,209,929)	378,904	1,589,343
Increase (decrease) in cash and cash equivalents	2,257,667	279,160	470,199
Cash and cash equivalents at beginning of period	1,647,403	1,368,243	898,044
Cash and cash equivalents at end of period	\$ 3,905,070	\$ 1,647,403	\$ 1,368,243
Supplemental disclosures of cash flow information			
Cash paid during the period for:			
Interest	\$ 202,841	\$ 153,756	\$ 106,027
Income taxes	\$ 250,262	\$ 316,279	\$ 246,989
Supplemental disclosure of non-cash information			
Cash received in the prior year for policies issued in the current year	\$ 49,436	\$ 81,502	\$ 14,165
Securities purchased not yet settled in cash	\$ (437,570)	\$ (51,349)	\$ (54,135)
Securities sold not yet settled in cash	\$ 82,941	\$ 111,239	\$ 48,160
Accrued interest paid in kind	\$ 608,344	\$ 369,444	\$ 353,396
In-kind dividends to parent	\$ 500,000	\$ —	\$ —

See accompanying notes.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended December 31, 2024, 2023 and 2022

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies

Nature of Operations

The operations of SBL Holdings, Inc., together with its subsidiaries and consolidated variable interest entities (VIEs) (see Note 3) (referred to herein, collectively, as the Company), consist primarily of marketing and distributing annuities, retirement plans, and other related products throughout the United States. Security Distributors, LLC (SD), a subsidiary of Security Benefit Life Insurance Company (SBLIC), is a registered broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority.

The Company offers a diversified portfolio of products comprised primarily of fixed, fixed index, and variable annuities, and retirement plans. Our products are distributed by independent representatives through third-party distribution channels and sales networks.

Basis of Presentation

The financial statements of the Company are presented on a consolidated basis and include the operations of the Company and its subsidiaries, SBLIC, its wholly owned subsidiaries and consolidated VIEs, for which SBLIC is considered to be the primary beneficiary, and the accounts of First Security Benefit Life Insurance and Annuity Company of New York (FSBL); Security Financial Resources, Inc. (SFR); Everly Holdings, LLC (Everly Holdings); HNW Investors, LLC; Genessee Insurance Agency, LLC; and Dunbarre Insurance Agency, LLC. All intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of the consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported and disclosed. Significant estimates and assumptions include the valuation of investments; valuation of over-the-counter derivative financial instruments; determination of investment impairments and valuation allowances; amortization of deferred policy acquisition costs (DAC), deferred sales inducement costs (DSI), and value of business acquired (VOBA); calculation of liabilities for future policy benefits;

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

calculation of income taxes and the recognition of deferred income tax assets and liabilities; and estimating future cash flows on certain structured securities. Management believes that the estimates used in preparing its consolidated financial statements are reasonable.

Significant Accounting Policies

Investments

Fixed maturity investments include bonds, asset-backed securities, and redeemable preferred stock. Fixed maturity investments are classified as available for sale and carried at fair value, with related unrealized gains and losses reflected as a component of accumulated other comprehensive income or loss (AOCI) in the consolidated balance sheets, net of cumulative adjustments related to DAC, DSI, VOBA, and policy reserves and annuity account values and applicable income taxes. The adjustments related to DAC, DSI, VOBA, and policy reserves and annuity account values represent the impact from treating the unrealized gains or losses as if they were realized.

The Company classified as trading or elected the fair value option for certain fixed maturity securities that are segregated to support certain funds withheld reinsurance liabilities (see Note 10). The change in fair value of these financial instruments is recognized as a component of investment-related gains (losses) in the consolidated statements of operations.

Equity securities include mutual funds, common stock, and non-redeemable preferred stock. Equity investments not accounted for under the equity method of accounting or the measurement alternative are carried at fair value, with related unrealized gains and losses recognized as a component of the investment-related gains (losses) in the consolidated statements of operations.

The Company has a variable interest in various types of securitization entities, which are deemed VIEs. An entity is a VIE if the equity at risk is not sufficient to support its activities, if the equity holders lack a controlling financial interest or if the entity is structured with non-substantive voting rights. When the Company is determined to be the primary beneficiary of a VIE, the Company consolidates the entity into the financial statements. The primary beneficiary of a VIE is defined as the enterprise with (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

VIE. Accordingly, the Company would not consolidate a VIE when it is not the primary beneficiary. On an ongoing basis, the Company assesses whether it is the primary beneficiary of VIEs in which it has a variable interest.

Investments in joint ventures and partnerships are reported in other invested assets and are generally accounted for using the equity method. In applying the equity method, the Company records its share of income or loss reported by equity investees.

Realized capital gains and losses on sales of investments are determined using the specific identification method. Unrealized capital gains and losses related to trading securities are reported as a component of investment-related gains (losses) in the consolidated statements of operations. Beginning in 2023, credit losses are also reported within investment-related gains (losses) in the consolidated statements of operations. Prior to 2023, other than temporary impairments (OTTIs) were reported separately in the consolidated statement of operations.

Upon the adoption of ASU No. 2016-13 Measurement of Credit Losses on Financial Instruments in 2023, the Company's new process for evaluating fixed maturity securities helps with identifying which securities may require an allowance for credit loss. This process involves monitoring market events that could affect issuers' credit ratings, business climate, management changes, litigation and government actions and other similar factors. This process also involves monitoring late payments, pricing levels, downgrades by rating agencies, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues.

Each reporting period, all securities in an unrealized loss position are reviewed to determine whether a decline in value is due to credit risk. Relevant facts and circumstances considered include: (1) the extent the fair value is below cost; (2) the reasons for the decline in value; (3) the financial position and access to capital of the issuer, including the current and future impact of any specific events and (4) for structured securities, the adequacy of the expected cash flows. To the extent the Company determines an unrealized loss is due to credit risk, an allowance for credit loss is recognized through a reduction to net income.

The methodology and assumptions for establishing the best estimate cash flows vary depending on the type of security. The credit loss component of a structured security impairment is estimated as the difference between amortized cost and the present value of the expected cash

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

flows of the security. For fixed rate securities, the present value is determined using the best estimate cash flows discounted at the effective interest rate implicit to the security just prior to impairment. For variable rate securities, the present value is determined using the best estimate cash flows discounted at the variable rate that exists as of the date the cash flow estimate is made. The structured securities cash flow estimates are based on bond-specific facts and circumstances that may include collateral characteristics such as: expectations of delinquency and default rates, loss severity, asset spreads, and prepayment speeds, as well as structural support, including subordination and guarantees. The Company does not measure a credit loss allowance on accrued interest receivable because we write off the accrued interest receivable balance to net investment income in a timely manner when we have concern regarding collectability.

Amounts in fixed maturities, available for sale deemed uncollectible are written off and removed from the allowance for credit loss. A write-off may also occur if the Company intends to sell a security or if it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost, which in some cases, may extend to maturity. Any additional impairment, other than for credit loss, is recorded as a component of OCI, net of income taxes.

Prior to the adoption of authoritative guidance in 2023, to the extent the Company determined that an equity security accounted for under the measurement alternative or equity method of accounting was deemed other-than-temporarily impaired, the difference between carrying value and fair value was charged to earnings. For debt securities, if the Company intended to sell the security or it was more likely than not the Company would be required to sell the security before the recovery of the amortized cost basis, the Company recognized an OTTI equal to the difference between the amortized cost and fair value in net income. For debt securities where the Company did not expect to recover the amortized cost basis, and the Company did not plan to sell nor was it more likely than not that the Company would be required to sell before recovery of the amortized cost basis, the Company bifurcated the OTTI and reported the credit portion of the loss recognized in net income, and the noncredit portion was recognized in OCI.

Also prior to 2023, the credit loss component of a structured security impairment was estimated as the difference between amortized cost and the present value of the expected cash flows of the security. The methodology and assumptions for establishing the best estimate cash flows varied

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

depending on the type of security. For fixed rate securities, the present value was determined using the best estimate cash flows discounted at the effective interest rate implicit to the security just prior to impairment. For variable rate securities, the present value was determined using the best estimate cash flows discounted at the variable rate that existed as of the date the cash flow estimate was made. The structured securities cash flow estimates were based on bond-specific facts and circumstances that may have included collateral characteristics such as: expectations of delinquency and default rates, loss severity, asset spreads, and prepayment speeds, as well as structural support, including subordination and guarantees.

Commercial and residential mortgage loans are generally reported at cost, adjusted for amortization of premiums or accrual of discounts, computed using the interest method, net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Interest income, as well as prepayment of fees and the amortization of the related premium or discount, is reported in net investment income in the consolidated statements of operations. Any change in the mortgage loan valuation allowances are reported in investment-related gains (losses) on the consolidated statements of operations. See Note 2 for details around our valuation allowance.

Policy loans are reported at unpaid principal.

Cash and cash equivalents includes operating cash, other investments with original maturities of 90 days or less, and money market funds principally supported with cash and cash equivalent funds. Short-term investments are carried at market value and represent fixed maturity securities with initial maturities of greater than 90 days but less than one year.

The Company has agreed to provide a loan facility through bridge or revolver loans to borrowers until permanent financing can be secured or an existing obligation or project is completed. The Company generally receives a commitment fee on unfunded amounts and interest on the amounts funded. Open commitments on bridge loans and revolvers are disclosed in Note 15.

Asset and Liability Derivatives

The Company hedges certain exposures to equity market risk, foreign exchange risk, and interest rate risk by entering into derivative financial instruments. All of the derivative financial instruments are recognized as an asset or liability on the consolidated balance sheets at estimated

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

fair value. For derivative instruments not receiving hedge accounting treatment but that are economic hedges, the gain or loss is recognized in investment-related gains (losses) in the consolidated statements of operations.

The Company issues certain products and periodically enters into certain transactions that contain a derivative that is embedded in the product or the transaction, and must be accounted for under Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815). Under ASC 815, the Company assesses whether the embedded derivative is clearly and closely related to the host contract. The Company bifurcates embedded derivatives from the host instrument for measurement purposes when the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and a separate instrument with the same terms would qualify as a derivative instrument. Embedded derivatives, which are reported with the host instrument on the consolidated balance sheets in policy reserves and annuity account values, are reported at fair value with changes in fair value recognized as a component of change in fixed index annuity embedded derivative and related benefits in the consolidated statements of operations.

The Company formerly entered into agreements with insurance companies to identify and recommend producers for annuity contracts, deliver annuity contracts, collect the first premium, and service the business on behalf of the insurance company. The Company paid heaped commissions to field producers and recorded commission receivable for the subsequent receipt of monthly level commissions from the insurance companies for annuity contracts that continued to be in force policies over a period of time. The commission receivable is comprised of the base level commission payments (the Host Contract) and a commission assignment embedded derivative (the Lapse Risk). In accordance with ASC 815, the Lapse Risk is separated from the Host Contract and accounted for as a derivative instrument. The Lapse Risk is recorded at fair value with the change in unrealized gain (loss) related to lapse-risk recognized as a component of other benefits in the consolidated statements of operations.

The Company is party to both bilateral and tri-party agreements with certain derivative instrument counterparties which require the posting of collateral when the market value of the derivative instrument exceeds the cost of the instrument, subject to certain thresholds agreed upon with the counterparties. Collateral posted by counterparties under bilateral agreements is reported on the consolidated balance sheets in cash and cash equivalents, unless rehypothecated

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

into other investments, with a corresponding liability reported in other liabilities. In addition, the Company has entered into tri-party arrangements with counterparties, whereby collateral is posted to and held by a third party. Collateral posted under the tri-party arrangement is not reflected on the consolidated balance sheets.

Reinsurance Agreements

The Company utilizes reinsurance agreements to manage certain risks associated with its annuity operations and to reduce exposure to large losses. In the accompanying consolidated financial statements, premiums, benefits, and settlement expenses are reported net of reinsurance ceded, whereas policy liabilities and accruals are reported gross of reinsurance ceded. Reinsurance premiums and benefits are accounted for in a manner consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. The Company remains liable to policyholders if the reinsurers are unable to meet their contractual obligations under the applicable reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers, monitors concentrations of credit risk arising from similar activities or economic characteristics of reinsurers, and requires collateralization of liabilities ceded where allowable by contract.

Deferred Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. Deferred income tax expense or benefit, reflected in the Company's consolidated statements of operations as a component of income tax expense or benefit, is based on the changes in deferred income tax assets or liabilities from period to period (excluding unrealized capital gains and losses on securities available for sale). Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. The Company records a valuation allowance to reduce its deferred income tax assets to an amount that represents management's best estimate of the amount of such deferred income tax assets that will more likely than not be realized using the enacted tax rates and laws.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

The realization of deferred tax assets related to unrealized loss on available for sale fixed maturity securities is based on the Company's ability to hold the securities for a period of time sufficient to allow for the recovery of the value.

Property and Equipment

Property and equipment, including home office real estate, furniture and fixtures, and data processing equipment and certain related systems, are recorded at cost less accumulated depreciation. Computer software includes internally developed software costs that are capitalized when they reach technological feasibility. The provision for depreciation of property and equipment is computed using the straight-line method over the estimated lives of the related assets, which generally range from 3 to 39 years.

Deferred Policy Acquisition Costs, Deferred Sales Inducement Costs and Value of Business Acquired

To the extent recoverable from future policy revenues and gross profits, incremental direct costs of contract acquisition (commissions) as well as certain costs directly related to acquisition activities (underwriting, other policy issuance and processing, and selling costs) for the successful acquisition or renewal of deferred annuity business have been deferred. DAC is amortized in proportion to the present value, discounted at the crediting rate, of actual and expected gross profits from investments, full surrenders, partial withdrawal of account value, mortality, and expense margins. Amortization is adjusted retrospectively when estimates of current or future gross profits to be realized from a group of products are revised.

DAC is adjusted for the impact on estimated gross profits of net unrealized gains and losses on assets, with the adjustment reflected in stockholders' equity as a component of AOCI, net of applicable income taxes.

For insurance and annuity contracts, policyholders may desire different product benefits, features, rights, or coverages by exchanging a contract for a new contract or by an amendment, an endorsement, or a rider to a contract or by the election of a feature or coverage within a contract. These transactions are known as internal replacements. The Company accounts for internal replacements as a termination of the original contract and an issuance of a new contract.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Any DAC or DSI associated with the original contract is written off. Consistent with this, the Company anticipates these transactions in establishing amortization periods and other valuation assumptions.

DSI consists of bonus interest credits and premium credits added to certain annuity contract values. It is capitalized to the extent it is incremental to amounts that would be credited on similar contracts without the applicable feature. DSI is amortized using the same methodology and assumptions used to amortize DAC.

VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts that existed in a life insurance company acquisition. VOBA is amortized using the same methodology and assumptions used to amortize DAC.

Goodwill

Goodwill is recognized for the excess of the purchase price over the fair value of identifiable net assets acquired. Goodwill is not amortized, but is reviewed annually for indications of impairment. If the fair value of the reporting unit is lower than the reporting unit's carrying value, goodwill is written down; and a charge is reported in the consolidated statements of operations.

Separate Accounts

The separate account assets and liabilities reported in the accompanying consolidated balance sheets represent funds that are separately administered for the benefit of contract holders who bear the investment risk. The separate account assets are carried at fair value, and separate account liabilities are carried at an equivalent value. Revenues and expenses related to separate account contract holders of the Company are excluded from the amounts reported in the consolidated statements of operations. Investment income and gains or losses arising from separate accounts accrue directly to the contract holders and, therefore, are not included in investment income in the accompanying consolidated statements of operations. Revenues from charges on separate account products consist principally of contract maintenance charges, administrative fees, and mortality and expense risk charges.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

The Company has variable annuity contracts through separate accounts that include various types of guaranteed minimum death benefit (GMDB), guaranteed minimum accumulation benefit (GMAB), guaranteed minimum withdrawal benefit (GMWB), and guaranteed minimum income benefit (GMIB) features. As discussed in Note 4, certain features of these guarantees are accounted for as embedded derivative reserves, whereas other guarantees are accounted for as benefit reserves. Other guarantees contain characteristics of both and are accounted for under an approach that calculates the value of the embedded derivative and the benefit reserve based on the specific characteristics of each guaranteed benefit feature.

Policy Reserves and Annuity Account Values

Liabilities for future policy benefits for traditional life products are computed using a net level-premium method, including assumptions as to investment yields, mortality, and withdrawals and other assumptions that approximate expected experience.

Liabilities for future policy benefits for interest-sensitive life and deferred annuity products represent contract values accumulated with interest without reduction for potential surrender charges. Interest on accumulated contract values is credited to contracts as earned. Interest crediting rates ranged from 1.0% to 6.9% during each of the years 2024, 2023, and 2022. Policy reserves are adjusted for the impact on estimated gross profits of net unrealized gains and losses on bonds, with the adjustment reflected in stockholders' equity as a component of AOCI, net of applicable income taxes.

The Company offers fixed index annuity products with returns linked to the performance of certain indices. The Company formerly offered a guaranteed lifetime withdrawal benefit (GLWB) and a GMDB on the fixed index annuity products, of which policyholders could only elect one per policy. The GLWB and GMDB guarantees are accounted for as benefit reserves. Policy reserves for index annuities are equal to the sum of the fair value of the embedded index options, the host (or guaranteed) components of the index account, and the fixed account accumulated with interest and without reduction for potential surrender charges, plus the benefit reserves for the GLWB and GMDB benefits. The host value is established at inception of the contract and is accreted over the policy's life at a constant rate of interest. Fair value of the embedded index options is calculated using discounted cash flow valuation techniques based on

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

current interest rates adjusted to reflect the Company's credit risk and an additional provision for adverse deviation.

Preferred Stock

On June 22, 2021, the Company issued 425,000 shares of 6.5% fixed-rate reset non-cumulative preferred stock, series B. The preferred stock was issued at \$0.01 par value per share, with a liquidation preference of \$1,000 per share and is being accounted for as equity. The dividend rate will reset on November 13, 2026 and each date falling on the fifth anniversary date thereafter.

On February 4, 2020, the Company issued 375,000 shares of 7.0% fixed-rate reset non-cumulative preferred stock, series A. The preferred stock was issued at \$0.01 par value per share, with a liquidation preference of \$1,000 per share and is being accounted for as equity. The dividend rate will reset on May 13, 2025 and each date falling on the fifth anniversary date thereafter.

Recognition of Revenues

Interest income and dividends, recorded in net investment income, are recognized when earned. Amortization of premiums and accretion of discounts on investments in fixed maturity securities are reflected in net investment income over the contractual terms of the investments in a manner that produces an effective yield. For structured securities, included in the fixed maturity available for sale securities portfolios, the amortization/accretion of premiums and discounts incorporate prepayment assumptions to produce a constant yield over the expected life of the security. When actual prepayments differ significantly from originally anticipated prepayments, the accretable yield is recalculated to reflect actual payments to date plus anticipated future payments. For securities, purchased or retained, that represent beneficial interests in structured securities other than high credit quality securities, the accretable yield is adjusted using the prospective method when there is a change in estimated future cash flows. For high credit quality securities, the accretable yield is adjusted using the retrospective method. Any adjustments resulting from changes in effective yield are reflected in net investment income.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Revenues from Contracts with Customers

The Company accounts for certain revenues in accordance with ASC 606. The Company has three revenue streams that are recognized in accordance with ASC 606: distribution revenue, shareholder administrative service revenue and retirement account administration services revenue.

Distribution Revenue

SD enters into distribution and underwriting arrangements with various unaffiliated mutual fund companies. The Company primarily receives distribution fees paid by the fund over time. The performance obligation is the sale of securities to investors, which is fulfilled on the trade date. Amounts owed to the Company under the arrangements are primarily variable, as the uncertainty is dependent on the value of the shares at future points in time, as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside of the Company's influence. These fee payments cannot be finalized until the market value of the fund and investor activity is known, which are usually at month end or quarter end. Distribution Revenue for the years ended December 31, 2024, 2023 and 2022 amounted to \$23.2 million, \$20.4 million, and \$20.7 million, respectively, and is included in the consolidated statements of operations in asset-based and administrative fees.

Shareholder Administrative Service Revenue

SBLIC and SFR enter into agreements with unaffiliated investment vehicles for the provision of services such as sub-transfer agency, record keeping and various shareholder administrative services. Management considers these as a series of distinct services, but as a single performance obligation because they are not separable and not distinct within the context of the contract and are highly interrelated. They have the same pattern of transfer (i.e., transfer to customers over time) and use the same method to measure progress (i.e., time based measure of progress). The Company primarily receives fees paid by the fund or its affiliates over time. The performance obligation is the completion of those services. Amounts owed to the Company under the arrangements are primarily variable, as the uncertainty is dependent on the value of the shares at future points in time, which are highly susceptible to factors outside of the Company's influence. These fee payments cannot be finalized until the market value of the fund is known, which are

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

usually monthly or quarterly. Service fee revenue for the years ended December 31, 2024, 2023 and 2022 amounted to \$18.8 million, \$17.1 million, and \$17.3 million, respectively, and is included in the consolidated statements of operations in asset-based and administrative fees.

Retirement Account Administration Services Revenue

SFR enters into agreements with various benefit plan sponsors and individual retirement account owners for record keeping administrative services. SFR's record keeping administration services include: document preparation, participant record keeping, etc. Management considers these as a series of distinct services, but as a single performance obligation because they are not separable and not distinct within the context of the contract and are highly interrelated. They have the same pattern of transfer (i.e., transfer to customers over time) and use the same method to measure progress (i.e., time based measure of progress). Transaction price under the arrangements includes both fixed fees and variable fees. Fixed fees are recognized point-in-time as fee-for-service transactions upon completion. The variable fee is assessed based on certain basis points of the individual account value at month end. For the variable fees, as the uncertainty is dependent on the value of the mutual fund shares at future points in time, which are highly susceptible to factors outside of the Company's influence, these fee payments cannot be finalized until the market value of the fund is known, which are usually at the end of a month or quarter. Retirement account administration services revenue for the years ended December 31, 2024, 2023 and 2022 amounted to \$63.8 million, \$52.7 million and \$50.3 million, respectively, and is included in the consolidated statements of operations in asset-based and administrative fees.

The Company evaluates the need for a credit loss allowance for accounts receivable that it believes will not be collected in full. There was no allowance for credit losses at December 31, 2024 or 2023.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Adoption of New Pronouncements

ASU 2016-13, Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13 *Measurement of Credit Losses on Financial Instruments*. This standard:

- (i) Introduces new current expected credit loss (CECL) model to measure impairment on certain types of financial instruments;
- (ii) Requires an entity to estimate lifetime expected credit losses, under the new CECL model, based on relevant information about historical events, current conditions, and reasonable and supportable forecasts;
- (iii) Modifies the impairment model for available-for-sale debt securities; and
- (iv) Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

In addition, the FASB issued various amendments during 2018, 2019, and 2020 to clarify the provisions of ASU 2016-13.

The Company adopted this update on January 1, 2023 using the modified retrospective method for financial assets measured at amortized cost and the prospective method for available-for-sale debt securities. The Company recorded a \$6.3 million decrease, net of tax, to retained earnings as of January 1, 2023. The adjustment primarily related to unfunded commitments, commercial loans, and reinsurance recoverable.

Future Adoption of Accounting Pronouncements

ASU 2018-12, Targeted Improvements to the Accounting for Long Duration Contracts

In August 2018, the FASB issued ASU No. 2018-12 *Targeted Improvements to the Accounting for Long Duration Contracts*. This standard changes the measurement and disclosures of insurance liabilities and DAC for long-duration contracts issued by insurers. The standard impacts four areas of accounting for long-duration contracts:

- (i) Assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts. The amendments require insurers to (a) review and, if there is a change, update the assumptions used to measure cash flows at least annually and (b) update the discount rate assumption at each reporting date. The provision for

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

- risk of adverse deviation and premium deficiency (or loss recognition) testing are eliminated. The change in the liability estimate as a result of updating cash flow assumptions is required to be recognized in net income. The change in the liability estimate as a result of updating the discount rate assumption is required to be recognized in other comprehensive income. Insurers must discount expected future cash flows at an upper-medium grade (low-credit-risk) fixed income instrument yield that maximizes the use of observable market inputs.
- (ii) Measurement of market risk benefits. The amendments require insurers measure all market risk benefits (MRB) associated with deposit (or account balance) contracts at fair value. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income.
 - (iii) Amortization of DAC. The amendments simplify the amortization of DAC and other balances amortized in proportion to premiums, gross profits, or gross margins and require that those balances be amortized on a constant level basis over the expected term of the related contracts. DAC is required to be written off for unexpected contract terminations but is not subject to an impairment test.
 - (iv) Disclosures. The amendments require insurers provide aggregated roll forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The amendments also require insurers to disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement.

The ultimate effects the standard will have on the financial statements are highly dependent on policyholder behavior, actuarial assumptions and macroeconomic conditions, particularly interest rates and spreads. However, the Company estimates the impact from adoption of this standard will increase total stockholders' equity as of the transition date, January 1, 2023, up to approximately \$670.0 million, net of tax. The transition adjustment is expected to primarily increase retained earnings. The most significant drivers of this transition adjustment include:

- (i) The measurement of certain benefits historically recorded as insurance liabilities, which will now be classified and measured as MRBs, along with their subsequent

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

changes in fair value, excluding changes attributable to instrument-specific credit risk, which are recorded as a component of OCI; and

- (ii) The removal of prior period “shadow” DAC adjustments in AOCI.

The specific impacts on retained earnings and OCI upon adoption of this standard on January 1, 2025 may also differ materially from the transition impact based on the performance of the Company’s business and macroeconomic conditions, including changes in interest rates.

After adoption of this standard on January 1, 2025, the Company’s annual financial statements for the year ended December 31, 2025 will reflect the impact on various amounts in the financial statements from the transition date of January 1, 2023, through the year ended December 31, 2025. The specific impacts to the annual financial statements for each of the three years ended December 31, 2025, may differ materially from the transition impacts mentioned above based on the performance of the Company’s business and macroeconomic conditions, including changes in interest rates.

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09 *Improvements to Income Tax Disclosures*. This standard requires entities to disclose additional information around the effective tax rate reconciliation and income taxes paid. The amendments are effective for fiscal years beginning after December 15, 2024. The Company is currently assessing the impact of the standard on the Company’s consolidated financial statements.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments

Fixed Maturity Investments and Equity Securities

Information as to the amortized cost, allowance for credit losses, gross unrealized gains and losses, and fair values, of the Company's portfolio of fixed maturity investments classified as available for sale, is presented below. Prior to the adoption of authoritative guidance in 2023, OTTI in AOCI represent interest rate related unrealized losses on securities not recognized in earnings at the time at which a credit related OTTI was recorded. These unrealized losses are the difference between fair value and net present value of future expected cash flows at the time of impairment.

December 31, 2024					
	Cost/ Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In Thousands)</i>					
Fixed maturity investments:					
U.S. Treasury securities and other U.S. government corporations and agencies	\$ 32,870	\$ —	\$ 4	\$ (2,770)	\$ 30,104
Obligations of government-sponsored enterprises	656,255	—	2,808	(12,400)	646,663
Corporate	23,970,179	(46,472)	154,514	(416,005)	23,662,216
Municipal obligations	27,643	—	99	(1,877)	25,865
Commercial mortgage-backed	55,407	—	1,671	(5,499)	51,579
Residential mortgage-backed	24,727	—	162	(1,387)	23,502
Collateralized debt obligations	3,995	—	1,116	—	5,111
Collateralized loan obligations	11,201,685	—	135,257	(104,434)	11,232,508
Redeemable preferred stock	27,862	—	—	—	27,862
Other asset backed	2,126,984	—	4,412	(29,163)	2,102,233
Total fixed maturity investments	\$ 38,127,607	\$ (46,472)	\$ 300,043	\$ (573,535)	\$ 37,807,643

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

December 31, 2023					
	Cost/ Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In Thousands)</i>					
Fixed maturity investments:					
U.S. Treasury securities and other U.S. government corporations and agencies	\$ 40,298	\$ —	\$ 98	\$ (2,605)	\$ 37,791
Obligations of government-sponsored enterprises	572,981	—	5,983	(9,543)	569,421
Corporate	23,021,257	(1,062)	203,992	(504,255)	22,719,932
Municipal obligations	30,597	—	220	(1,847)	28,970
Commercial mortgage-backed	63,326	(7,089)	569	(3,832)	52,974
Residential mortgage-backed	20,014	—	91	(1,491)	18,614
Collateralized debt obligations	6,718	—	1,295	(152)	7,861
Collateralized loan obligations	14,699,724	—	194,469	(457,204)	14,436,989
Redeemable preferred stock	24,029	—	—	(716)	23,313
Other asset backed	2,466,376	—	3,949	(81,182)	2,389,143
Total fixed maturity investments	\$ 40,945,320	\$ (8,151)	\$ 410,666	\$ (1,062,827)	\$ 40,285,008

The amortized cost and fair value of fixed maturity investments at December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because lenders may have the right to call and borrowers may have the right to prepay obligations with or without penalties.

Available for Sale			
	Amortized Cost		Fair Value
<i>(In Thousands)</i>			
Due one year or less	\$ 3,110,142	\$	3,060,305
Due after one year through five years	16,711,523		16,661,907
Due after five years through ten years	2,834,053		2,644,066
Due after ten years	1,378,192		1,351,907
Structured Securities with variable principal payments	14,093,697		14,089,458
	\$ 38,127,607	\$	37,807,643

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

For fixed maturity investments classified as available for sale with unrealized losses, for which an allowance for credit loss has not been recorded, as of December 31, 2024 and 2023, the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

	December 31, 2024					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Gross Unrealized Losses		Gross Unrealized Losses		Gross Unrealized Losses	
	Fair Value		Fair Value		Fair Value	
<i>(In Thousands)</i>						
Fixed maturity investments, available for sale:						
U.S. Treasury securities and other U.S. government corporations and agencies	\$ 1,603	\$ (50)	\$ 27,462	\$ (2,720)	\$ 29,065	\$ (2,770)
Obligations of government-sponsored enterprises	254,719	(2,022)	78,204	(10,378)	332,923	(12,400)
Corporate	7,700,139	(195,061)	2,534,371	(220,944)	10,234,510	(416,005)
Municipal obligations	10,741	(85)	14,406	(1,792)	25,147	(1,877)
Commercial mortgage-backed	4,252	(156)	32,570	(5,343)	36,822	(5,499)
Residential mortgage-backed	1,369	(8)	8,937	(1,379)	10,306	(1,387)
Collateralized loan obligations	606,296	(14,605)	865,528	(89,829)	1,471,824	(104,434)
Other asset backed	446,918	(3,542)	623,656	(25,621)	1,070,574	(29,163)
Total fixed maturity investments, available for sale	\$ 9,026,037	\$ (215,529)	\$ 4,185,134	\$ (358,006)	\$ 13,211,171	\$ (573,535)
Number of securities investment grade with unrealized losses		479		604		1,083
Percent investment grade with unrealized losses		79%		86%		83%
Number of securities below investment grade with unrealized losses		74		56		130
Percent below investment grade with unrealized losses		12%		8%		10%
Number of securities not rated with unrealized losses		53		45		98
Percent not rated with unrealized losses		9%		6%		7%
Number of securities with unrealized losses		606		705		1,311

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

	December 31, 2023					
	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Thousands)					
Fixed maturity investments, available for sale:						
U.S. Treasury securities and other U.S. government corporations and agencies	\$ 352	\$ (8)	\$ 34,707	\$ (2,597)	\$ 35,059	\$ (2,605)
Obligations of government-sponsored enterprises	107,409	(469)	93,078	(9,074)	200,487	(9,543)
Corporate	7,229,352	(325,862)	6,588,066	(178,393)	13,817,418	(504,255)
Municipal obligations	250	—	16,105	(1,847)	16,355	(1,847)
Commercial mortgage-backed	3,839	(196)	37,553	(3,636)	41,392	(3,832)
Residential mortgage-backed	950	(13)	11,310	(1,478)	12,260	(1,491)
Collateralized debt obligations	—	—	2,823	(152)	2,823	(152)
Collateralized loan obligations	869,340	(32,226)	7,098,571	(424,978)	7,967,911	(457,204)
Other asset backed	161,774	(6,060)	966,442	(75,122)	1,128,216	(81,182)
Redeemable preferred stock	—	—	23,313	(716)	23,313	(716)
Total fixed maturity investments, available for sale	\$ 8,373,266	\$(364,834)	\$ 14,871,968	\$(697,993)	\$ 23,245,234	\$(1,062,827)
Number of securities investment grade with unrealized losses		190		1,033		1,223
Percent investment grade with unrealized losses		78%		82%		81%
Number of securities below investment grade with unrealized losses		15		132		147
Percent below investment grade with unrealized losses		6%		11%		10%
Number of securities not rated with unrealized losses		48		92		140
Percent not rated with unrealized losses		16%		7%		9%
Number of securities with unrealized losses		253		1,257		1,510

The unrealized losses on the fixed maturity investments in the tables above can primarily be attributed to changes in market interest rates and changes in credit spreads since the securities were acquired. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity. Based on that evaluation and the Company's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company did not record an allowance for credit loss on these securities at December 31, 2024 or 2023.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

The Company closely monitors those securities where credit loss concerns may exist by considering relevant facts and circumstances to evaluate whether changes are necessary to the allowance for credit loss of the security. Prior to 2023, the Company monitored those securities where an impairment concern existed.

A rollforward of the allowance for credit loss by major security type was as follows:

December 31, 2024								
	Beginning balance	Initial credit loss	Securities sold during the period	Securities intended to be sold prior to the recovery of amortized cost basis	Additions (reductions) to previously impaired securities	Ending balance	Accrued interest written off to net investment income	
	(In Thousands)							
Fixed maturity investments, available for sale:								
Corporate	\$ 1,062	\$ 31,199	\$ (1,062)	\$ —	\$ 15,273	\$ 46,472	\$ —	
Commercial mortgage-backed	7,089	—	—	(7,089)	—	—	—	
Total fixed maturity investments, available for sale	\$ 8,151	\$ 31,199	\$ (1,062)	\$ (7,089)	\$ 15,273	\$ 46,472	\$ —	
December 31, 2023								
	Beginning balance	Initial credit loss	Securities sold during the period	Securities intended to be sold prior to the recovery of amortized cost basis	Additions (reductions) to previously impaired securities	Ending balance	Accrued interest written off to net investment income	
	(In Thousands)							
Fixed maturity investments, available for sale:								
Corporate	\$ —	\$ 1,151	\$ (1,151)	\$ —	\$ 1,062	\$ 1,062	\$ —	
Commercial mortgage-backed	—	7,089	—	—	—	7,089	—	
Total fixed maturity investments, available for sale	\$ —	\$ 8,240	\$ (1,151)	\$ —	\$ 1,062	\$ 8,151	\$ —	

The following table provides a rollforward of credit losses recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in OCI. The purpose of the table is to provide detail of (1) additions to bifurcated credit loss amounts recognized in net realized gains (losses) during the period and (2) decrements for previously recognized bifurcated credit losses where the loss is no longer bifurcated and/or there has been a

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

positive change in expected cash flows or accretion of the bifurcated credit loss amount for the year ended:

	December 31,
	2022
	<i>(In Thousands)</i>
Balance at beginning of period	\$ (9,946)
Credit losses for which an other-than-temporary impairment was not previously recognized	—
Reduction for securities sold during the year or intended to be sold	176
Additional credit loss impairments on securities previously impaired	(969)
Balance at end of period	<u>\$ (10,739)</u>

Major categories of net investment income are summarized as follows for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Interest on fixed maturity investments, available for sale	\$ 3,224,883	\$ 2,895,483	\$ 2,042,912
Interest on fixed maturity investments, trading	24,033	21,854	12,768
Interest on notes receivable from related parties	188,687	126,372	191,190
Dividends on equity securities at fair value	41,205	45,836	26,118
Interest on mortgage loans	231,790	64,590	65,045
Interest on policy loans	3,161	2,803	3,191
Interest on short-term investments	25,666	109,102	73,020
Interest income on cash & cash equivalents	67,480	57,316	13,779
Income on equity method accounting adjustments	234,662	160,072	32,489
Other	66,454	35,226	19,826
Total investment income	<u>4,108,021</u>	3,518,654	2,480,338
Less:			
Investment expenses	195,105	154,760	110,839
Ceded to reinsurer	655,531	527,753	332,264
Net investment income	<u>\$ 3,257,385</u>	<u>\$ 2,836,141</u>	<u>\$ 2,037,235</u>

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

Proceeds from sales of fixed maturity investments available for sale and realized gains and losses are as follows for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Proceeds from sales	\$ 6,353,088	\$ 3,631,913	\$ 3,728,344
Gross realized gains	3,594	239,002	22,137
Gross realized losses	9,540	44,554	46,239

Investment-related gains (losses), net of ceded reinsurance gains, consist of the following for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Realized gains (losses), available for sale:			
Fixed maturity investments	\$ (5,946)	\$ 194,448	\$ (24,102)
Total realized gains (losses), available for sale	(5,946)	194,448	(24,102)
Realized/unrealized gains (losses), other invested assets	1,126	(20,307)	(62,091)
Net realized/unrealized gains (losses), fixed maturity investments, trading and fair value option	(1,213)	19,860	(51,400)
Other realized/unrealized gains (losses):			
Foreign currency gains (losses)	(99,964)	115,238	(152,673)
Foreign exchange derivatives	129,849	(128,421)	204,729
Equity securities	60,472	18,150	(233,518)
Embedded derivative, funds withheld reinsurance	(111,168)	(275,869)	540,673
Other	(19,741)	(3,683)	471
Total other realized/unrealized gains (losses)	(40,552)	(274,585)	359,682
Net realized/unrealized gains (losses) before ceded reinsurance	(46,585)	(80,584)	222,089
Net ceded reinsurance (gains) losses	20,204	3,643	29,329
Net realized/unrealized gains (losses) before impairments	(26,381)	(76,941)	251,418
Net credit losses ⁽¹⁾	(56,543)	(9,389)	(5,659)
Investment-related gains (losses)	\$ (82,924)	\$ (86,330)	\$ 245,759

⁽¹⁾ Upon adoption of authoritative guidance effective January 1, 2023, net credit losses include adjustments to the credit loss valuation allowance, write-offs and recoveries on available for sale securities. Prior to 2023, net credit losses included other than temporary impairment losses and recoveries on available for sale securities.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

The Company recognized \$52.5 million and \$10.7 million of net unrealized losses on equity securities at fair value held at December 31, 2024 and 2023, respectively.

There were no outstanding agreements to sell securities at December 31, 2024 and 2023.

As of December 31, 2024 and 2023, there were two and five issuers with a total amount of \$2,346.3 million and \$3,802.4 million, respectively, other than U.S. Government and its sponsored entities, where the Company had investment holdings with an issuer that exceeded 10% of consolidated stockholders' equity.

At December 31, 2024 and 2023, the Company pledged securities with a market value of approximately \$433.4 million and \$508.1 million respectively, as collateral in relation to certain institutional products.

At December 31, 2024 and 2023, the Company pledged securities with a market value of approximately \$212.1 million and \$251.9 million respectively, as collateral in relation to its reinsurance agreements (see Note 10).

At December 31, 2024 and 2023, available for sale bonds with a carrying value of \$10.5 million and \$11.4 million, respectively, were held in joint custody at various state insurance departments to comply with statutory regulations.

Financing Receivables

Mortgage Loans

Mortgage loans consist of commercial and residential mortgage loans. The Company evaluates risks inherent in the brick and mortar commercial mortgage loans based on the property's operational results supporting the loan. The Company also evaluates the risks inherent in its residential mortgage loan portfolio. The carrying amount of the Company's mortgage loan portfolio was as follows at December 31:

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

	2024	2023
	<i>(In Thousands)</i>	
Commercial mortgage loans	\$ 2,759,485	\$ 786,339
Allowance for credit losses on commercial mortgage loans ⁽¹⁾⁽²⁾	(18,085)	(3,037)
Commercial mortgage loans, net of allowances	2,741,400	783,302
Residential mortgage loans	4,025	4,372
Total mortgage loans, net of allowances	<u>\$ 2,745,425</u>	<u>\$ 787,674</u>

⁽¹⁾ The year-over-year change in allowance for credit losses is driven by changes in the composition of the mortgage loan portfolio and is not the result of write-downs or charge offs. Any changes in the loan valuation allowance are reported in investment-related gains (losses) on the consolidated statements of operations.

⁽²⁾ As of December 31, 2024 the allowance for credit losses on commercial mortgages (CECL) is \$4.4 million and the general allowance on commercial mortgages is \$13.7 million.

The commercial mortgage loan portfolio consists primarily of non-recourse, fixed rate mortgages.

The commercial mortgage loan net of allowances portfolio diversification by geographic region (all regions are within the United States, excluding international) and specific collateral property type as follows at December 31:

	2024		2023	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
	<i>(In Thousands)</i>			
Geographic distribution				
East North Central	\$ 1,639,368	60%	\$ 38,142	5%
International	423,941	15%	—	—%
Pacific	395,651	14%	416,464	53%
South Atlantic	241,736	9%	278,493	36%
Mountain	16,903	1%	17,848	2%
West North Central	16,452	1%	24,325	3%
New England	7,349	—%	8,030	1%
Total	<u>\$ 2,741,400</u>	<u>100%</u>	<u>\$ 783,302</u>	<u>100%</u>

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

	2024		2023	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
	<i>(In Thousands)</i>			
Property type distribution				
Multi-Use	\$ 1,568,207	57%	\$ 19,905	3%
Office	586,351	22%	526,030	67%
Industrial	378,503	14%	—	—%
Student Housing	116,119	4%	—	—%
Apartments/Multifamily	55,537	2%	72,884	9%
Retail	36,683	1%	45,707	6%
Hotel/Motel	—	—%	118,776	15%
Total	\$ 2,741,400	100%	\$ 783,302	100%

The Company actively monitors and manages its commercial mortgage loan portfolio. All commercial mortgage loans are analyzed regularly and substantially all are internally rated, based on the National Association of Insurance Commissioners (NAIC) – Risk-Based Capital’s Commercial Mortgage (CM) Rating. As the credit risk for commercial mortgage loans increases, the Company adjusts the CM Rating, per NAIC guidelines, downwards with loans in the category “CM4 and below” having the highest risk for credit loss. CM Ratings on commercial mortgage loans are updated at least annually and potentially more often for certain loans with material changes in collateral value or occupancy and for loans on an internal “watch list.”

Commercial mortgage loans that require more frequent and detailed attention than other loans in the portfolio are identified and placed on an internal “watch list.” Potential criteria that would indicate a possible problem are imbalances in ratios of loan to value or net operating income to debt service, major tenant vacancies or bankruptcies, borrower sponsorship problems, late payments, delinquent taxes and loan relief/restructuring requests.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

The Company's commercial mortgage loan portfolio, consisting of brick and mortar loans, by internal credit risk model was as follows at December 31:

	2024	2023
	<i>(In Thousands)</i>	
CM1	\$ 44,032	\$ 53,737
CM2	338,797	84,172
CM3	362,736	468,076
CM4 and Below	1,995,835	177,317
	\$ 2,741,400	\$ 783,302

Commercial and residential mortgage loans are placed on non-accrual status if the Company has concerns regarding the collectability of future payments or if a loan has matured without being paid off or extended. Factors considered may include conversations with the borrower, loss of major tenant, bankruptcy of the borrower or a major tenant, decreased property cash flows for commercial mortgage loans, or number of days past due for residential mortgage loans. Based on an assessment as to the collectability of the principal, a determination is made to apply any payments received either against the principal or according to the contractual terms of the loan. When a loan is placed on non-accrual status, the accrued unpaid interest receivable is reversed against interest income. Accrual of interest resumes after factors resulting in doubts about collectability have improved. At December 31, 2024 and 2023 there were no commercial mortgage loans on non-accrual status.

Reinsurance Recoverables

Our reinsurance recoverables include amounts due from reinsurers for policy benefits. We cede life insurance and annuities to other insurance companies through reinsurance. See Note 10 regarding additional details on the Company's reinsurance recoverables.

Financing Receivables Credit Monitoring

The Company establishes a valuation allowance to provide for the risk of credit losses inherent in our financing receivables. The valuation allowance is maintained at a level believed adequate by management to absorb estimated expected credit losses. The valuation allowance is based on amortized cost excluding accrued interest receivable and includes reserves for pools of financing

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

receivables with similar risk characteristics. The Company does not measure a credit loss allowance on accrued interest receivable because the Company writes off the uncollectible accrued interest receivable balance to net investment income in a timely manner, generally within 90 days. The Company incurred no write-offs of commercial mortgage loan accrued interest receivable during the years ended December 31, 2024 and 2023.

For commercial mortgage loans, management's periodic evaluation and assessment of the valuation allowance adequacy is based on known and inherent risks in the portfolio, adverse situations that may affect a borrower's ability to repay, the estimated value of the underlying collateral, composition of the portfolio, portfolio delinquency information, underwriting standards, peer group information, current and forecasted economic conditions, loss experience and other relevant factors. For reinsurance recoverables, management's periodic evaluation and assessment of the valuation allowance adequacy is based on known and inherent risks, adverse situations that may affect a reinsurer's ability to repay, current and forecasted economic conditions, industry loss experience and other relevant factors.

The Company's commercial mortgage loans are pooled by risk rating level with an estimated loss ratio applied against each risk rating level. The loss ratio is generally based upon historical loss experience for each risk rating level as adjusted for certain current and forecasted environmental factors management believes to be relevant. Environmental factors are forecasted for two years or less with immediate reversion to historical experience. A commercial mortgage is evaluated individually if it does not continue to share similar risk characteristics of a pool. We analyze the need for an individual evaluation for any domestic commercial mortgage loan that is delinquent for 60 days or more, in process of foreclosure, restructured, on the internal "watch list" or that currently is evaluated individually.

The Company's reinsurance recoverables are pooled by reinsurer risk rating with an estimated loss ratio applied against each risk rating level. The loss ratio is generally based upon industry historical loss experience and expected recovery timing as adjusted for certain current and forecasted environmental factors management believes to be relevant. A reinsurance recoverable is evaluated individually if it does not continue to share similar risk characteristics of a pool. The Company analyzes the need for an individual evaluation for any reinsurance recoverable based on past due payments and changes in reinsurer risk ratings. The change in the valuation allowance for reinsurance recoverables is included in other benefits expense on the consolidated statements of operations.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

A rollforward of our valuation allowance was as follows at December 31:

	2024		
	Commercial	Reinsurance	
	Mortgage Loans	Recoverables	Total
	<i>(In Thousands)</i>		
Beginning balance	\$ 2,032	\$ —	\$ 2,032
Provision	9,598	—	9,598
Charge-offs	(7,189)	—	(7,189)
Ending balance	<u>\$ 4,441</u>	<u>\$ —</u>	<u>\$ 4,441</u>

	2023		
	Commercial	Reinsurance	
	Mortgage Loans	Recoverables	Total
	<i>(In Thousands)</i>		
Beginning balance	\$ 893	\$ —	\$ 893
Provision	1,142	—	1,142
Charge-offs	(3)	—	(3)
Ending balance	<u>\$ 2,032</u>	<u>\$ —</u>	<u>\$ 2,032</u>

Prior to 2023, the Company reviewed the mortgage loan portfolio using a collectively evaluated impairment methodology to determine the need for a general allowance, which was based upon the Company's evaluation of the probability of collection, historical loss experience, delinquencies, and other factors. If the Company determined through management's evaluation of the mortgage loan portfolio that an individual loan has an elevated specific risk profile, the Company would then individually assess the loan for impairment and may assign a specific loan loss allowance. The Company did not have any significant impaired mortgage loans in 2022.

Repurchase Agreements

The Company enters into repurchase agreements, whereby the Company borrows cash from a counterparty at an agreed-upon interest rate for an agreed-upon time frame and pledges collateral in the form of securities. At the end of the agreement, the loan amount is repaid by the Company along with the additional agreed-upon interest, and the securities pledged by the Company are released back to the Company. The Company's policy requires that, at all times during the term of the repurchase agreement, cash or other forms of collateral provided is sufficient to pay the Company's obligation to the counterparty. The risks associated with the repurchase agreement

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Investments (continued)

program are primarily related to declines in the value of the securities pledged for cash, which, if occurred, results in cash needing to be returned to the original purchasing party or additional securities needing to be posted as collateral. The Company has multiple sources of additional liquidity including additional sources of institutional funding, retail funding, contractual cash flows from the asset portfolio, and sales of investment assets. The Company has approved a Liquidity Risk Policy and associated Liquidity Guidelines to manage the aggregate liquidity risk of the Company. The remaining contractual maturity of the repurchase agreements outstanding as of December 31, 2024 were 36 days to 2.3 years. The carrying value of the securities pledged for the repurchase agreements were \$344.7 million as of December 31, 2024. The repurchase obligations were \$328.4 million as of December 31, 2024, and were included in repurchase agreements on the consolidated balance sheets. The remaining contractual maturity of the repurchase agreements outstanding as of December 31, 2023 were 22 days to 3.3 years. The carrying value of the securities pledged for the repurchase agreements were \$1,059.1 million as of December 31, 2023. The repurchase obligations were \$1,012.5 million as of December 31, 2023, and were included in repurchase agreements on the consolidated balance sheets.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Variable Interest Entities

Following is a discussion of the Company's interest in entities that meet the definition of a VIE.

Consolidated Variable Interest Entities

Collateralized Financing Entities

The Company invested in notes issued by collateralized financing entities (CFE) for which it was determined to be the primary beneficiary and therefore required to consolidate the CFE. The notes have contractual recourse only to the assets held by the CFE and are entitled to receive payments to the extent that payments are made on the underlying assets.

In consolidating the CFE, the notes were eliminated as an investment while the underlying assets of the CFE were recorded on the consolidated balance sheets as available for sale fixed maturity investments, as well as recording cash and other assets of the CFE. A liability is recorded for other noteholders' interests in the CFE, which is carried at amortized cost.

The total assets of consolidated CFEs were \$681.9 million and \$2,028.1 million at December 31, 2024 and 2023, respectively. The total liabilities of consolidated CFEs were \$68.4 million and \$237.5 million at December 31, 2024 and 2023, respectively.

Unconsolidated Variable Interest Entities

Collateralized Financing Entities

The Company does not need to consolidate investments in certain CFEs because it is not the primary beneficiary of the VIE as it does not unilaterally have substantive rights to remove the asset manager or general partner of the CFEs. Alternatively, when the asset manager or general partner is related, a parent of the Company (rather than the Company itself) would be considered the primary beneficiary due to its common control of both the Company and the asset manager or general partner and substantially all of the activities of the VIE are not conducted on behalf of the Company. The total investment in these unconsolidated CFEs were \$644.0 million and \$2,216.4 million at December 31, 2024 and 2023, respectively, which is also the maximum exposure. Substantially all of the investments in unconsolidated CFEs were collateralized loan obligations at December 31, 2024 and 2023.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Variable Interest Entities (continued)

In the normal course of business, the Company will invest in structured investments, including unconsolidated VIEs, for which we are not considered the primary beneficiary. These structured investments typically invest in fixed income investments and include asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities. The Company's maximum exposure to loss on these structured investments, both VIEs and non-VIEs, is limited to the amount of its investment including unfunded commitments (see Note 15). See Note 2 for details regarding the carrying amounts and classification of these assets. The Company has not provided material financial or other support to these structures that was not contractually required. The Company has determined that it is not the primary beneficiary of these structures due to the fact that it does not control these entities.

Joint Ventures and Partnerships

The Company has a variable interest in a number of joint ventures and partnerships, which were primarily formed for the purpose of purchasing private equity and fixed income securities, for which the Company is not deemed the primary beneficiary as it does not unilaterally have substantive rights to remove the general partner. The Company also has an equity method investment in the holding company of a reinsurer that assumes certain liabilities of SBLIC (see Note 10) in which the Company does not have substantive power to control activities that are most significant to the VIE; therefore, the Company is not deemed the primary beneficiary. The Company's carrying amount of its investment in these VIEs reported in other invested assets on the consolidated balance sheets were \$1,885.2 million and \$1,548.1 million at December 31, 2024 and 2023, respectively, compared to its maximum exposure to loss of \$2,379.1 million and \$1,817.7 million at December 31, 2024 and 2023, respectively. The Company's maximum exposure to loss of these VIEs is based on existing investments in, and additional commitments made to, joint ventures and partnerships. Total carrying value of unconsolidated investments accounted for under the equity method of accounting amounted to \$1,764.2 million and \$1,405.8 million at December 31, 2024 and 2023, respectively. Total carrying value of unconsolidated investments accounted for under the fair value option amounted to \$121.0 million and \$142.3 million at December 31, 2024 and 2023, respectively.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The Company's risk of loss is typically limited to the fair value of its derivative instruments and not to the notional or contractual amounts of these derivatives. Risk arises from changes in the fair value of the underlying instruments. Such changes in value are generally offset by opposite changes in the value of the hedged item. For non-exchange traded derivative instruments, the Company is exposed to credit losses in the event of nonperformance of the counterparties. This credit risk is minimized by purchasing such agreements from financial institutions with high credit ratings, daily exchange of collateral, and by establishing and monitoring of transfer threshold amounts.

The primary risks managed by using derivative instruments are equity market risk, foreign currency risk and interest rate risk. The most common types of derivatives used by the Company are call options, foreign currency forwards, exchange traded futures, equity total return swaps, interest rate options, and interest rate swaps.

The Company purchases call options to manage the equity and market risk associated with products in which the interest credited is tied to an external equity or other market index. The Company sells fixed index annuity contracts where interest is credited to policyholders based on a percentage of the gain in a specified market index, which cannot be less than zero. Most of the premium received is invested in fixed income securities and a portion is used to purchase derivatives, typically call options, consisting of a range of maturities up to five years to fund the index credits due to the fixed index annuity policyholders. On the applicable anniversary dates of the fixed index annuity, the market index used to compute the index credits is reset and new call options are purchased to fund the next index credit. These call options are highly correlated to the portfolio allocations of the policyholders, such that the Company is economically hedged with respect to equity and/or market returns for the period covering the current policyholder crediting period.

The Company uses foreign currency forwards to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets denominated in foreign currencies. In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date. No cash is exchanged at the time the agreement is entered into.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The Company uses interest rate swaps and interest rate options to reduce market risks from changes in interest rates and to manage interest rate exposure arising from duration mismatches between assets and liabilities. In a swap, the Company agrees with counterparties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional amount. The Company uses interest rate swaps to synthetically convert fixed rate liabilities to floating rate liabilities (“fair value hedge”). The Company also uses interest rate swaps to synthetically convert variable rate coupons on existing financial instruments to fixed rates (“cash flow hedge”).

Our accounting for the ongoing changes in fair value of a derivative depends on the use of the derivative and whether it is designated in a hedge accounting relationship. Derivatives designated as fair value hedges and which are determined to be a highly effective hedge are reported in the same consolidated statement of operations line item that is used to report the earnings effect of the hedged item. Derivatives that are designated for cash flow hedging and determined to be a highly effective hedge are reported at fair value as a component of OCI. At the time when the variability of cash flows being hedged impact net income, the related portion of the deferred gain or loss on the derivative is reclassified and reported in net income. For derivatives which either do not qualify or are not designated for hedge accounting, all changes in fair value are reported in net income.

The Company enters into currency forwards to convert both principal and interest payments of certain foreign denominated assets and liabilities into U.S. dollar denominated fixed rate instruments to eliminate the exposure to future currency volatility on those items.

The Company utilizes derivatives to hedge index credits associated with business reinsured with SkyRidge Re Limited (SkyRidge Re), an insurance company licensed in Bermuda. The embedded derivative reinsurance contracts asset of \$1,240.4 million and \$813.0 million as of December 31, 2024 and 2023, respectively, is related to the ceded liability to SkyRidge Re and is reflected by the Company within reinsurance recoverable on the consolidated balance sheets. The embedded derivative reinsurance contracts liability of \$295.8 million and \$211.3 million as of December 31, 2024 and 2023, respectively, is the fair value of the embedded derivative within the hedging agreement of the reinsurance contract with SkyRidge Re. These amounts are recorded within other liabilities on the consolidated balance sheets.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges. The amortized cost includes the amortized cost basis and the fair value hedging basis adjustment.

Line item in the consolidated balance sheet in which the hedged item is included	Carrying amount of hedged item		Cumulative amount of fair value hedging basis adjustment increase (decrease) included in the carrying amount of the hedge item	
	2024	2023	2024	2023
<i>(In Thousands)</i>				
Fixed maturities, available for sale:				
Active hedging relationships	\$ 2,641,749	\$ 2,567,114	\$ —	\$ —
Total fixed maturities, available for sale in active or discontinued hedging relationships	\$ 2,641,749	\$ 2,567,114	\$ —	\$ —
Policy reserves and annuity account values:				
Active hedging relationships	\$ 3,566,674	\$ 3,028,317	\$ (47,236)	\$ (22,122)
Total policy reserves and annuity account values in active or discontinued hedging relationships	\$ 3,566,674	\$ 3,028,317	\$ (47,236)	\$ (22,122)

The following table presents the gains and losses on derivatives and the related hedged items in fair value hedges for the year ended December 31:

			Location and Amount of Gain or (Loss) Recognized in Income on the Fair Value Hedging Relationship		
			Hedging Derivatives		Hedged Items
Derivatives designated as hedging instruments	Hedged Items	Year	Gains (losses) excluded from effectiveness testing ^{(1) (2)}	Gains (losses) included in effectiveness testing ⁽²⁾	Gains (losses) ⁽²⁾
			(In Thousands)		
Foreign currency forwards	Fixed maturity	2024	\$ (37,085)	\$ 78,398	\$ (78,398)
Interest rate swap	Annuity account	2024	19,672	(55,211)	25,114
Foreign currency forwards	Fixed maturity	2023	(18,077)	(116,597)	116,597
Interest rate swap	Annuity account	2023	559	(28,984)	22,122
Foreign currency forwards	Fixed maturity	2022	72,702	114,197	(114,197)
Interest rate swap	Annuity account	2022	—	—	—

(1) Gains (losses) excluded from effectiveness testing includes the forward point on foreign currency forwards. The Company has elected to record changes in estimated fair value of excluded components in earnings.

(2) Gains and losses are reported in the consolidated statements of operations as investment-related gains (losses), excluding impairment losses on available for sale securities (foreign currency forwards).

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The fair value of the commission assignment embedded derivative (see Note 1) is determined in accordance with ASC 820. The Company uses the income approach method defined in this standard, as market participants would likely use this approach in arriving at a transaction value.

Notional amounts are used to express the extent of the Company's involvement in derivative financial instruments and represent a standard measurement of the volume of the derivative activity. Notional amounts represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received. Credit exposure represents the gross amount owed to the Company under the derivative contracts as of the valuation date. The maximum amount of economic loss due to the credit exposure is limited by the posting of collateral by the counterparties.

The notional amounts and fair value of the Company's derivative instruments was as follows as of December 31:

Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	2024		
			Notional Amount	Fair Value	
				Assets	Liabilities
(In Thousands)					
Barclays Bank PLC	A	A1	\$ 3,200,419	\$ 129,319	\$ 4,568
BNP Paribas	A +	Aa3	2,207,622	84,685	8,258
Bank of America, N.A.	A +	Aa1	513,147	21,365	—
Bank of Montreal	A +	Aa2	3,612,278	199,922	2,696
Canadian Imperial Bank of Commerce	A +	Aa2	2,371,287	78,514	28,658
Citibank, N.A.	A +	Aa3	3,837,859	97,556	30,016
Deutsche Bank AG	A	A1	721,050	5,440	145
Goldman Sachs International	A +	A1	585,347	67,819	—
ICE	A -	A3	—	—	798
Jefferies Financial Services, Inc.	BBB	Baa2	212,757	7,904	—
JPMorgan Chase Bank, NA	AA -	Aa2	735,152	24,230	1,970
Morgan Stanley & Co International PLC	A +	Aa3	2,021,048	37,890	—
Morgan Stanley Capital Services LLC	A +	Aa3	403,128	1,379	3,507
Natixis, SA	A +	A1	268,423	17,060	789
Nomura Bank International PLC	BBB +	Baa1	200,695	4,831	41
Royal Bank of Canada	AA -	Aa1	1,718,397	80,782	12,914
Societe Generale	A	A1	2,197,482	100,822	10,623
UBS AG	A +	Aa3	1,520,104	23,413	23
Exchange Traded	N/A	N/A	10,040,683	283,164	26,059
			\$ 36,366,878	\$ 1,266,095	\$ 131,065

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

Counterparty	Credit Rating (S&P)	Credit Rating (Moody's)	2023		
			Notional Amount	Fair Value	
				Assets	Liabilities
(In Thousands)					
Barclays Bank PLC	A	A1	\$ 2,675,218	\$ 106,518	\$ 3,268
BNP Paribas	A +	Aa3	1,521,295	51,712	4,412
Bank of America, N.A.	A +	Aa2	691,080	27,016	—
Bank of Montreal	A +	Aa2	2,953,050	143,426	897
Canadian Imperial Bank of Commerce	A +	Aa2	2,551,918	63,079	47,943
Citibank, N.A.	A +	Aa3	5,484,123	122,314	77,132
Goldman Sachs International	A +	A1	293,400	8,860	—
JPMorgan Chase Bank, N.A.	A +	Aa2	1,128,164	34,869	1,937
Morgan Stanley & Co International PLC	A +	Aa3	2,168,290	30,289	—
Morgan Stanley Capital Services LLC	A +	Aa3	1,127,650	39,400	4,728
Natixis, SA	A	A1	723,191	20,347	13,705
NatWest Markets PLC	A -	A1	22,911	1,983	20
Royal Bank of Canada	AA -	A1	1,225,830	66,343	4,606
Societe Generale	A	A1	1,942,639	69,120	5,114
UBS AG	A +	Aa3	1,986,834	29,650	33
Exchange Traded/Centrally Cleared	N/A	N/A	8,699,883	198,552	21,576
			\$ 35,195,476	\$ 1,013,478	\$ 185,371

Collateral posted by counterparties at December 31, 2024 and 2023, applicable to derivative instruments, was \$894.6 million and \$647.9 million, respectively, and is reflected on the consolidated balance sheets in cash and cash equivalents, unless rehypothecated into other investments. This collateral is restricted as to its use. The obligation to repay the collateral is reflected in option collateral on the consolidated balance sheets. The Company also maintains a margin account at its clearing broker applicable to exchange traded and cleared derivatives. At December 31, 2024 and 2023, the balance of this account was \$95.3 million and \$80.6 million, respectively, and is reflected on the consolidated balance sheets in other assets. The Company has not entered into tri-party arrangements with counterparties, whereby collateral is posted to and held by a third party.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The estimated fair value of net derivatives after the application of master netting agreements and collateral was as follows as of December 31:

	2024			
	Gross Amounts Not Offset in the Consolidated Balance Sheet			
	Gross Amount Recognized	Derivative	Cash Collateral Received/Pledged	Net Amount
	(In Thousands)			
Derivative asset	\$ 1,266,095	\$ (131,065)	\$ (894,549)	\$ 240,481
Derivative liabilities	131,065	(131,065)	3,260	3,260
	2023			
	Gross Amounts Not Offset in the Consolidated Balance Sheet			
	Gross Amount Recognized	Derivative	Cash Collateral Received/Pledged	Net Amount
	(In Thousands)			
Derivative asset	\$ 1,013,478	\$ (185,371)	\$ (647,922)	\$ 180,185
Derivative liabilities	185,371	(185,371)	(1,080)	(1,080)

The gross amount recognized for derivative assets are reported in call options or other invested assets on the consolidated balance sheets. The gross amount recognized for derivative liabilities are reported in other liabilities on the consolidated balance sheets. The gross amounts of derivative assets and liabilities are not netted for presentation on the consolidated balance sheets. The derivative amount represents the amount of offsetting derivative assets or liabilities that are subject to an enforceable master netting agreement or similar agreement. The net amount primarily represents exposure from cleared derivatives.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The fair value of the Company's derivative financial instruments classified as assets and liabilities on the consolidated balance sheets was as follows as of December 31:

	Derivative Asset		Derivative Liability		Balance reported in
	2024	2023	2024	2023	
	(In Thousands)				
Derivatives designated as hedging instruments					
under Subtopic 815-20					
Interest rate swaps	\$ 23,177	\$ 43,163	\$ 11,181	\$ 7,020	Other invested assets and other liabilities
Currency forwards	73,002	68,378	1,384	38,077	Other invested assets and other liabilities
Derivatives not designated as hedging instruments					
under Subtopic 815-20					
Interest rate swaps	29,102	16,398	7,246	8,911	Other invested assets and other liabilities
Total return swaps	2,093	14,017	26,791	6,510	Other invested assets and other liabilities
Call options	1,020,039	759,014	12,059	16,913	Call options and other liabilities
Currency forwards	118,357	107,254	63,019	101,888	Other invested assets and other liabilities
Futures	325	5,253	6,915	305	Other invested assets and other liabilities
Interest rate cap	—	—	2,470	5,747	Other invested assets and other liabilities
Other derivatives	6	781	—	—	Other invested assets and other liabilities
Total derivative financial instruments	\$ 1,266,101	\$ 1,014,258	\$ 131,065	\$ 185,371	
Embedded derivatives:					
GMWB and GMAB reserves	\$ —	\$ —	\$ 2,662	\$ 3,705	Policy reserves and annuity account values
Fixed index annuity contracts	—	—	3,939,643	2,810,892	Policy reserves and annuity account values
Funds withheld receivable	(5,532)	(12,306)	—	—	Accounts receivable
Funds withheld liability	—	—	(34,206)	(154,635)	Funds withheld liability
Reinsurance contracts	1,241,785	814,694	295,764	211,297	Reinsurance recoverable and other liabilities
Commission assignment	126	1,255	—	—	Other assets
Total embedded derivative financial instruments	\$ 1,236,379	\$ 803,643	\$4,203,863	\$ 2,871,259	

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The following table shows the change in the fair value of the derivative financial instruments, excluding embedded derivatives within fixed index annuity contracts and reinsurance recoverable associated with fixed index annuity contracts, in the consolidated statements of operations for the years ended:

	Year Ended December 31,			Change of fair value reported in
	2024	2023	2022	
	<i>(In Thousands)</i>			
Derivatives:				
Interest rate swaps	\$ (749)	\$ 41,497	\$ 18,343	Change in fair value of options, futures and swaps
Total return swaps	32,856	6,212	(26,548)	Change in fair value of options, futures and swaps
Call options	448,478	145,373	(664,929)	Change in fair value of options, futures and swaps
Futures	(23,551)	(15,233)	(11,214)	Change in fair value of options, futures and swaps
Interest rate cap	2,446	6,477	(4,463)	Change in fair value of options, futures and swaps
Other derivatives	(208)	(22,115)	(38,598)	Investment-related gains (losses)
Change in the fair value of derivatives	459,272	162,211	(727,409)	
Interest rate swaps designated for hedging	19,672	940	—	Index credits and interest credited to account balances
Change in fair value of options, futures and swaps	\$ 478,944	\$ 163,151	\$ (727,409)	
Change in currency forwards designated for hedging	\$ 41,316	\$ (134,674)	\$ 186,899	Investment-related gains (losses)
Change in currency forwards not designated for hedging	88,533	6,253	17,830	Investment-related gains (losses)
Change in currency forwards and swaps	\$ 129,849	\$ (128,421)	\$ 204,729	
Embedded derivatives:				
Funds withheld receivable	\$ 6,182	\$ 9,856	\$ (22,163)	Investment-related gains (losses)
Funds withheld liability	(117,350)	(285,725)	562,836	Investment-related gains (losses)
Change in embedded derivatives recorded in investment-related gains (losses)	\$ (111,168)	\$ (275,869)	\$ 540,673	
Less: embedded derivatives recorded in benefits				
GMWB and GMAB reserves	\$ (1,043)	\$ (435)	\$ 5,144	Other benefits
Commission assignment	1,130	2,205	(3,415)	Other benefits
Reinsurance contracts	124,669	44,968	63,279	Other benefits
Total change in embedded derivative financial instruments	\$ (235,924)	\$ (322,607)	\$ 475,665	

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The changes in fair value of fixed index annuity contracts embedded derivative and related benefits is comprised of the following for the years ended:

	Year Ended December 31,			Change of fair value reported in
	2024	2023	2022	
	<i>(In Thousands)</i>			
Fixed index annuities - embedded derivatives	\$ 241,980	\$ 179,719	\$ (539,723)	Change in fixed index annuity embedded derivative and related benefits
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	(323,699)	197,686	184,761	Change in fixed index annuity embedded derivative and related benefits
	<u>\$ (81,719)</u>	<u>\$ 377,405</u>	<u>\$ (354,962)</u>	

The amounts presented as “Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting” represents the difference between policy benefit reserve change for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in Note 14.

The Company has no cash flow hedge exposure to variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

Derivatives in cash flow hedging relationships	Related hedged item	Amount of gain (loss) recognized in AOCI on derivatives for the year ended December 31,		
		2024	2023	2022
		<i>(In Thousands)</i>		
Interest rate swaps	Fixed maturities, available for sale	\$ (5,542)	\$ 18,299	\$ —
Total		<u>\$ (5,542)</u>	<u>\$ 18,299</u>	<u>\$ —</u>

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

The following tables show the effect of derivatives in fair value and cash flow hedging relationships and the related hedged items on the consolidated statements of operations:

For the year ended December 31, 2024			
	Net investment income related to hedges of fixed maturities, available for sale	Net realized capital gains (losses) related to hedges of fixed maturities, available for sale	Index credits and interest credited to account balances related to hedges of policy reserves and annuity account values
(In Thousands)			
Total amounts of consolidated statement of operations line items in which the effects of fair value and cash flow hedges are reported			
Gains (losses) on fair value hedging relationships:			
Foreign currency forwards:			
Gain recognized on hedged item	\$ —	\$ (78,398)	\$ —
Loss recognized on derivatives	—	78,398	—
Interest rate swaps:			
Loss recognized on derivatives	—	—	(19,672)
Amounts related to periodic settlements on derivatives	—	—	(35,539)
Total gain (loss) recognized for fair value hedging relationships	\$ —	\$ —	\$ (55,211)
Gains (losses) on cash flow hedging relationships:			
Interest rate swaps:			
Amounts related to periodic settlements on derivatives	\$ (12,758)	\$ —	\$ —
Total gain (loss) recognized for cash flow hedging relationships	\$ (12,758)	\$ —	\$ —

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

For the year ended December 31, 2023			
	Net investment income related to hedges of fixed maturities, available for sale	Net realized capital gains (losses) related to hedges of fixed maturities, available for sale	Index credits and interest credited to account balances related to hedges of policy reserves and annuity account values
<i>(In Thousands)</i>			
Total amounts of consolidated statement of operations line items in which the effects of fair value and cash flow hedges are reported			
Gains (losses) on fair value hedging relationships:			
Foreign currency forwards:			
Gain recognized on hedged item	\$ —	\$ 116,597	\$ —
Loss recognized on derivatives	—	(116,597)	—
Interest rate swaps:			
Loss recognized on derivatives	—	—	(940)
Amounts related to periodic settlements on derivatives	—	—	(28,044)
Total gain (loss) recognized for fair value hedging relationships	\$ —	\$ —	\$ (28,984)
Gains (losses) on cash flow hedging relationships:			
Interest rate swaps:			
Amounts related to periodic settlements on derivatives	2,703	—	—
Total gain (loss) recognized for fair value hedging relationships	\$ 2,703	\$ —	\$ —

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Derivative Instruments (continued)

For the year ended December 31, 2022		
Net investment income related to hedges of fixed maturities, available-for-sale	Net realized capital gains (losses) related to hedges of fixed maturities, available for sale	Index credits and interest credited to account balances related to hedges of policy reserves and annuity account values
<i>(In Thousands)</i>		

Total amounts of consolidated statement of operations line items in which the effects of fair value and cash flow hedges are reported

Gains (losses) on fair value hedging relationships:

Foreign currency forwards:

Gain recognized on hedged item

Loss recognized on derivatives

Total gain (loss) recognized for fair value hedging relationships

\$	—	\$	(114,197)	\$	—
	—		114,197		—
\$	—	\$	—	\$	—

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Deferred Policy Acquisition Costs

An analysis of the deferred policy acquisition cost asset balance is presented below for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Balance at beginning of period	\$ 1,353,554	\$ 1,302,344	\$ 780,302
Cost deferred	359,435	366,575	336,416
Imputed interest	54,580	43,844	28,745
Amortized to expense	(345,957)	(249,932)	(99,645)
Effect of unrealized (gains) losses	(104,359)	(109,277)	256,526
Balance at end of period	\$ 1,317,253	\$ 1,353,554	\$ 1,302,344

The costs deferred shown above contain the initial ceded deferred policy acquisition costs on reinsurance business ceded throughout the year (see Note 10). All amounts reflected above are net of reinsurance activity ceded.

6. Deferred Sales Inducement Costs

An analysis of the deferred sales inducement costs asset balance is presented below for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Balance at beginning of period	\$ 507,436	\$ 386,115	\$ 241,764
Costs deferred	261,004	183,960	117,096
Imputed interest	21,041	13,803	6,912
Amortized to expense	(129,594)	(64,915)	(28,659)
Effect of unrealized (gains) losses	(27,403)	(11,527)	49,002
Balance at end of period	\$ 632,484	\$ 507,436	\$ 386,115

The costs deferred shown above contain the initial ceded deferred sales inducements costs on reinsurance business ceded throughout the year (see Note 10). All amounts reflected above are net of reinsurance activity ceded.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Value of Business Acquired

The Company recorded VOBA that is being amortized in a similar manner to the deferred policy acquisition costs. An analysis of VOBA and associated amortization is presented below for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Balance at beginning of period	\$ 993,546	\$ 1,213,994	\$ 1,030,551
Costs deferred	—	—	43,500
Imputed interest	27,309	25,824	23,585
Amortized to expense	(152,795)	(161,662)	(20,506)
Effect of unrealized (gains) losses	(40,065)	(84,610)	136,864
Balance at end of period	<u>\$ 827,995</u>	<u>\$ 993,546</u>	<u>\$ 1,213,994</u>

For the year ended December 31, 2022, the costs deferred shown above include the value of the business acquired associated with the acquisition of Everly Life Insurance Company (Everly Life) (previously, Settlers Life Insurance Company) (see Note 19).

For the years ended December 31, 2024, 2023, and 2022, the costs deferred shown above include the initial cost of reinsurance on reinsurance business ceded throughout the year (see Note 10). All amounts reflected above are net of reinsurance activity ceded.

The remaining weighted average amortization period is 32 years for VOBA. The interest accrual rate utilized to calculate the accretion of interest was 2.44% for the year ended December 31, 2024, 2.13% for the year ended December 31, 2023, and 1.73% for the year ended December 31, 2022.

The estimated future amortization schedule for the next five years based on current assumptions is expected to be as follows (in thousands) for the year ending December 31:

2025	\$ 117,033
2026	98,111
2027	90,483
2028	83,092
2029	75,095

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Other Assets

Property and Equipment

The following is a summary of property and equipment at cost less accumulated depreciation as of December 31:

	2024	2023
	<i>(In Thousands)</i>	
Land and improvements	\$ 7,279	\$ 7,279
Building	52,545	53,232
Leasehold improvements	2,236	2,237
Furniture	77	64
Data processing equipment	381	333
Computer software	—	3,124
	62,518	66,269
Accumulated depreciation	(16,642)	(18,242)
Net property and equipment	\$ 45,876	\$ 48,027

Accumulated depreciation deducted from investment in real estate amounted to \$16.1 million and \$14.9 million at December 31, 2024 and 2023, respectively.

Airplane

In February 2013, SAILES 2, LLC (SAILES), a wholly owned subsidiary of SBLIC, acquired an airplane for other investment purposes. SAILES leased the airplane under an operating lease.

In 2024, the Company executed an agreement to sell its aircraft for a \$50.0 million purchase price. The sale of the aircraft resulted in \$19.7 million write-off to the Company. Proceeds from the sale funded selling costs and settlement of all outstanding obligations, resulting in the dissolution of SAILES and full distribution of equity.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) are as follows:

	Pretax	Tax	After-Tax
	<i>(In Thousands)</i>		
Other comprehensive income (loss) for the year ended December 31, 2022			
Net unrealized gains (losses) on available for sale securities	\$ (2,283,888)	\$ 481,105	\$ (1,802,783)
Foreign exchange adjustments on available for sale and equity method investments	(5,432)	1,144	(4,288)
Reclassification adjustment for (gains) losses included in net income	24,102	(5,077)	19,025
OTTI losses recognized in earnings and other comprehensive income (loss)	5,659	(1,192)	4,467
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	442,392	(93,191)	349,201
Policy reserves and annuity account values	335,544	(70,683)	264,861
Total other comprehensive income (loss) for the year ended December 31, 2022	<u>\$ (1,481,623)</u>	<u>\$ 312,106</u>	<u>\$ (1,169,517)</u>
Other comprehensive income (loss) for the year ended December 31, 2023			
Net unrealized gains (losses) on available for sale securities	\$ 1,459,466	\$ (306,558)	\$ 1,152,908
Foreign exchange adjustments on available for sale and equity method investments	5	(1)	4
Reclassification adjustment for (gains) losses included in net income	(194,448)	40,843	(153,605)
Hedging instruments	18,299	(3,843)	14,456
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	(205,414)	43,147	(162,267)
Policy reserves and annuity account values	(213,978)	44,946	(169,032)
Total other comprehensive income (loss) for the year ended December 31, 2023	<u>\$ 863,930</u>	<u>\$ (181,466)</u>	<u>\$ 682,464</u>
Other comprehensive income (loss) for the year ended December 31, 2024			
Net unrealized gains (losses) on available for sale securities	\$ 416,817	\$ (88,036)	\$ 328,781
Foreign exchange adjustments on available for sale and equity method investments	(5,378)	1,136	(4,242)
Reclassification adjustment for (gains) losses included in net income	5,946	(1,256)	4,690
Hedging instruments	(5,542)	1,171	(4,371)
Net effect of unrealized gains and losses on:			
DAC, DSI, and VOBA	(171,882)	36,303	(135,579)
Policy reserves and annuity account values	(101,465)	21,431	(80,034)
Total other comprehensive income (loss) for the year ended December 31, 2024	<u>\$ 138,496</u>	<u>\$ (29,251)</u>	<u>\$ 109,245</u>

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Other Comprehensive Income (Loss) (continued)

Accumulated Other Comprehensive Income (Loss)

	Foreign Exchange Adjustment	Unrealized Gains (Losses) on available for sale Securities	Total Other Comprehensive Income (Loss)
	<i>(In Thousands)</i>		
Accumulated other comprehensive income (loss) at January 1, 2022	\$ (659)	\$ 249,503	\$ 248,844
Other comprehensive income (loss) before reclassifications	(4,288)	(1,188,721)	(1,193,009)
Amounts reclassified from accumulated other comprehensive income (loss) ⁽¹⁾	—	23,492	23,492
Accumulated other comprehensive income (loss) at December 31, 2022	(4,947)	(915,726)	(920,673)
Other comprehensive income (loss) before reclassifications	4	836,065	836,069
Amounts reclassified from accumulated other comprehensive income (loss) ⁽¹⁾	—	(153,605)	(153,605)
Accumulated other comprehensive income (loss) at December 31, 2023	(4,943)	(233,266)	(238,209)
Other comprehensive income (loss) before reclassifications	(4,242)	108,797	104,555
Amounts reclassified from accumulated other comprehensive income (loss) ⁽¹⁾	—	4,690	4,690
Accumulated other comprehensive income (loss) at December 31, 2024	\$ (9,185)	\$ (119,779)	\$ (128,964)

- (1) The amounts reclassified from accumulated other comprehensive income (loss) for unrealized gains (losses) on available for sale securities are included in investment-related gains (losses) and income tax expense in the consolidated statements of operations.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Reinsurance

Principal reinsurance assumed transactions are summarized as follows for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Reinsurance assumed:			
Premiums received	\$ 20,679	\$ 17,541	\$ 23,201
Commissions paid	\$ 2,372	\$ 3,490	\$ 3,979
Claims paid	\$ 18,049	\$ 19,529	\$ 15,513
Surrenders paid	\$ 113,878	\$ 109,286	\$ 106,150

Principal reinsurance ceded transactions are summarized as follows for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Reinsurance ceded:			
Premiums paid	\$ 2,007,614	\$ 2,502,604	\$ 1,313,544
Commissions received	\$ 162,961	\$ 207,491	\$ 114,439
Claim recoveries	\$ 159,812	\$ 150,596	\$ 135,698
Surrenders recovered	\$ 1,016,821	\$ 931,940	\$ 695,531

At December 31, 2024 and 2023, the Company had reinsurance recoverable receivables totaling \$10,979.0 million and \$9,604.9 million, respectively, for reserve credits, reinsurance claims, and other receivables from its reinsurers.

The increase in reinsurance recoverable is primarily related to the ceding of certain fixed annuity and fixed index annuity liabilities to SkyRidge Re, an insurance company licensed in Bermuda. The liabilities subject to the agreement are (i) liabilities on policies inforce as of November 30, 2021 and (ii) liabilities on policies as they are written through 2026. As of December 31, 2024, the Company has net business ceded based on statutory reserves of \$8.7 billion to SkyRidge Re, and of this amount, \$2.0 billion was the ceded premium during the year ended December 31, 2024.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Reinsurance (continued)

As of December 31, 2024 and 2023, the value of the Company's funds withheld and held liability under all its reinsurance agreements was \$9,514.7 million and \$8,082.8 million, respectively. The SkyRidge Re reinsurance agreement was the primary driver of the increase in the value of the Company's funds withheld and held liability.

As of December 31, 2024 and 2023, the Company had \$680.3 million and \$767.1 million, respectively, of reserves ceded that were uncollateralized by the assuming reinsurer.

Life insurance inforce ceded at December 31, 2024 and 2023, was \$1,691.9 million and \$1,773.1 million, respectively. Life reserves ceded at December 31, 2024 and 2023 was \$599.7 million and \$599.8 million, respectively.

Through its consolidated captive reinsurance subsidiary, the Company entered into an excess of loss reinsurance agreement with a third-party US based reinsurance company. This excess of loss agreement covers fixed index annuities with a GLWB that were issued in 2018 through the first half of 2020. Under this excess of loss agreement, if those annuity holders continue to make lifetime income withdrawals beyond certain dollar thresholds within the excess of loss coverage period (22-24 years from the issue date of each contract cohort), the third-party reinsurance company will reimburse the Company for those benefit payments. The Company did not reduce any policy or annuity reserve liability as a result of this excess of loss agreement.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Insurance Liabilities

The major components of policy reserves and annuity account values on the consolidated balance sheets are summarized as follows as of December 31:

	2024	2023
	<i>(In Thousands)</i>	
Liabilities for investment-type insurance contracts:		
Liabilities for individual annuities	\$ 33,334,073	\$ 31,298,252
Funding agreements	511,011	1,003,228
Other investment-type insurance contracts	1,868	1,821
Total liabilities for investment-type insurance contracts	<u>33,846,952</u>	<u>32,303,301</u>
Life and other reserves	11,528,114	10,165,644
Total policy reserves and annuity account values	<u>\$ 45,375,066</u>	<u>\$ 42,468,945</u>

General account funding agreements

The Company has issued general account funding agreements of \$511.0 million and \$1,003.2 million at December 31, 2024 and 2023, respectively, which are classified as investment-type contracts. These liabilities consist of floating interest rate and fixed interest rate contracts.

In May 2021, SBLIC established a \$2.0 billion program for a trust, Security Benefit Global Funding, to periodically issue funding agreement-backed notes (FABNs). Security Benefit Global Funding is not an affiliate or related party of the Company. These notes are backed by funding agreements issued by SBLIC to the trust. In May 2021, the trust issued its first series (2021-1), 1.250% Fixed Rate Notes in the principal amount of \$500.0 million. These fixed rate notes matured in May 2024, as did the related funding agreement. The funding agreement liability had no carrying amount at December 31, 2024 and a carrying amount of \$500.8 million at December 31, 2023, which was included in policy reserves and annuity account values on the consolidated balance sheets.

The remaining \$511.0 million and \$502.5 million as of December 31, 2024 and 2023, respectively, of general account funding agreements have call provisions that give the holder of the funding agreements the right to require the funding agreement be redeemed by the Company if certain adverse conditions occur.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Insurance Liabilities (continued)

Separate account funding agreements

The Company issued separate account funding agreements whereby the contract holders elect to invest in various investment options offered under the policy. As of December 31, 2024 and 2023, separate account investments funded through these agreements were \$3,042.2 million and \$2,386.9 million, respectively, and are reported in separate account assets and liabilities on the consolidated balance sheets. Investment income and gains or losses arising from the investments in the separate account funding agreements accrue directly to the contract holders and, therefore, are not included in investment income in the accompanying consolidated statements of operations. Revenues to the Company from the separate account funding agreements consist primarily of administrative fees assessed at the time the funding agreement was issued.

Guarantees on fixed index annuities

The following is a summary of the account values and net amount at risk, net of reinsurance, for fixed index annuity contracts with GMDB invested in the general account as of December 31:

	2024			2023		
	Account Value	Net Amount at Risk	Weighted-Average Attained Age	Account Value	Net Amount at Risk	Weighted-Average Attained Age
	<i>(In Millions)</i>					
Rollup GMDB	<u>\$ 366</u>	<u>\$ 184</u>	79	<u>\$ 429</u>	<u>\$ 203</u>	78

The determination of the value of GLWB and GMDB guarantees on fixed index annuities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, and mortality experience. The Company holds reserves for the GLWB and GMDB guarantees on the fixed index annuity contract holders.

As of December 31, 2024 and 2023, the reserve liability for the GLWB guarantee on fixed index annuities was \$3,925.8 million and \$3,291.2 million, respectively, and the reserve liability for the GMDB guarantee on fixed index annuities was \$48.8 million and \$39.9 million, respectively. These reserve liabilities are included in policy reserves and annuity account values.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Insurance Liabilities (continued)

The following is a summary of the account values and net amount at risk, net of reinsurance, for variable annuity contracts with GMDB invested in both general and separate accounts as of December 31:

	2024			2023		
	Account Value	Net Amount at Risk	Weighted-Average Attained Age	Account Value	Net Amount at Risk	Weighted-Average Attained Age
	<i>(In Millions)</i>					
Return of premium	\$ 1,221	\$ 8	67	\$ 1,244	\$ 10	67
Reset	144	—	63	139	—	62
Roll-up	87	38	75	86	42	74
Step-up	3,592	29	71	3,655	35	71
Combo	63	11	77	66	14	76
Subtotal	5,107	86	70	5,190	101	70
Enhanced	4	—	73	3	—	72
Total GMDB	\$ 5,111	\$ 86	70	\$ 5,193	\$ 101	70

The determination of the value of the GMDB and GMIB guarantees on variable annuities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, and mortality experience. The Company holds reserves and embedded derivatives for GMDB, GMIB, GMWB, and GMAB guarantees it provides for the benefit of variable annuity contract holders. The reserve liability for GMDBs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2024 and 2023 was \$7.6 million and \$7.3 million, respectively. The reserve liability for GMIBs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2024 and 2023 was \$8.4 million and \$17.3 million, respectively. The embedded derivative for GMWBs and GMABs on variable annuity contracts reflected on the consolidated balance sheets as of December 31, 2024 and 2023 was \$1.3 million and \$2.0 million, respectively. These liabilities are included in policy reserves and annuity account values.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Insurance Liabilities (continued)

Index credits and interest credited

The components of index credits and interest credited to account balances are summarized as follows:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Index credits	\$ 705,301	\$ 205,266	\$ 167,117
Interest credited to account balances	439,295	397,946	245,887
	<u>\$ 1,144,596</u>	<u>\$ 603,212</u>	<u>\$ 413,004</u>

12. Income Taxes

The Company, with the exception of HNW Investors, LLC and Everly Holdings and its subsidiaries, is included in a consolidated Non-Life/Life federal income tax return filed by Eldridge Wealth Solutions, Inc. (EWS, previously Security Benefit Corporation). Everly Holdings and HNW Investors, LLC are taxed as partnerships and therefore file their own separate returns.

The Company is no longer subject to U.S. federal and generally state examinations by tax authorities for the years before 2020. The Internal Revenue Service completed its examination of the Company's federal tax returns for tax years 2013 through 2018 resulting in minimal adjustments. The State of Illinois completed its examination of the EWS and Subsidiaries' state tax returns for tax years 2019 and 2020 resulting in no adjustments. The State of Florida has commenced auditing SBLIC's 2020 through 2022 Florida income tax returns. There are no known adjustments in the years under audit.

Under a tax sharing agreement between EWS and certain of its related parties, EWS allocates income tax expenses and benefits to companies in the group generally based upon pro rata contribution of taxable income or operating losses. Through the tax sharing agreement with EWS, the Company had a payable to EWS of \$28.0 million and a receivable from EWS of \$67.3 million at December 31, 2024 and 2023, respectively, for taxes, which is included in other assets on the consolidated balance sheets.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

SBLIC's subsidiary, Sixth Avenue Reinsurance Company (SARC), has a separate tax sharing agreement with EWS. Under the separate tax sharing agreement, SARC's losses are benefited only to the extent SARC could otherwise utilize the losses on a stand-alone basis.

The provision for income taxes includes current federal and state income tax expense or benefit and deferred income tax expense or benefit due to temporary differences between the financial reporting and income tax bases of assets and liabilities.

As of December 31, 2024 and 2023, the Company had no gross unrecognized tax benefits. The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense as a component of operating expenses in the consolidated statements of operations. The Company recorded no interest expense for unrecognized tax benefits for the years ended December 31, 2024 and 2023.

The Inflation Reduction Act of 2022 implements a new corporate alternative minimum tax ("CAMT") based on average adjusted financial statement income and is effective for tax years beginning after December 31, 2022. To the extent the CAMT (e.g., 15% of adjusted GAAP pretax income) exceeds the U.S. regular corporate tax (e.g., 21% of taxable income), an additional current tax expense will be recorded in the period the liability is incurred. A corresponding CAMT credit carryforward will be established as a deferred tax asset and will have an indefinite carryover life recoverable when the regular corporate tax exceeds the CAMT in a given year. This provision had no impact on the results of operations for years ended December 31, 2024 and 2023. Furthermore, the Company does not expect to be a perpetual CAMT taxpayer. The company made an accounting policy election to disregard the CAMT in evaluating recoverability of its deferred tax assets established under the U.S. regular corporate tax system.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

Income tax expense consists of the following for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Current income tax expense	\$ 332,783	\$ 310,906	\$ 227,114
Deferred income tax (benefit) expense	(108,483)	(136,432)	518
Income tax expense	<u>\$ 224,300</u>	<u>\$ 174,474</u>	<u>\$ 227,632</u>

The differences between reported income tax expense and the results from applying the statutory federal rate to income before income tax expense are as follows for the years ended:

	Year Ended December 31,		
	2024	2023	2022
	<i>(In Thousands)</i>		
Federal income tax expense computed at statutory rate	\$ 232,357	\$ 182,670	\$ 245,495
Increases (decreases) in taxes resulting from:			
Tax exempt interest	(452)	(423)	(395)
Dividends received deduction	(4,236)	(4,049)	(3,725)
Non-controlling interest	(6,535)	(925)	—
Prior period adjustments	6	(778)	(6,608)
Other	3,160	(2,021)	(7,135)
Income tax expense	<u>\$ 224,300</u>	<u>\$ 174,474</u>	<u>\$ 227,632</u>

“Other” in the above table includes state income taxes, nondeductible meals and entertainment, nondeductible dues and penalties, nondeductible lobbying expenses and other miscellaneous differences and adjustments.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

Net deferred income tax assets and liabilities consist of the following as of December 31:

	2024	2023
	<i>(In Thousands)</i>	
Deferred income tax assets:		
Future policy benefits	\$ 685,916	\$ 496,586
Credit carryover	4,476	7,439
Rider fee	7,973	8,458
Net operating loss carryforward	92,839	109,083
Capital loss carryforward	4,672	5,120
Net unrealized loss on investments	44,417	131,095
Net unrealized loss on derivatives	39,409	—
Total gross deferred income tax assets before valuation allowance	879,702	757,781
Less: valuation allowance	4,079	4,357
Deferred income tax assets, net of valuation	875,623	753,424
Deferred income tax liabilities:		
Net unrealized gain on derivatives	—	53,210
Deferred policy acquisition costs and deferred sales inducements	356,367	341,833
Investments	141,540	9,946
Value of business acquired	173,879	208,645
Depreciation	3,569	21,973
Commission accrual	42	295
Other	25,379	21,906
Total deferred income tax liabilities	700,776	657,808
Net deferred income tax asset	\$ 174,847	\$ 95,616

The oldest credit carryover will expire in 2029 and relates to general business credits.

The Company's deferred tax asset position includes \$442.0 million of federal net operating loss carryforwards, related to SARC losses, which have no expiration date.

The Company assesses the available positive and negative evidence surrounding the recoverability of the deferred income tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. As of December 31, 2024 and 2023, the Company recorded a \$4.0 million and \$4.4 million valuation allowance related to Everly Life capital loss carryforward, as the realization of that deferred tax asset is uncertain.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

The realization of deferred tax assets related to unrealized loss on our available for sale fixed maturity securities is based on the the Company's ability and intent to hold the securities for a period of time sufficient to allow for the recovery of the value.

13. Goodwill

As of December 31, 2024 and 2023, the Company had a carrying value of goodwill of \$114.1 million. Impairment of goodwill is evaluated annually. The Company determined for 2024 and 2023 that no impairment of goodwill was necessary.

14. Fair Value Measurements

Fair Value Hierarchy

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels based on the inputs and assumptions used to determine the fair value. The levels are as follows:

Level 1 – Valuations are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, model-based valuation techniques for which significant assumptions are observable in the market, and option pricing models using inputs observable in the market.

Level 3 – Valuations are generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's assumptions that market participants would use in pricing the asset or liability. Valuation techniques include discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances.

Determination of Fair Value

Under ASC 820, the Company bases fair values on the price that would be received to sell an asset (exit price) or paid to transfer a liability in an orderly transaction between market

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in ASC 820.

Cash equivalents

Cash equivalents include highly liquid securities with an original maturity of 90 days or less and money market accounts. The cash equivalents based on quoted market prices are included in Level 1 assets. When quoted prices are not available, the Company utilizes an independent pricing service, and includes those cash equivalents in Level 2 assets.

Fixed maturity investments

The fair values of fixed maturity securities in an active and orderly market are largely determined by utilizing third party pricing services. The Company has regular interactions with pricing services and its investment advisors to understand the pricing methodologies used and to confirm the prices are utilizing observable inputs. The pricing methodologies will vary based on the asset class and include inputs such as estimated cash flows, reported trades, broker quotes, credit quality, industry and economic events. Fixed maturity investments with fair values obtained from pricing services, applicable market indices, or internal models with substantially observable inputs are included in Level 2.

The Company will obtain a broker quote or utilize an internal pricing model specific to the asset utilizing unobservable relevant inputs if the Company is not able to utilize observable inputs. These assets are included in Level 3.

Equity securities

Fair values of equity securities are determined using quoted prices in active markets for identical assets when available, which are included in Level 1. When quoted prices are not available, the Company utilizes internal valuation methodologies appropriate for the specific asset that use observable inputs such as underlying share prices; therefore, the assets are included in Level 2. Fair values might also be determined using broker quotes or through the use of internal models or analysis that incorporates significant assumptions deemed appropriate given the circumstances

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

and consistent with what other market participants would use when pricing such securities. These assets are included in Level 3.

Short-term investments

Fair values of short-term investments are determined using broker quotes or through the use of internal models or analysis that incorporate significant assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing such investments. These assets are included in Levels 2 or 3, depending on the observability of the inputs.

Call options, currency forwards, swaps, and futures

Certain fair values of call options are valued with models that use market observable inputs, which are included in Level 2. Currency forwards with fair values obtained from pricing services with substantially observable inputs are included in Level 2. Swaps with fair values obtained from counterparties with substantially observable inputs are included in Level 2. Futures, swaps, and call options with fair values obtained from unadjusted quoted prices for identical instruments traded in active markets are included in Level 1.

Other derivatives

Certain other derivatives are valued with models that use inputs which are unobservable in the market and are included in Level 3.

Separate account assets

Separate account assets include equity securities, investments in notes receivable and investments in partnerships. The fair value of the equity securities within the separate accounts is determined using quoted prices in active markets for identical assets and is reflected in Level 1. The fair value of the investments in private notes within the separate accounts was determined using internal pricing models using inputs unobservable in the market. The fair value for partnerships within the separate accounts was determined through the use of an external third party pricing specialist through the use of the market approach, income approach, and underlying assets approach. The investments in private notes and partnerships are reflected in Level 3.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

Embedded derivatives – reinsurance contracts

The fair value of the embedded derivative reinsurance contracts asset is calculated as described below, under the heading Embedded derivatives - fixed index annuity contracts, where the portion of the liability ceded is held as a reinsurance recoverable asset. These assets are included in Level 3.

The fair value of the embedded derivative reinsurance contracts liability is determined by the expected value of future index credits calculated using call option pricing with current market data and updated fund value allocations for policyholder balances. These liabilities are included in Level 3.

Embedded derivatives – commission assignment

The fair value of the commission assignment embedded derivatives is determined by comparing the current period updated actuarial projected future cash flows, discounted to present value, to the amortized cost of the base level commission payments on the reporting date. The main variables considered in the actuarial projected future cash flows include: (i) policies that remain inforce; (ii) persistency expectations; (iii) expected future cash flows related to the level commission payments; and (iv) discount rate. These assets are included in Level 3.

Embedded derivatives – GMWB and GMAB reserves

The Company records guarantees for variable annuity contracts containing guaranteed riders for GMABs and GMWBs as derivative instruments. The fair value of the obligation is calculated based on unobservable inputs with actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced using stochastic techniques under a variety of market returns scenarios and other assumptions. These liabilities are included in Level 3.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

Embedded derivatives – funds withheld liability

The Company estimates the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld liability under the coinsurance funds withheld agreement. This liability is included in Level 3.

Embedded derivatives – fixed index annuity contracts

Fair values of the Company's embedded derivative component of the fixed index annuity policy liabilities are determined by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for the nonperformance risk related to those liabilities. The projections of policy contract values are based on the Company's best estimate assumptions for future policy growth and future policy decrements. The Company's best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of call options the Company will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. These liabilities are included in Level 3.

One of the Company's fixed index annuity products has an embedded derivative feature that returns GLWB rider charges in excess of index credits over a five year period. The guarantee is reset on each fifth policy anniversary while in the accumulation phase. The fair value of the policy's embedded derivative is determined using the mean present value of a risk-neutral stochastic projection of the account value. Discount rates are projected risk-free rates plus the Company's own credit spread margin. These liabilities are included in Level 3.

Assets and Liabilities Measured and Reported at Fair Value

The following table presents categories measured at fair value on a recurring basis:

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

	December 31, 2024			
	Fair Value Hierarchy Level			
	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)			
Assets:				
Cash equivalents	\$ 1,316,613	\$ 1,316,613	\$ —	\$ —
Fixed maturity investments:				
U.S. Treasury securities and other U.S. government corporations and agencies	35,113	—	35,113	—
Obligations of government-sponsored enterprises	684,383	—	684,383	—
Corporate	23,853,273	—	3,074,976	20,778,297
Municipal obligations	39,041	—	20,421	18,620
Commercial mortgage-backed	70,743	—	66,587	4,156
Residential mortgage-backed	56,626	—	56,626	—
Collateralized debt obligations	5,111	—	5,111	—
Collateralized loan obligations	11,258,899	—	7,714,457	3,544,442
Redeemable preferred stock	27,862	—	27,862	—
Other asset backed	2,153,514	—	617,029	1,536,485
Total fixed maturity investments	38,184,565	—	12,302,565	25,882,000
Equity securities:				
Consumer	340,981	76,861	228,177	35,943
Mutual funds	5,115	5,115	—	—
Preferred stocks	647,520	—	314,079	333,441
Total equity securities	993,616	81,976	542,256	369,384
Other invested assets	271,382	—	—	271,382
Short-term investments	91,020	—	91,020	—
Call options	1,020,039	—	1,020,039	—
Currency forwards and swaps	191,359	—	191,359	—
Interest rate swaps and total return swaps	42,218	39,572	2,093	553
Futures	325	325	—	—
Other derivatives	6	4	2	—
Embedded derivatives:				
Funds withheld receivable	(5,532)	—	—	(5,532)
Commission assignment	126	—	—	126
Reinsurance contracts	1,241,785	—	—	1,241,785
Separate account assets	6,579,840	3,537,640	—	3,042,200
Total assets	\$ 49,927,362	\$ 4,976,130	\$ 14,149,334	\$ 30,801,898
Liabilities:				
Call options	\$ 12,059	\$ —	\$ 12,059	\$ —
Currency forwards and swaps	64,403	—	64,403	—
Interest rate swaps and total return swaps	45,218	17,377	27,589	252
Hedge accounting liability for MYGA product	(47,236)	—	—	(47,236)
Futures	6,915	6,915	—	—
Interest rate caps	2,470	—	2,470	—
Derivatives and embedded derivatives:				
GMWB and GMAB reserves	2,662	—	—	2,662
Funds withheld liability	(34,206)	—	—	(34,206)
Reinsurance contracts	295,764	—	—	295,764
Fixed index annuity contracts	3,939,643	—	—	3,939,643
Total liabilities	\$ 4,287,692	\$ 24,292	\$ 106,521	\$ 4,156,879

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

December 31, 2023					
Fair Value	Fair Value Hierarchy Level				
	Level 1	Level 2	Level 3		
(In Thousands)					
Assets:					
Cash equivalents	\$ 145,810	\$ 145,810	\$ —	\$ —	
Fixed maturity investments:					
U.S. Treasury securities and other U.S. government corporations and agencies	42,826	—	42,826	—	
Obligations of government-sponsored enterprises	610,720	—	610,720	—	
Corporate	22,925,749	—	4,145,664	18,780,085	
Obligations of foreign governments	428	—	428	—	
Municipal obligations	45,856	—	26,292	19,564	
Commercial mortgage-backed	68,157	—	64,318	3,839	
Residential mortgage-backed	51,801	—	51,801	—	
Collateralized debt obligations	7,861	—	7,861	—	
Collateralized loan obligations	14,477,952	—	9,059,455	5,418,497	
Redeemable preferred stock	23,313	—	—	23,313	
Other asset backed	2,442,795	—	731,062	1,711,733	
Total fixed maturity investments	40,697,458	—	14,740,427	25,957,031	
Equity securities:					
Consumer	257,539	32,384	193,141	32,014	
Mutual funds	4,733	4,733	—	—	
Preferred stocks	443,024	—	104,804	338,220	
Total equity securities	705,296	37,117	297,945	370,234	
Short-term investments	160,893	—	100,363	60,530	
Call options	759,014	—	759,014	—	
Currency forwards and swaps	175,632	—	175,632	—	
Interest rate swaps and total return swaps	73,578	59,561	14,017	—	
Futures	5,253	5,253	—	—	
Other derivatives	781	316	—	465	
Embedded derivatives:					
Funds withheld receivable	(12,306)	—	—	(12,306)	
Commission assignment	1,255	—	—	1,255	
Reinsurance contracts	814,694	—	—	814,694	
Separate account assets	5,785,040	3,398,140	—	2,386,900	
Total assets	\$ 49,312,398	\$ 3,646,197	\$ 16,087,398	\$ 29,578,803	
Liabilities:					
Call options	\$ 16,913	\$ —	\$ 16,913	\$ —	
Currency forwards and swaps	139,965	—	139,965	—	
Interest rate swaps and total return swaps	22,442	15,931	6,511	—	
Hedge accounting liability for MYGA product	(22,122)	—	—	(22,122)	
Futures	304	304	—	—	
Interest rate caps	5,747	—	5,747	—	
Derivatives and embedded derivatives:					
GMWB and GMAB reserves	3,705	—	—	3,705	
Funds withheld liability	(154,635)	—	—	(154,635)	
Reinsurance contracts	211,297	—	—	211,297	
Fixed index annuity contracts	2,810,892	—	—	2,810,892	
Total liabilities	\$ 3,034,508	\$ 16,235	\$ 169,136	\$ 2,849,137	

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

Changes in Level 3 Fair Value Measurements

The detail of the Level 3 purchases and issuances was as follows for the year ended December 31:

	2024		
	Purchases	Issuances	Total
	<i>(In Thousands)</i>		
Assets:			
Fixed maturity investments:			
Corporate	\$ 10,903,515	\$ 433,650	\$ 11,337,165
Commercial mortgage-backed	500	—	500
Collateralized loan obligations	500,834	—	500,834
Other asset backed	48,081	5,150	53,231
Total fixed maturity investments	11,452,930	438,800	11,891,730
Equity securities:			
Consumer	27,602	—	27,602
Preferred stocks	50,000	—	50,000
Total equity securities	77,602	—	77,602
Other invested assets	156,273	—	156,273
Short-term investments	4,469	—	4,469
Total assets	\$ 11,691,274	\$ 438,800	\$ 12,130,074
Liabilities:			
Derivatives and embedded derivatives:			
Reinsurance contracts	—	219,727	219,727
Fixed index annuity contracts	—	914,999	914,999
Total liabilities	\$ —	\$ 1,134,726	\$ 1,134,726

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

	2023		
	Purchases	Issuances	Total
	<i>(In Thousands)</i>		
Assets:			
Fixed maturity investments:			
Corporate	\$ 7,091,647	\$ 353,009	\$ 7,444,656
Commercial mortgage-backed	249	—	249
Collateralized loan obligations	1,139,851	—	1,139,851
Other asset backed	491,029	4,645	495,674
Total fixed maturity investments	8,722,776	357,654	9,080,430
Equity securities:			
Preferred stocks	98,174	—	98,174
Total equity securities	98,174	—	98,174
Short-term investments	56,932	1,284	58,216
Total assets	\$ 8,877,882	\$ 358,938	\$ 9,236,820
Liabilities:			
Derivatives and embedded derivatives:			
Reinsurance contracts	\$ —	\$ 153,801	\$ 153,801
Fixed index annuity contracts	—	766,101	766,101
Total liabilities	\$ —	\$ 919,902	\$ 919,902

Transfers

Transfers into and out of Level 3 of assets and liabilities measured at fair value was as follows for the year ended December 31:

	2024	
	Transfers out of Level 2 into Level 3	Transfers out of Level 3 into Level 2
	<i>(In Thousands)</i>	
Assets:		
Fixed maturity investments:		
Corporate	\$ 713,529	\$ (1,548)
Collateralized loan obligations	32,680	(29)
Other asset backed	29	—
Total fixed maturity investments	746,238	(1,577)
Equity securities:		
Preferred stock	175,839	(195,770)
Total assets	\$ 922,077	\$ (197,347)

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

	2023	
	Transfers out of Level 2 into Level 3	Transfers out of Level 3 into Level 2
	(In Thousands)	
Assets:		
Fixed maturity investments:		
Corporate	\$ 937,034	\$ —
Collateralized loan obligations	954,907	(2,327)
Other asset backed	95,750	—
Total fixed maturity investments	1,987,691	(2,327)
Equity securities:		
Consumer	1,188	—
Total assets	\$ 1,988,879	\$ (2,327)

The majority of the assets transferred into Level 3 during 2024 and 2023 was due to the inability to obtain a price from a recognized third party pricing vendor or due to changes in the observability of inputs or valuation techniques. The majority of assets transferred out of Level 3 during 2024 and 2023 was due to the ability to obtain a price from a recognized third party pricing vendor or due to changes in the observability of inputs or valuation techniques.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs used for fair value measurements categorized within Level 3, excluding assets and liabilities for which significant unobservable inputs primarily consist of those valued using broker quotes.

December 31, 2024				
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input/Range of Inputs [Weighted Average]
<i>(In Thousands)</i>				
Assets:				
Fixed maturity investments:				
Corporate	\$ 14,866,890	Discount Model	Credit Spread	0 - 2120.2 [294.5] basis points (bps)
	66,563	Underlying Pricing Model, waterfall model	Market Value of Underlying Investments, CFs	
	1,095,304	Spread Duration	Credit Spread	0 - 1164.5 (432.8) bps
	167,503	Black Scholes	Credit Spread, Volatility, Stock Price	
	73,998	Discount Model	Discount Rate	6.3% - 11.4%
Collateralized loan obligations	3,425,540	Discount Model	Credit Spread	152.0 - 1200.0 (250.9) bps
	63,667	Residual Equity	Residual Equity	28005814.16
Other asset backed	911,107	Discount Model	Credit Spread	0 - 517.0 (163.9) bps
	28,184	Discount Model	Discount Rate	4.68%
	24,022	Underlying Pricing Model	Market Value of Underlying Investments, CFs	
	19,979	Spread Duration	Credit Spread	113 bps
Total fixed maturity investments	20,742,757			
Equity securities:				
Equity securities - Financial	25,472	Market Comparables	Price to Adjusted Fund From Operations Multiple and Cap Rate Method	16.35x 5.2%
	5,678	Black Scholes	Volatility	244.00
Preferred stock	15,059	Discount Model	Credit Spread	2342.9 - 3295.9 (2749.5)bps
	72,879	Market Comp	Price, Market Cap, P/B Ratio	.81x
Total equity securities	119,088			
Interest rate swaps and total return swaps	553	See Note (4)		
Funds withheld receivable	(5,532)	See Note (1)		
Embedded derivatives - reinsurance contracts	1,241,785	See FIA contracts below		
Commission assignment derivative asset	126	Income Approach	Years Discounted	0.08 yrs - 0.58 yrs [0.21 yrs]
			Risk-Free Yield	4.27% - 4.51% [4.44%]
			Nonperformance Spread	129 bps
Separate account assets	3,042,200	Revenue Multiples	Projected Revenues	
		See Note (3)		
Total assets	\$ 25,140,977	See Note (2)		

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

December 31, 2024				
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description <i>(In Thousands)</i>	Input/Range of Inputs [Weighted Average]
Liabilities:				
Derivatives and embedded derivatives:				
Interest rate swaps and total return swaps	252	See Note (4)		
GMWB and GMAB reserves	2,662	Discounted Cash Flow	Own credit spread	1.40%
			Long-term equity market volatility	Market Consistent
			Risk margin	5.00%
Hedge accounting liability for				
MYGA product	(47,236)	See Note (1)		
Funds withheld liability	(34,206)	See Note (1)		
Reinsurance contracts	295,764	Expected value of future index credits		
Fixed index annuity contracts	3,939,643	Discounted Cash Flow	Own credit spread	1.40%
			Risk margin	0.06% - 0.30%
Total liabilities	<u>\$ 4,156,879</u>			

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

December 31, 2023				
Assets / Liabilities Measured at Fair Value		Valuation Technique(s)	Unobservable Input Description (In Thousands)	Input/Range of Inputs [Weighted Average]
Assets:				
Fixed maturity investments:				
Corporate	\$ 17,933,518	Discount Model	Credit Spread	52 - 3131.98 [361] bps
	73,771	Underlying Pricing Model, Waterfall Model	Market Value of Underlying Investments, CFs	
	354,270	Spread Duration	Credit Spread	353 - 1600.51 [912] bps
	208,202	Black Scholes	Credit Spread, Volatility, Shock Price	
	2,027	Discount Model	Yield	5.92%
	99,134	Discount Model	Discount Rate	9% - 15%
Municipal obligations	8,982	Discount Model	Credit Spread	141 bps
Collateralized loan obligations	4,233,956	Discount Model	Credit Spread	228 - 1435 [363] bps
	46,319	Residual Equity	Residual Equity	24858629.81
Redeemable preferred stock	23,313	Discount Model	Credit Spread	1313.27 bps
Other asset backed	943,588	Discount Model	Credit Spread	238 - 1130 [415.64] bps
	484	Discount Model	Market Yield	6.24%
	28,400	Discount Model	Discount Rate	3.95%
	83,678	Underlying Pricing Model	Market Value of Underlying Investments, CFs	
	19,954	Spread Duration	Credit Spread	153 bps
Total fixed maturity investments	24,059,596			
Equity securities:				
Equity securities - Financial	25,408	Market Comparables	Price/Adjusted Funds From Operations: Average Cap Rate	14.95x 5.6%
	4,502	Black Scholes	Volatility	1079.66 bps
Preferred stock	64,794	Discount Model	Credit Spread	283 - 2136 [971] bps
	77,656	Market Comp	Price, Market Cap, P/B Ratio	.86x
Total equity securities	172,360			
Short-term investments	60,530	Discount Model	Credit Spread	365 bps
Other derivatives	465	Black Scholes	Volatility Stock Price	.47x
Funds withheld receivable	(12,306)	See (1) below		
Embedded derivatives - reinsurance contracts	814,694	See FIA contracts below		
Commission assignment derivative asset	1,255	Income Approach	Years Discounted Risk-Free Yield Nonperformance Spread	0.08 yrs - 1.58 yrs [0.54 yrs] 3.39% - 5.49% [4.66%] 176 bps
Separate account assets	2,386,900	Revenue Multiples See (3) below	Projected Revenues	
Total assets	\$ 27,483,494	See (2) below		

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

December 31, 2023				
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description <i>(In Thousands)</i>	Input/Range of Inputs [Weighted Average]
Liabilities:				
Derivatives and embedded derivatives:				
GMWB and GMAB reserves	3,705	Discounted Cash Flow	Own credit spread	1.80%
			Long-term equity market volatility	Market Consistent
			Risk margin	5.00%
Funds withheld liability	(154,635)	See (1) below		
Reinsurance contracts	211,297	Expected value of future index credits		
Fixed index annuity contracts	2,810,892	Discounted Cash Flow	Own credit spread	1.80%
			Risk margin	0.05% - 0.24%
Total liabilities	\$ 2,871,259			

- (1) Equal to the net unrealized gains or losses on the underlying assets held in trust to support the funds withheld liability and the fair value of the investment guarantee embedded derivative.
- (2) The tables above exclude certain securities for which the fair value of \$5,660.9 million and \$2,095.3 million as of December 31, 2024 and 2023, respectively, was based on non-binding broker quotes.
- (3) Separate account investments in partnerships for which the fair value as of December 31, 2024 and 2023, was determined through a third party valuation of the fair value of the underlying investments.
- (4) Equal to the ending unrealized gains or losses on the interest rate swaps & total return swaps.

Market comparable discount rates are used as the base rate in the discounted cash flows used to determine the fair value of certain assets. Increases or decreases in the credit spreads on the comparable assets could cause the fair value of assets to significantly decrease or increase, respectively. Additionally, the Company may adjust the base discount rate or the modeled price by applying an illiquidity premium given the highly structured nature of certain assets. Increases or decreases in this illiquidity premium could cause significant decreases or increases, respectively, in the fair value of the asset.

Increases or decreases in assumed lapse and mortality rates could cause the fair value of the commission assignment embedded derivative to significantly decrease or increase, respectively.

Increases or decreases in market volatilities could cause significant increases or decreases, respectively, in the fair value of the GMWB and GMAB reserve and fixed index annuity contract embedded derivative. Long duration interest rates are used as the mean return when projecting the growth in the value of associated account value. The amount of claims will increase if account value is not sufficient to cover guaranteed withdrawals.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

Increases or decreases in risk free rates could cause the fair value of the GMWB and GMAB reserve and fixed index annuity contract embedded derivatives to significantly decrease or increase, respectively. Increases or decreases in the Company's credit risk, which impacts the rates used to discount future cash flows, could significantly decrease or increase, respectively, the fair value of the embedded derivative. All of these changes in fair value would impact net income.

Increases or decreases in market volatilities of the underlying assets supporting the funds withheld liability could cause significant increases or decreases, respectively, in the fair value of the embedded derivatives.

15. Commitments and Contingencies

In connection with its investments in certain limited partnerships, the Company is committed to invest additional capital of \$493.9 million, of which \$7.9 million is with related parties, as of December 31, 2024, as required by the general partner. The Company had committed up to \$3,934.9 million in unfunded bridge loans, unfunded revolvers, and other private investments, as of December 31, 2024, of which \$1,762.0 million is with related parties or securitizations in which related parties act as collateral managers. The portion of the total unfunded commitments that are considered to be on-demand funding obligations not controlled by the Company or its affiliated parties was \$2,133.2 million as of December 31, 2024. The Company assesses its likelihood of funding and its risk of loss on its unfunded commitments to compute an estimated allowance for credit losses. Any changes in the allowance for credit loss is recognized through a change to net income.

In connection with its investments in certain limited partnerships, the Company is committed to invest additional capital of \$391.3 million, of which \$26.8 million is with related parties, as of December 31, 2023, as required by the general partner. The Company had committed up to \$4,383.4 million in unfunded bridge loans, unfunded revolvers, and other private investments, as of December 31, 2023, of which \$1,488.9 million is with related parties or securitizations in which related parties act as collateral managers. The portion of the total unfunded commitments that are considered to be on-demand funding obligations not controlled by the Company or its affiliated parties was \$1,853.5 million as of December 31, 2023.

Other legal and regulatory matters: SBLIC is a defendant in a putative class action, Ella Clinton, et al., v. Security Benefit Life Insurance Company, initially filed in the United States District

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies (continued)

Court, Southern District of Florida, on November 20, 2019. A First Amended Class Action Complaint (“FAC”) that includes additional named plaintiffs and causes of action was filed on January 21, 2020. The action was transferred to the United States District Court, District of Kansas. The allegations of the FAC arise out of the marketing and sale of SBLIC’s leading FIA products at the time. In their FAC, Plaintiffs assert claims for violation of the federal Racketeer Influenced and Corrupt Organizations Act, violations of California’s, Illinois’, and Arizona’s respective unfair competition, consumer fraud, and/or deceptive business practices acts, and common law fraud under the laws of Florida, California, Illinois, and Arizona. SBLIC’s motion to dismiss was granted by the District Court on February 12, 2021, but the dismissal was reversed by the United States Court of Appeals for the Tenth Circuit on March 28, 2023 in a split decision. The reversal was not based on the merits of any issue; the applicable Federal Rules of Civil Procedure required the Court to assume plaintiffs’ allegations were true, which led to the decision that the allegations were sufficient to require that an evidentiary record be developed at the District Court. On February 7, 2025, the District Court issued an amended scheduling order setting a June 13, 2025, deadline for plaintiffs’ motion for class certification, an August 15, 2025, deadline for defendant’s opposition to the motion for class certification and an October 17, 2025, deadline for plaintiffs’ reply in support of the motion for class certification. The Court has ordered the parties to engage in mediation no later than June 6, 2025. The parties have agreed to in-person mediation on May 22, 2025. Although potential liability is reasonably possible for SBLIC from this lawsuit, no reasonable estimate can be made at this time regarding the amount or range of any possible loss that may result. SBLIC believes that it has substantial defenses to the claims alleged and intends to continue to defend itself vigorously in the lawsuit.

In addition, the Company is periodically party to legal and arbitral proceedings and subject to complaints and the like, and is periodically examined by its regulators and may discuss certain subjects with its regulators that come up during such examinations or otherwise. Management currently does not believe that any of the foregoing matters in this paragraph will, alone or collectively, materially adversely affect the Company’s results of operations or financial condition. In addition, the Company is subject to extensive regulation by, among others, governmental authorities and the NAIC, and it is subject to the effects of periodic changes in laws, regulations, and other standards that apply to it.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Debt

Senior notes

In November 2019, the Company issued \$400.0 million of senior notes with a fixed interest rate of 5.125%. The maturity date of these notes is November 2026. The outstanding balance as of December 31, 2024 is \$374.5 million.

In February 2021, the Company issued \$600.0 million of senior notes with a fixed interest rate of 5.000%. The maturity date of these notes is February 2031. The outstanding balance as of December 31, 2024 is \$579.4 million.

In October 2024, the Company issued \$650.0 million of senior notes with a fixed interest rate of 7.200%. The maturity date of these notes is October 2034. The outstanding balance as of December 31, 2024 is \$650.0 million.

Revolving credit facility

The Company has a revolving credit agreement with a syndication of lenders that provides a revolving credit facility (the Revolving Credit Facility) with a total capacity of \$1,000.0 million as of December 31, 2024 and 2023. Each draw under the Revolving Credit Facility has a maturity date of August 2027 and has an interest rate of SOFR plus 197.5 basis points. The Company had no outstanding balance at December 31, 2024. The Company had a \$640.0 million balance under the Revolving Credit Facility at December 31, 2023. Debt issuance costs are capitalized and reported as a reduction of the debt balances on the consolidated balance sheets and amortized over the term of the debt. The revolving credit agreement has various affirmative and negative covenants. The Company was in compliance with those covenants as of December 31, 2024.

Delayed draw term loan

On August 30, 2023, the Company entered into a credit agreement with a syndication of lenders to provide for delayed draw term loans (DDTL) with a total capacity of \$150.0 million. Each draw under the DDTL facility has a maturity date of August 30, 2025 and has an interest rate of SOFR plus 310 basis points. The Company had an outstanding balance of \$3.7 million and \$52.5 million under the DDTL at December 31, 2024 and 2023, respectively. Debt issuance costs were

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Debt (continued)

capitalized and reported as a reduction of the debt balances on the consolidated balance sheets and amortized over the term of the debt.

Line of credit with FHLB

At December 31, 2024, the Company has access to a \$370.9 million line of revolving credit facility from the Federal Home Loan Bank of Topeka (FHLB). Overnight borrowings in connection with this line of credit bear interest at 0.24% over the Federal Funds rate (4.33% at December 31, 2024). The Company had no borrowings under this line of credit at December 31, 2024 and 2023. The amount of the line of credit is determined by the fair market value of the Company's available collateral held by FHLB, primarily mortgage-backed securities and commercial mortgage loans, not already pledged as collateral under existing contracts as of December 31, 2024.

Surplus notes

The Company has outstanding surplus notes with a carrying value of \$113.2 million and \$114.3 million at December 31, 2024 and 2023, respectively, issued by SBLIC. The surplus notes consist of \$100.0 million of 7.45% notes issued in October 2003 and maturing on October 1, 2033. The surplus notes were issued pursuant to Rule 144A under the Securities Act of 1933. The surplus notes have repayment conditions and restrictions, whereby each payment of interest or principal on the surplus notes may be made only with the prior approval of the Commissioner of the Kansas Insurance Department (the Kansas Commissioner) and only out of SBLIC surplus funds that the Kansas Commissioner determines to be available for such payment under the Kansas Insurance Code.

Future principal payments

At December 31, 2024, future principal payments for the years ending December 31 are as follows:

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Debt (continued)

	Senior Notes	Revolving Credit Facility	Delayed Draw Term Loan	Surplus Notes
	<i>(In Thousands)</i>			
2025	\$ —	\$ —	3,688	\$ —
2026	374,457	—	—	—
2027	—	—	—	—
2028	—	—	—	—
2029	—	—	—	—
Thereafter	1,229,426	—	—	100,000
Total amount of future principal payments	\$ 1,603,883	\$ —	\$ 3,688	\$ 100,000

Interest expense as presented in the consolidated statements of operations consisted of the following for the year ended December 31:

	2024	2023	2022
	<i>(In Thousands)</i>		
Debt/notes payable:			
Credit facility - revolver interest	\$ 36,594	\$ 42,749	\$ 3,142
Credit facility - term loan interest	—	—	10,160
Delayed draw term loan interest	3,405	1,001	—
Senior notes	55,962	51,363	50,667
Surplus note interest	6,321	6,381	6,438
Debt from consolidated VIE interest	103,459	98,592	37,622
Note payable - SAILES 2, LLC interest	52	14	14
Mortgage debt interest	—	—	(175)
Amortization of debt issuance costs	5,524	4,640	4,478
Total debt/notes payable interest	211,317	204,740	112,346
Repurchase agreement interest	58,768	23,990	28,795
Other interest	43,424	29,192	8,350
Total	\$ 313,509	\$ 257,922	\$ 149,491

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Related-Party Transactions

There are numerous transactions between the Company and entities related to the Company. Following are those the Company considers material (0.5% of total assets) that are not otherwise discussed (see Notes 1, 2 and 10).

The Company reported amounts payable to parent, subsidiaries and related parties of \$27.6 million and \$24.8 million at December 31, 2024 and 2023, respectively. Inter-company transactions regularly occur in the normal course of business and are normally settled within 30 days.

As of December 31, 2024 and 2023, the Company had investments in collateral loans of \$12.2 billion and \$11.8 billion, respectively, issued by related parties. These investments are included in fixed maturities, available for sale on the consolidated balance sheets, and are fully secured through the assets of each borrower. As of December 31, 2024 and 2023, \$10.0 billion and \$9.6 billion, respectively, of these loans were subject to cross-collateralization agreements and a separate master guaranty. Through the cross-collateralization agreements, the Company has the ability to exercise remedies against the assets of any related borrower to satisfy a loan in default. Under the master guaranty, collateral must be retained by the related party borrowers and certain of their parent entities, providing additional credit enhancement to the Company. The Company had the following individually material investments in collateral loans:

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
Stonebriar Holdings LLC	\$ —	\$ 558,620

As of December 31, 2024, the Company had the following investments in related parties with interest rates ranging from 7.5% to 9.5% and maturity dates ranging from January 2025 through December 2025. As of December 31, 2023, the Company had the following investments in related parties with interest rates ranging from 7.6% to 10.2% and maturity dates ranging from January 2024 through December 2024. These investments are included in notes receivable from related parties on the consolidated balance sheets and are typically fully secured by assets of the debtor:

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Related-Party Transactions (continued)

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
Holliday Park, LLC	\$ 565,000	\$ 372,000
Auburndale, LLC	402,000	—

As of December 31, 2024 and 2023, the Company had investments in commercial and residential mortgage loans with related parties in the amount of \$2,234.5 million and \$385.8 million, respectively. The Company had the following individually material investments in commercial and residential mortgage loans:

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
OBH HoldCo	\$ 1,579,899	\$ —

As of December 31, 2024 and 2023, the Company had investments in joint ventures and partnerships of \$1,406.7 million and \$1,397.4 million, respectively, accounted for under the equity method pursuant to ASC 970-323-25-6. These equity method investments are considered to be with related parties.

The Company acquired an equity method investment in SkyRidge Cayman Holdings LLC, which is the ultimate parent company of SkyRidge Re, an insurance company licensed in Bermuda. SBLIC entered into a coinsurance with funds withheld reinsurance agreement to cede certain fixed annuity and fixed index annuity liabilities to SkyRidge Re (see Note 10). SBLIC also entered into an investment management agreement with SkyRidge Re to manage its investments. As a result of these relationships, SkyRidge Re is considered a related party for purposes of GAAP.

As of December 31, 2024 and 2023, the Company had total investments in securitizations in which related parties act as one or more of the collateral managers or sub-collateral managers of \$4,812.7 million and \$6,062.2 million, respectively. The repayment of these investments is provided by unrelated party assets and the Company does not have recourse to the related collateral manager or in the case of non-performance on the unrelated assets. These investments are included in fixed maturities, available for sale and short-term investments on the consolidated balance sheets, aggregated at the issuer level. The Company had the following individually

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Related-Party Transactions (continued)

material investments in securitizations in which related parties act as on or more of the collateral managers or sub-collateral managers:

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
Cedar Crest 2022-1, LLC	\$ 766,620	\$ 772,839
Cedar Crest 2021-2, LLC	525,786	801,982
Binney Park Capital LLC	525,280	489,134
Shawnee 2022-2 LLC	482,790	731,990
Cedar Crest 2021-1, LLC	404,685	705,540
Gage Park, LLC	388,547	385,516
Shawnee 2022-1 LLC	—	632,144
Shawnee 2021-1 LLC	—	466,480
Maranon Loan Funding 2022-1 LLC	—	358,277

As of December 31, 2024 and 2023, the Company had total investments in other related parties of \$4,152.3 million and \$4,335.3 million, respectively. These investments are included in fixed maturity investments available for sale, equity securities at fair value and short-term investments on the consolidated balance sheets. the Company had the following individually material investments in other related parties:

	December 31,	
	2024	2023
	<i>(In Thousands)</i>	
Banner Creek Bridge, LLC	\$ 684,000	\$ 149,017
LAISAH, LLC	429,579	581,527
Eldridge Wealth Solutions, INC	406,437	—
American Media Productions, LLC	349,911	349,999
Cain Re LLC	259,173	790,085
BH Luxury Residences, LLC	—	629,921
Oasis BH, LLC	—	406,318

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Related-Party Transactions (continued)

Pursuant to an agreement effective January 1, 2017 (as amended effective November 1, 2020), the Company paid \$152.3 million, \$140.1 million, and \$118.7 million for the years ended December 31, 2024, 2023 and 2022, respectively, to Eldridge Business Services, LLC for providing investment services and business development services related to investment strategy, asset origination, developing new and differentiated products, enhancing existing or developing new marketing and distribution strategies, and assisting in capital planning and rating agency support.

The Company has a portfolio of CLOs it owns, which portfolio is managed by Eldridge Structured Credit Advisors, LLC (previously, Panagram Structured Asset Management, LLC). The Company also invests in warehouses for CLOs and loan and mezzanine investment funds managed by related parties. The manager of the CLO is entitled to senior, subordinated and incentive management fees payable by the CLO issuer; in some cases, the manager of the warehouse entity is entitled to management fees payable by the warehouse entity and the manager of the fund is entitled to fees. The Company is not directly liable for such fees, but, insofar as the Company directly or indirectly owns any portion of the most subordinate or residual tranche of a CLO or a warehouse entity or investment in a fund, the Company may be considered to bear the portion of such fees indirectly. The aggregate of such portions of such fees borne by the Company indirectly for periods in which any such manager was a related party were \$0.5 million, \$7.2 million, and \$19.2 million for the years ended December 31, 2024, 2023 and 2022, respectively.

The Company paid fees of \$259.9 million, \$240.1 million, and \$218.0 million for the years ended December 31, 2024, 2023 and 2022, respectively, to SBBS for providing management and administrative services.

The Company paid fees of \$34.3 million, \$34.5 million, and \$22.7 million, for the years ended December 31, 2024, 2023 and 2022, respectively, to SE2, LLC (a subsidiary of EWS) and various other related parties for providing management and administrative services. These fees are included in other operating expenses in the consolidated statements of operations.

The Company has noncontrolling interest of \$106.2 million as a result of an investment transaction which consolidates within the Company with a minority interest held by EWS.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Statutory Financial Information and Regulatory Net Capital Requirements

The Company's statutory-basis financial statements are prepared on the basis of accounting practices prescribed or permitted by the Kansas Insurance Department (the Department), the New York Department of Financial Services (NYDFS), the Office of the Commissioner of Insurance of the State of Wisconsin (OCI), and the Vermont Department of Financial Regulation, as applicable. Kansas, New York, Wisconsin, and Vermont have adopted the National Association of Insurance Commissioners' accounting practices and procedures manual of statutory accounting practices (NAIC SAP) as the basis of its statutory accounting practices. In addition, the Kansas Commissioner, the Superintendent of Insurance of the State of New York (the New York Superintendent), the Wisconsin Commissioner, and the Vermont Commissioner have the right to prescribe or permit other specific practices that may deviate from NAIC SAP. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, may differ from company to company within a state, and may change in the future.

Effective July 1, 2019, the State of Kansas adopted a statute for eligible derivative assets that differ from NAIC SAP which allows SBLIC, to the extent the hedging program is and continues to be economically effective, to report the eligible derivative assets at amortized cost. Eligible derivative assets consist of call and put options used to hedge the fixed index annuity index credits. In addition, under NAIC SAP, the corresponding reserve liabilities that are hedged by the call and put options are calculated under Actuarial Guideline (AG) 35, whereas the statute allows the reserves to assume the market value of the eligible derivative assets associated with the current interest crediting periods to be zero. At the conclusion of each interest crediting period, interest credited is reflected in reserves as realized.

Redundant statutory reserves relating to GLWB benefits on fixed index annuity contracts were ceded by SBLIC to SARC, an SBLIC subsidiary, in the amount of \$556.8 million and \$587.6 million as of December 31, 2024 and 2023, respectively. The reserves assumed by SARC were supported by an excess of loss receivable asset permitted by the Vermont Department of Financial Regulation.

SBLIC, Everly Life, and FSBL total adjusted capital, including, in respect of SBLIC, surplus notes (see Note 16), was \$7,345.0 million and \$6,982.5 million at December 31, 2024 and 2023, respectively. Statutory net income of the insurance operations was \$1,198.6 million, \$1,218.4 million, and \$365.5 million for the years ended December 31, 2024, 2023, and 2022, respectively.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

Life insurance companies are subject to certain risk-based capital (RBC) requirements as specified by state law. The NAIC SAP has a standard formula for calculating RBC based on the risk factors relating to an insurance company's capital and surplus, including asset risk, credit risk, underwriting risk, and business risk. State laws specify regulatory actions if any insurance company's adjusted capital falls below certain levels, including the company action-level RBC and the authorized control-level RBC.

SBLIC may not, without notice to the Kansas Commissioner and (A) the expiration of 30 days without disapproval by the Kansas Commissioner or (B) the Kansas Commissioner's earlier approval, pay a dividend or distribution of cash or other property whose fair market value together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of (1) 10% of its surplus as regards to policyholders as of the preceding December 31 or (2) the net gain from operations, not including realized capital gains, for the 12-month period ending on the preceding December 31. Any dividends paid must be paid from unassigned surplus.

FSBL is allowed to pay ordinary dividends to shareholders under two alternative methods, a "greater of" method and a "lesser of" method. The greater of method allows for a dividend to be paid from earned surplus when the aggregate amount of dividends paid in any calendar year does not exceed the greater of (a) 10% of its surplus to policyholders as of the immediately preceding calendar year or (b) its net gain from operations (not including realized capital gains) as of the immediately preceding calendar year, not to exceed 30% of its surplus to policyholders (as of the same preceding calendar year). If FSBL does not have sufficient positive earned surplus to pay an ordinary dividend under the "greater of" method, it may only distribute an ordinary dividend under the "lesser of" method. The lesser of method allows for a dividend to be paid from surplus when the aggregate amount of dividends paid in any calendar year does not exceed the lesser of (a) 10% of its surplus to policyholders or (b) its net gain from operations (not including realized capital gains), in each case as of the immediately preceding calendar year. FSBL is required to provide the NYDFS with 10 days prior notice before paying an ordinary dividend. Furthermore, the New York Superintendent may, in his or her discretion, limit or disallow any ordinary dividends under the "greater of" method if it is determined that FSBL's surplus to policyholders following any dividend distribution is not reasonable in relation to its outstanding liabilities and not adequate to meet its financial needs or if FSBL is financially distressed.

SBL Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

Everly Life is allowed to pay ordinary dividends to shareholders equal to the lesser of 10% of prior year-end surplus or prior year-end income after deduction of realized capital gains.

SD is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934). SD computes its net capital requirements under the basic method, which requires the maintenance of minimum net capital (greater of \$25,000 or 6 2/3% of aggregated indebtedness) and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Advances to related parties, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule or other regulatory bodies.

At December 31, 2024, SD had net capital of \$8.1 million, which was \$7.5 million in excess of its required net capital of \$0.6 million. SD is exempt from Rule 15c3-3, which requires a reserve with respect to customer funds, pursuant to Paragraph (k)(2)(i) thereof. SD's ratio of aggregate indebtedness to net capital was 1.05 to 1 at December 31, 2024.

19. Subsequent Events

Subsequent events have been evaluated through March 31, 2025, which is the date the financial statements were issued.

Subsequent to year end, the Company paid a dividend of \$325.0 million to EWS.