

SBLH CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SBL Holdings, Inc. and Subsidiaries
Period Ended December 31, 2023
Unaudited

Subject to Legal Notice in Cover Letter

SBL Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	As of December 31, 2023 <i>(unaudited)</i>	As of December 31, 2022 <i>(audited)</i>
	<i>(dollars in thousands)</i>	
Assets		
Investments:		
Fixed maturities, available for sale	\$ 40,285,008	\$ 33,638,138
Fixed maturities, trading	412,450	305,122
Equity securities at fair value	705,296	613,041
Notes receivable from related parties	995,715	1,697,307
Mortgage loans	787,674	785,987
Policy loans	71,647	73,965
Cash and cash equivalents	1,647,403	1,368,243
Short-term investments	160,893	692,835
Call options	759,014	330,501
Other invested assets	1,878,736	2,410,095
Total investments	<u>47,703,836</u>	<u>41,915,234</u>
Accrued investment income	815,687	699,387
Reinsurance recoverable	9,604,904	7,744,871
Deferred income tax asset	95,616	139,334
Deferred policy acquisition costs, deferred sales inducement costs and value of business acquired	2,854,536	2,902,453
Other assets	801,056	861,106
Separate account assets	5,785,040	5,274,870
Total assets	<u>\$ 67,660,675</u>	<u>\$ 59,537,255</u>
Liabilities and stockholders' equity		
Liabilities:		
Policy reserves and annuity account values	\$ 42,468,945	\$ 38,954,562
Funds withheld and held liabilities	8,082,827	6,008,025
Senior notes	941,240	984,389
Revolving credit facility	633,358	321,530
Delayed draw term loan	50,489	—
Surplus notes	114,299	115,367
Debt from consolidated variable interest entities	96,830	148,779
Derivative collateral	647,922	512,640
Repurchase agreements	1,012,497	900,379
Other liabilities	852,649	661,153
Separate account liabilities	5,785,040	5,274,870
Total liabilities	<u>60,686,096</u>	<u>53,881,694</u>
Stockholders' equity:		
Common stock	—	—
Preferred stock	770,491	770,491
Contributed capital	2,339,595	2,339,595
Accumulated other comprehensive income (loss)	(238,209)	(920,673)
Retained earnings	4,096,922	3,464,775
Total SBL Holdings, Inc. stockholders' equity	<u>6,968,799</u>	<u>5,654,188</u>
Noncontrolling interest	5,780	1,373
Total stockholders' equity	<u>6,974,579</u>	<u>5,655,561</u>
Total liabilities and stockholders' equity	<u>\$ 67,660,675</u>	<u>\$ 59,537,255</u>

SBL Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

	For the		For the	
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
	<i>(unaudited)</i>		<i>(unaudited)</i>	<i>(audited)</i>
	<i>(dollars in thousands)</i>			
Revenues:				
Net investment income	\$ 723,144	\$ 586,334	\$ 2,836,141	\$ 2,037,235
Asset-based and administrative fees	32,904	31,541	129,157	129,470
Other product charges	66,950	58,208	245,708	237,615
Change in fair value of options, futures and swaps	318,250	27,887	184,326	(688,811)
Investment related gains (losses)	(28,875)	(176,291)	(86,330)	245,759
Other revenues	36,228	19,117	117,723	97,238
Total revenues	1,148,601	546,796	3,426,725	2,058,506
Benefits and expenses:				
Index credits and interest credited to account balances	232,490	89,310	603,212	413,004
Change in fixed index annuity embedded derivative and related benefits	236,343	82,082	377,405	(354,962)
Other benefits	178,882	(150,891)	458,214	129,062
Total benefits	647,715	20,501	1,438,831	187,104
Commissions and other operating expenses	112,773	126,575	467,024	463,311
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired	49,242	(168,848)	393,092	89,576
Interest expense	78,780	52,874	257,922	149,491
Total benefits and expenses	888,510	31,102	2,556,869	889,482
Income before income tax expense	260,091	515,694	869,856	1,169,024
Income tax expense	51,728	101,513	174,474	227,632
Net income	208,363	414,181	695,382	941,392
Less: Net income attributable to noncontrolling interest	3,433	—	4,406	—
Net income attributable to SBL Holdings, Inc.	\$ 204,930	\$ 414,181	\$ 690,976	\$ 941,392

SBL Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity

	<div> <div>Accumulated</div> <div>Other</div> <div>Common Preferred Contributed Comprehensive Retained Noncontrolling</div> <div>Stock Stock Capital Income Earnings Interest Total</div> </div>						
	<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 dividends	—	—	—	—	(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	—	—	—	—	690,976	4,406	695,382
Other comprehensive income, net	—	—	—	682,464	—	—	682,464
Adoption of new accounting standards ¹	—	—	—	—	(4,952)	—	(4,952)
Preferred stock dividends	—	—	—	—	(53,877)	—	(53,877)
Balance at December 31, 2023	\$ —	\$ 770,491	\$ 2,339,595	\$ (238,209)	\$ 4,096,922	\$ 5,780	\$ 6,974,579

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.

SBL Holdings, Inc. and Subsidiaries

Condensed Footnotes

Nature of Operations

The operations of SBL Holdings, Inc., together with its subsidiaries (referred to herein, collectively, as the “Company”), consist primarily of marketing and distributing annuities, retirement plans, and other related products throughout the United States. The Company offers a diversified portfolio of products comprised primarily of individual and group annuities, including fixed, fixed index, and variable annuities, and retirement plan products through multiple distribution channels, and acts as a third-party administrator in the servicing of retirement plans and financial service products.

Basis of Presentation

The financial statements of the Company are presented in conformity with U.S. generally accepted accounting principles (“GAAP”) on a consolidated basis and include the operations of the Company and its subsidiaries, including Security Benefit Life Insurance Company (“SBLIC”), First Security Benefit Life Insurance and Annuity Company of New York, Everly Holdings, LLC and Security Financial Resources, Inc., and consolidated variable interest entities (“VIEs”). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported. Management believes that the estimates and assumptions used in preparing these condensed consolidated financial statements are reasonable.

Rounding

The condensed consolidated financial statements and other schedules in these materials are reported in thousands and as a result, the sum of the components reported may not equal the amount reported due to rounding.