

SBL HOLDINGS, INC.
SELECTED FINANCIAL INFORMATION

You should read the following selected GAAP condensed consolidated financial information together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” “Company,” “we,” “us” and “our” refer to SBL Holdings, Inc. together with its subsidiaries.

The following tables set forth our selected financial information as of June 30, 2025 and December 31, 2024 and for the six months ended June 30, 2025 and 2024 and for the year ended December 31, 2024. The information as of and for the year ended December 31, 2024 was derived from our Audited Consolidated GAAP Financial Statements. The information as of and for the six months ended June 30, 2025 and 2024 was derived from our Unaudited Condensed Consolidated GAAP Financial Statements and includes, in the opinion of management, all normal and recurring adjustments necessary to present fairly the information for such periods.

	Six Months Ended June 30,		Year Ended
	2025	2024	December 31,
	<i>(unaudited)</i>		<i>(audited)</i>
	<i>(dollars in thousands)</i>		
Revenues:			
Net investment income	\$ 1,454,422	\$ 1,644,533	\$ 3,257,385
Asset-based and administrative fees	74,023	70,981	147,640
Other product charges	130,277	138,386	273,455
Change in fair value of options, futures and swaps	151,035	284,413	459,480
Investment-related gains (losses)	(187,425)	(95,889)	(82,924)
Other revenues	92,558	56,475	112,316
Total revenues	1,714,890	2,098,899	4,167,352
Benefits and expenses:			
Index credits and interest credited to account balances	600,070	526,557	1,144,596
Change in fixed index annuity embedded derivative and related benefits	5,994	20,819	(81,719)
Other benefits	252,936	273,185	654,449
Total benefits	859,000	820,561	1,717,326
Other operating expenses	242,898	242,566	504,642
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and value of business acquired	310,166	281,244	525,415
Interest expense	94,043	180,177	313,509
Total benefits and expenses	1,506,107	1,524,548	3,060,892
Income before income tax expense	208,783	574,351	1,106,460
Income tax expense	43,446	117,881	224,300
Net income	165,337	456,470	882,160
Less: Net income attributable to noncontrolling interest	(21,152)	16,363	31,118
Net income attributable to SBL Holdings, Inc.	\$ 186,489	\$ 440,107	\$ 851,042

Subject to Notice to Investors

	As of or for the	
	Six Months Ended June 30, 2025	Year Ended December 31, 2024
	(unaudited)	(audited)
	(dollars in thousands)	
Balance sheet data:		
Total investments.....	\$ 54,583,970	\$ 51,221,421
Reinsurance recoverable.....	12,057,244	10,979,006
Separate account assets.....	6,563,112	6,579,840
Other assets.....	4,777,835	4,365,779
Total assets.....	<u>\$ 77,982,161</u>	<u>\$ 73,146,046</u>
Policy reserves and annuity account values.....	\$ 48,675,458	\$ 45,375,066
Funds withheld and held liability.....	10,607,201	9,514,659
Separate account liabilities.....	6,563,112	6,579,840
Senior notes, surplus notes, and delayed draw term loan.....	1,792,548	1,693,883
Repurchase agreements.....	343,374	328,443
Other liabilities.....	2,583,635	2,138,877
Total liabilities.....	<u>70,565,328</u>	<u>65,630,768</u>
Total stockholders' equity.....	<u>7,416,833</u>	<u>7,515,278</u>
Total liabilities and stockholders' equity.....	<u>\$ 77,982,161</u>	<u>\$ 73,146,046</u>
Other data (unaudited)^(a)		
Operating income.....	\$ 440,226	\$ 1,198,043
Return on average equity excluding AOCI.....	4.4%	12.0%
Operating return on average equity excluding AOCI.....	9.3%	13.0%
Investment earned book yield.....	7.04%	7.57%
Investment operating earned rate.....	7.43%	8.25%
Investment total earned rate.....	7.28%	7.99%
Net investment spread.....	4.30%	5.45%
Operating return on average assets.....	1.57%	2.25%

^(a) For a description and reconciliation of such non-GAAP financial measures to their most comparable measures in accordance with GAAP, see "Non-GAAP and Other Financial Measures" below.

Non-GAAP and Other Financial Measures

In addition to presenting our results in accordance with GAAP, we use certain non-GAAP measures commonly used in our industry in analyzing performance. We believe the use of these non-GAAP measures, together with relevant GAAP measures, provides a better understanding of our results of operations and the underlying profitability drivers of our business. These measures should be considered supplementary to our results in accordance with GAAP and should not be viewed as a substitute for the corresponding GAAP measures. Our definitions of the various non-GAAP measures and other metrics discussed may differ from those used by other companies.

We use operating income, a non-GAAP financial measure commonly used in the life insurance industry, as an economic measure to evaluate our financial performance. Operating income equals income before income tax expense adjusted to eliminate the impact of (1) investment-related gains and losses (including the reinsurance embedded derivative and change in fair value of certain derivatives), net of impacts on benefit reserves and deferred policy acquisition costs ("DAC"), deferred sales inducement costs ("DSI") and value of business acquired ("VOBA"); (2) changes in fair value of call options and embedded derivatives associated with the FIA products, net of impacts on benefit reserves and DAC, DSI and VOBA, and excludes realized gains and losses on call options used to hedge index credits on FIA products; (3) changes in the fair value of the variable annuity guaranteed living benefit ("VA GLB") rider embedded derivatives, including guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum accumulation benefits ("GMAB"), net of changes in rider reserve and amortization of DAC, DSI and VOBA; and (4) changes in reserves and DAC, DSI and VOBA amortization related to

actuarial assumption unlocking and model refinements. Because the reconciling items fluctuate from year to year in a manner unrelated to core operations, we believe a measure excluding these items is useful in analyzing operating trends. We believe the combined presentation and evaluation of operating income together with net income provides information that may enhance an investor's understanding of our results and profitability.

Operating income is not a substitute for net income determined in accordance with GAAP. The adjustments made to derive operating income are important to understanding our overall results from operations, and, if evaluated without proper context, operating income possesses material limitations:

- As an example, we could produce a low level of net income in a given period, despite strong operating performance, if in that period we generate significant net realized losses from our investment portfolio. We could also produce a high level of net income in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio.
- Another limitation of operating income is that it does not include the decrease in cash flows expected to be collected as a result of credit loss. Management reviews investment-related gains (losses) and analyses of our net investment income in connection with their review of our investment portfolio.

Return on average equity excluding AOCI is calculated by dividing net income for the applicable period by average GAAP equity excluding AOCI for that period. We use return on average equity excluding AOCI as a supplemental measure of evaluating the net income we generate as a percentage of our equity. In that calculation, we use average GAAP equity over the applicable period to mitigate the effects of fluctuations in our equity during that period. In addition, we exclude AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments. We believe that return on average equity excluding AOCI provides useful supplemental information regarding our financial performance to investors.

Operating return on average equity excluding AOCI is calculated by dividing operating net income (which is operating income net of tax at the effective tax rate) by average GAAP equity excluding AOCI. We use operating return on average equity excluding AOCI as a supplemental measure of evaluating the operating net income we generate as a percentage of our equity. In that calculation, we use average GAAP equity over the applicable period to mitigate the effects of fluctuations in our equity during that period. In addition, we exclude AOCI because AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments. We believe that operating return on average equity excluding AOCI provides useful supplemental information regarding our financial performance to investors.

Adjusted investment income, which is an input to calculate investment operating earned rate, investment earned book yield, and investment total earned rate, is calculated as reported net investment income adjusted to add back investment expenses and deduct interest expense on operating leverage (e.g., interest expense on debt of consolidated variable interest entities ("VIEs"), repurchase agreements, and other miscellaneous interest expense). Adjusted investment income should not be used as a substitute for net investment income. However, we believe adjusted investment income is significant to gaining an understanding of the overall performance of our investment portfolio.

Investment earned book yield is calculated as adjusted investment income, excluding additional returns, divided by average spread-based AUM for the relevant period. Additional returns include primarily prepayment fees (e.g., acceleration penalties, make-whole payments, etc.) and adjustments related to equity method investments, which are generally also described as returns on alternative investments.

Investment operating earned rate is calculated as adjusted investment income divided by average spread-based assets under management ("AUM") for the relevant period. We believe investment operating earned rate is useful for gaining an understanding of the overall performance of our investment portfolio.

Investment total earned rate is calculated as adjusted investment income, including trading realized gains/losses and investment related change in allowance for credit losses, divided by average spread-based AUM for the relevant period. Adjusted investment income, excluding additional returns, and adjusted investment income, including trading realized gains/losses and investment related change in allowance for credit losses, should not be used as a substitute for net investment income. We believe investment earned book yield and investment total earned rate are useful for gaining an understanding of the net investment spread we earn on our products.

Net investment spread is calculated by subtracting cost of crediting from investment operating earned rate. We believe net investment spread is useful to gaining an understanding of the spread we earn on our spread-based business.

Cost of crediting is calculated as interest credited to account balances plus the pro rata amortization of FIA option costs. The cost of crediting rate is calculated by dividing cost of crediting by average spread-based AUM excluding surplus assets for the relevant period.

Operating return on average assets is calculated by dividing operating income by average AUM. We believe operating return on average assets is useful to gaining an understanding of our results of operations relative to the underlying asset base which generates earnings.

AUM is primarily statutory cash, invested and separate account assets, off-balance sheet retirement plan assets, net assets of SBLH non-insurance entities, and accrued investment income and excludes unrealized gains/losses on investments carried at fair value with adjustments for investment payable for securities and funds withheld liabilities related to reinsured business and certain operating leverage items such as repurchase agreements.

The following table presents the adjustments made to net income to arrive at operating income, operating net income, operating income (before interest expense), and operating return on average equity excluding AOCI, respectively, for the periods presented.

	Six Months Ended June 30,		Year Ended
	2025	2024	December 31,
			2024
			(unaudited)
			(dollars in thousands)
Non-GAAP financial measures			
Net income (GAAP).....	\$ 165,337	\$ 456,470	\$ 882,160
Income tax expense (GAAP).....	43,446	117,881	224,300
Income before income tax expense (GAAP).....	208,783	574,351	1,106,460
Investment-related (gains) losses ^(a)	163,152	105,631	72,270
Change in fair value of fixed index annuity call options and embedded derivatives ^(b)	60,591	(5,825)	(31,705)
Change in fair value of variable annuity guaranteed living benefit rider embedded derivatives ^(c)	5,071	1,497	1,495
Assumption/model refinements and unlocking ^(d)	2,629	1,534	49,523
Operating income.....	\$ 440,226	\$ 677,188	\$ 1,198,043
Operating income tax expense ^(e)	91,606	138,986	242,866
Operating net income.....	\$ 348,620	\$ 538,202	\$ 955,177
Interest expense on financial leverage ^(f)	\$ 65,043	\$ 58,707	\$ 117,650
Operating income (before interest expense).....	\$ 505,269	\$ 735,895	\$ 1,315,693
Operating return on average equity excluding AOCI.....	9.3%	14.8 %	13.0%

(a) Investment-related (gains) losses (including the reinsurance embedded derivative and change in fair value of certain derivatives) are net of the impacts of change in reserves and amortization of DAC, DSI and VOBA.

(b) Change in fair value of fixed index annuity call options and embedded derivatives is net of pro-rata amortization of option cost. The change in fair value of embedded derivatives equals the change in the difference between policy benefit reserves for FIA products computed under the derivative accounting standard and the long-duration contracts accounting standard. These amounts are reflected net of impacts of changes in reserves and amortization of DAC, DSI and VOBA. Realized gains and losses on call options used to hedge index credits on FIA products are excluded.

(c) Change in fair value of variable annuity guaranteed living benefit rider embedded derivatives includes GMWB and GMAB, net of impacts of changes in reserves and amortization of DAC, DSI and VOBA.

(d) Assumption/model refinements and unlocking represents the annual impacts of the unlocking of actuarial assumptions and model refinements.

(e) Operating income tax expense is calculated by multiplying the effective tax rate (income tax expense divided by income before income tax expense) of 20.8% and 20.5% for the six months ended June 30, 2025 and 2024, respectively, and of 20.3% for the twelve months ended December 31, 2024, by operating income.

(f) Interest expense on financial leverage is interest expense on the loans outstanding under the senior notes, revolving credit facility, surplus notes, delayed draw term loan, amortization of debt issuance costs, and commitment fees.

The following table presents a comparison of return on average equity excluding AOCI and operating return on average equity excluding AOCI, respectively, to return on average equity, the most comparable GAAP measure, as well as a comparison of operating return on average assets to pretax return on average assets, the most comparable GAAP measure:

	As of or for the	
	Six Months Ended June 30, 2025	Year Ended December 31, 2024
	<i>(unaudited)</i>	
	<i>(dollars in thousands)</i>	
Non-GAAP financial measures		
Total stockholders' equity	\$ 7,416,833	\$ 7,515,278
Less: Accumulated other comprehensive income (loss)	(40,809)	(128,964)
Total equity excluding AOCI	<u>\$ 7,457,642</u>	<u>\$ 7,644,242</u>
Net income	\$ 165,337	\$ 882,160
Income before income tax expense	\$ 208,783	\$ 1,106,460
Operating income	\$ 440,226	\$ 1,198,043
Operating net income	\$ 348,620	\$ 955,177
Average equity ^(a)	\$ 7,413,227	\$ 7,229,338
Average equity excluding AOCI ^(a)	\$ 7,508,334	\$ 7,359,925
Average AUM ^(b)	\$ 56,048,839	\$ 53,324,851
Return on average equity ^(c)	4.5%	12.2%
Return on average equity excluding AOCI ^(d)	4.4%	12.0%
Operating return on average equity excluding AOCI	9.3%	13.0%
Pretax return on average assets ^(e)	0.75%	2.07%
Operating return on average assets	1.57%	2.25%

- (a) For six month periods, average equity is calculated by averaging total equity and total equity excluding AOCI as of the end of each quarter in the trailing three quarter period; for annual periods, calculated by averaging total equity and total equity excluding AOCI as of the end of each quarter in the trailing five quarter period.
- (b) For six month periods, average AUM is calculated by averaging total AUM as of the end of each quarter in the trailing three quarter period; for annual periods, calculated by averaging total AUM as of the end of each quarter in the trailing five quarter period.
- (c) Return on average equity is calculated by dividing net income by average equity. For interim periods, return on average equity is calculated by dividing net income by average equity, with resulting value annualized.
- (d) Return on average equity excluding AOCI is calculated by dividing net income by average equity excluding AOCI. For interim periods, return on average equity excluding AOCI is calculated by dividing net income by average equity excluding AOCI, with resulting value annualized.
- (e) Pretax return on average assets is calculated by dividing income before income tax expense by average AUM. For interim periods, pretax return on average assets is calculated by dividing income before income tax expense by average AUM, with resulting value annualized.

The following table presents a reconciliation of the non-GAAP measures investment earned book yield, investment operating earned rate, investment total earned rate, cost of crediting, and net investment spread to their closest GAAP measure inputs.

Non-GAAP Financial Measures	As of or for the Six Months Ended June 30,	
	2025	2024
	<i>(unaudited)</i> <i>(dollars in thousands)</i>	
Net investment income	\$ 1,454,422	\$ 1,644,533
Investment expenses	108,968	92,366
Interest expense on operating leverage ^(a)	(36,210)	(126,020)
Adjusted investment income	1,527,180	1,610,879
Less: Additional returns	80,130	148,272
Adjusted investment income, excluding additional returns	<u>\$ 1,447,049</u>	<u>\$ 1,462,607</u>
Average spread based AUM ^(b)	\$ 41,111,991	\$ 39,054,908
Average spread based AUM excluding surplus assets	\$ 32,936,334	\$ 31,302,450
Investment earned book yield ^(c)	7.04 %	7.49 %
Investment operating earned rate ^(d)	7.43 %	8.25 %
Investment total earned rate ^(e)	7.28 %	8.00 %
Interest credited to account balances	\$ 238,935	\$ 214,794
Pro rata amortization of option cost	275,878	201,301
Cost of crediting	<u>\$ 514,813</u>	<u>\$ 416,095</u>
Cost of crediting rate ^(f)	3.13 %	2.66 %
Net investment spread ^(g)	4.30 %	5.59 %

- (a) Interest expense on operating leverage includes interest expense on debt from consolidated VIE interest, repurchase agreements, and miscellaneous interest expense.
- (b) For six month periods, average spread-based AUM is calculated by averaging spread-based AUM as of the end of each quarter in the trailing three quarter period.
- (c) Calculated as adjusted investment income, excluding additional returns, divided by average spread-based AUM. For interim periods, adjusted investment income, excluding additional returns, is annualized to determine an annualized investment earned book yield.
- (d) Calculated as adjusted investment income divided by average spread-based AUM. For interim periods, adjusted investment income is annualized to determine an annualized investment operating earned rate.
- (e) Calculated as adjusted investment income, including trading realized gains / losses and investment related change in allowance for credit losses, divided by average spread-based AUM. For interim periods, adjusted investment income, including realized gains / losses, is annualized to determine an annualized investment total earned rate.
- (f) Calculated by dividing cost of crediting by average spread-based AUM, excluding surplus assets. For interim periods, cost of crediting is annualized to determine an annualized cost of crediting rate.
- (g) Calculated by subtracting cost of crediting rate from investment operating earned rate.