

NLV Financial Corporation and Subsidiaries

**Quarterly Performance Review and
Consolidated Financial Statements**

First Quarter 2024

GENERAL DISCUSSION OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

About the Company

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

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

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

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

Distribution

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

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

Organization

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

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

Non-GAAP Measures

The discussion herein, unless otherwise noted, is prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In addition to net income, we use pre-tax operating income and core earnings, which are both pre-tax, non-GAAP financial measures, to evaluate our financial performance. Pre-tax operating income excludes income taxes and net investment gains (losses). It also excludes the portion of amortization of deferred policy acquisition costs ("DAC") and deferred sales inducements, and policyholder dividend obligations, that are related to net investment gains (losses).

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

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

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

	For the Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Total revenues	\$ 1,136,884	\$ 868,749
Net investment (gains) losses	(5,925)	31,980
Net investment gains from derivatives that hedge equity indexed products, which is included in interest credited to policyholder liabilities on a core earnings basis	<u>(219,974)</u>	<u>(100,977)</u>
Total revenues on a core earnings basis	<u>\$ 910,985</u>	<u>\$ 799,752</u>

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

	For the Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Net income	\$ 77,739	\$ 77,800
Net investment (gains) losses	(5,925)	31,980
Amortization of DAC and sales inducements, and policyholder dividend obligations, and other adjustments related to net investment gains and losses	4,932	1,994
Income tax expense	<u>24,147</u>	<u>20,681</u>
Pre-tax operating income	100,893	132,455
Non-core gains, primarily volatility resulting from the measurement of indexed product liabilities	<u>(7,335)</u>	<u>(14,781)</u>
Core earnings	<u>\$ 93,558</u>	<u>\$ 117,674</u>

ANNUAL FINANCIAL PERFORMANCE REVIEW

This annual financial performance review provides an overview of the Company's results of operations as of and for the three months ended March 31, 2024 and 2023, and, where applicable, factors that may affect the Company's future financial performance. This review should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements as of and for the years ended December 31, 2023 and 2022, which have been audited by PricewaterhouseCoopers LLP.

The Company's universal life, indexed universal life, and annuity products generate revenues through investment income and policy and contract charges that are earned during the life of the contracts. On a GAAP basis, revenues from net investment income include changes in the fair value of derivative instruments that economically hedge our indexed life and annuity products, primarily options and futures. Whole and term life insurance products generate primarily premium revenues. The increase in the Company's total revenues on a GAAP basis was primarily driven by market value gains on derivative instruments of \$220 million for the first quarter of 2024, compared to derivative gains of \$101 million for the same period in 2023. On a core earnings basis, which excludes from revenue such derivative gains (losses) as well as net investment gains (losses), the Company's total revenues for the three months of 2024 were up 14% from the same period in 2023. This increase was driven by strong growth in the life insurance business, including an increase in policy and contract charges of 14%, as well as increased net investment income of 10%.

Net income was \$78 million for the three months ended March 31, 2024 and 2023. Net income for the three months ended March 31, 2024 included positive non-core earnings of \$7 million, compared to positive non-core earnings of \$15 million for the same period in 2023, and net investment gains of \$6 million, compared to net investment losses of \$32 million for the same period in 2023. The net investment gains in the first quarter of 2024 and the net investment losses in the first quarter of 2023 were primarily comprised of fair value changes in partnerships.

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

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

Core earnings were \$94 million for the three months ended March 31, 2024, down from \$118 million for the same period in 2023. The decrease in core earnings was driven by interest credited from increased sales in indexed universal life as well as increased policy benefits as we continue to grow our business. These were partially offset by higher revenues from growth in policy and contract charges, primarily on our indexed universal life products, and net investment income.

Each of the components of core earnings and the factors that contributed to the changes for three months ended March 31, 2024 and 2023 are described in detail below.

	For the Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Revenues:		
Insurance premiums	\$ 91,660	\$ 83,525
Policy and contract charges	332,445	290,239
Commissions, fees and other income	43,543	24,294
Net investment income	443,337	401,694
Total revenues, on a core earnings basis	910,985	799,752
Benefits and expenses:		
Increase in policy liabilities	4,071	12,262
Policy benefits	188,251	152,608
Policyholders' dividends and dividend obligations	5,117	5,413
Interest credited to policyholder account liabilities	322,662	245,715
Operating expenses	121,029	107,409
Interest expense	16,723	16,589
Policy acquisition expenses	159,574	142,082
Total benefits and expenses, on a core earnings basis	817,427	682,078
Core earnings	\$ 93,558	\$ 117,674

Insurance Premiums

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

Insurance premiums increased \$8 million, or 10%, to \$92 million for the three months ended March 31, 2024 from \$84 million for the same period in 2023. This increase was primarily driven by higher term life product sales.

Policy and Contract Charges

Policy and contract charges include fees charged on indexed universal life products, variable annuities, premium loads, cost of insurance charges, surrender charges and rider charges. Policy and contract charges increased \$42 million, or 14%, to \$332 million for the three months ended March 31, 2024 from \$290 million in 2023. This increase was driven by growth in overall account value, primarily on our indexed universal life products.

Commissions, Fees and Other Income

Commissions consist of dealer concessions earned by the Company's affiliated broker-dealer, Equity Services, Inc. Other income includes revenues from reinsurance, change in cash surrender value of corporate owned life insurance ("COLI") and miscellaneous fee income. Revenues from commissions, fees and other income increased by \$20 million, or 82% to \$44 million for the three months ended March 31, 2024 from \$24 million in 2023, primarily due to an increase in reinsurance related revenue.

Net Investment Income

Net investment income represents interest income on our portfolio of bonds, mortgage loans, contract loans and short-term investments, as well as amortization of premium or accretion of discount on bonds, dividends from preferred and common stock, partnership income, and income (losses) from derivative instruments. On a non-GAAP core earnings basis, we exclude from net investment income any income (losses) from derivative instruments that economically hedge our indexed product liabilities; instead, those hedging results are presented within interest credited to policyholder account liabilities. Net investment income on a core earnings basis was \$443 million for the three months end March 31, 2024, compared to \$402 million for the same period in 2023. This increase was driven by higher income from the bond portfolio due to the overall growth of the in-force business. This was partially offset by lower income from partnerships.

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

	For the Three Months Ended	
	March 31,	
	2024	2023
	<i>(in thousands)</i>	
Net investment income		
Debt securities	\$ 357,429	\$ 304,302
Equity securities	7,000	4,975
Mortgage loans	50,107	50,199
Policy loans	15,682	12,493
Real estate	1,512	853
Derivatives	2,275	294
Partnerships	14,670	34,279
Other investment income	6,181	4,001
Gross investment income	454,856	411,396
Less: Investment expenses	(11,519)	(9,702)
Net investment income on a core earnings basis	\$ 443,337	\$ 401,694

Increase in Policy Liabilities

The increase in policy liabilities reflects changes in the product liability reserves for whole and term life insurance, disability income insurance and changes in additional reserves held on certain annuities. The change in policy liabilities was a net increase of \$4 million for the three months ended March 31, 2024, compared to a net increase of \$12 million for the same period in 2023. The change in policy liabilities was primarily due to elevated surrender activity and mortality experience resulting in a greater release of reserves for the three months end March 31, 2024, compared to the same period in 2023.

Policy Benefits

Policy benefits include death benefits for life insurance policies, policy surrenders for whole life policies and disability income benefits. In addition, policy benefits include a small amount of miscellaneous benefits such as payments on life-contingent immediate annuities and premium waiver benefits due to disability. Policy benefits increased \$35 million to \$188 million for the three months end March 31, 2024 from \$153 million for the same period in 2023, driven by elevated surrender activity and mortality experience as well as less favorable experience on accelerated benefits riders.

Policyholders' Dividends and Dividend Obligations

Policyholders' dividends consist of the pro rata amount of dividends earned that will be paid or credited at the next policy anniversary and policyholder dividend obligations ("PDO") primarily arising from the Closed Block. Dividends are based on a scale that is designed to reflect the relative contribution of each group of policies to the Company's overall operating results. The dividend scales are approved annually by the Company's Board of Directors. For the non-GAAP measure of core earnings, policyholders' dividends and dividend obligations exclude amounts related to current year net investment gains (losses). Policyholders' dividends and dividend obligations included in core earnings remained flat for the three months ended March 31, 2024 compared to the same period in 2023.

Interest Credited to Policyholder Account Liabilities

Interest credited to policyholder account liabilities represents amounts credited to universal life insurance, fixed deferred annuities and indexed products, as well as the change in reserves related to guaranteed lifetime income riders ("GLIR") and the amortization of sales inducements. For the non-GAAP presentation of core earnings, interest credited also includes income on options that economically hedge our indexed products. Core interest credited increased \$77 million to \$323 million for the three months end March 31, 2024 from \$246 million for the same period in 2023. This increase reflects growth in account value within our indexed and fixed annuity product lines, driven by sales growth.

Operating Expenses

Operating expenses consist primarily of administrative, maintenance and operational expenses related to servicing the Company's business. Operating expenses increased \$14 million to \$121 million for the three months ended March 31, 2024 compared to \$107 million for the same period in 2023, primarily due to higher growth-related personnel costs.

Interest Expense

Interest expense consists of interest paid on the Company's surplus notes and senior notes. Interest expense totaled \$17 million for the three months ended March 31, 2024 and 2023.

Policy Acquisition Expenses

Policy acquisition expenses include commissions and other costs related to the acquisition of new or renewal life and annuity business, as well as amortization of previously deferred acquisition costs. Commissions and other costs that are directly related to the successful acquisition of new or renewal insurance contracts are eligible to be deferred under GAAP. DAC for participating life insurance, universal life insurance, and annuities is amortized and recognized in income in relation to future estimated gross profits. DAC for non-participating term and whole life insurance and participating limited-payment and single-payment life insurance is amortized and recognized in relation to premium income. Policy acquisition expenses are reported net of amounts deferred in the current year and include the amortization of DAC.

For the non-GAAP presentation of core earnings, policy acquisition expenses exclude amortization of DAC related to net investment gains (losses) on assets that support policy reserves, and amortization of DAC related to non-core earnings. Policy acquisition expenses for the life and annuity businesses included in core earnings were \$160 million for the three months ended March 31, 2024, up from \$142 million for the same period in 2023. This increase was primarily attributable to continued growth in the life and annuity lines of business.

Net Investment Gains (Losses)

The Company recorded net investment gains of \$6 million for the three months ended March 31, 2024 compared to net investment losses of \$32 million for the same period in 2023. Changes in the fair value of partnerships not accounted for using the equity method (based on the Company's level of ownership and influence) are recorded within net investment gains (losses). The net investment gains in the first quarter of 2024 were driven by positive market impacts to equity trading securities. Net investment losses in 2023 were primarily driven by the fair value changes in partnerships. The non-GAAP measure of pre-tax operating income excludes net investment losses and is also adjusted to exclude amortization of DAC and sales inducements, and policyholder dividend obligations, that are related to net investment gains (losses) (see "Non-GAAP Measures," above).

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

	For the Three Months Ended	
	March 31,	
	2024	2023
	<i>(in thousands)</i>	
Net investment losses on:		
Debt securities	\$ (1,746)	\$ (6,488)
Equity securities	8,252	3,892
Mortgage loans	(1,007)	(98)
Partnerships	(119)	(29,128)
Other invested assets	545	(158)
Net investment losses	<u>\$ 5,925</u>	<u>\$ (31,980)</u>

Federal Income Taxes

Federal income tax expense was \$24 million for the three months ended March 31, 2024 compared to income tax expense of \$21 million for the same period in 2023. The Company's effective tax rate was 23.7% and 21% for the three months ended March 31, 2024 and 2023, respectively.

Non-Core Earnings

Non-core earnings primarily include short-term income volatility that results from the fair value measurement under GAAP of certain indexed product liabilities, which are sensitive to movement in equity market indexes and future interest rate assumptions, and the related impact to DAC and deferred sales inducements. Non-core earnings increased pre-tax operating earnings by \$7 million and \$15 million for the three months ended March 31, 2024 and 2023, respectively.

SUMMARY OF FINANCIAL POSITION

Balance Sheet Information

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

As of March 31, 2024, total assets were \$47.4 billion, primarily attributable to investments that support life insurance policy and annuity contracts with more than 1.3 million customers.

Cash and investments increased \$1.6 billion from December 31, 2023, which included a \$266 million decrease in unrealized gains (losses) on available-for-sale debt securities and a \$858 million increase in derivative assets, primarily equity index options used to hedge our indexed product liabilities. After excluding derivative assets and net unrealized gains and losses, total cash and invested assets as of March 31, 2024 were \$39.4 billion compared to \$38.4 billion as of December 31, 2023, including an increase in available-for-sale debt securities of \$462 million, driven by cash flows from our growing life and annuity business. The remainder of the portfolio consists primarily of partnerships and other invested assets, cash, trading debt securities, equity securities, policy loans, and other short-term investments.

Total liabilities as of March 31, 2024 were \$44.9 billion, compared to \$42.9 billion as of December 31, 2023. The increase was primarily due to increases in policyholder account liabilities.

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

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

	As of March 31, 2024	As of December 31, 2023
	<i>(in thousands)</i>	
Assets:		
Cash and investments	\$ 39,845,853	\$ 38,228,183
Other general account assets	6,703,701	6,418,086
Separate account assets	855,944	825,824
Total assets	\$ 47,405,498	\$ 45,472,093
Liabilities and Stockholder's Equity:		
Total liabilities	44,908,987	42,923,414
Stockholder's Equity:		
Retained earnings	4,017,754	3,940,015
Accumulated other comprehensive loss	(1,521,243)	(1,391,336)
Total stockholder's equity	2,496,511	2,548,679
Total liabilities and stockholder's equity	\$ 47,405,498	\$ 45,472,093

Cash Flow and Liquidity Information

Cash and restricted cash was \$759 million as of March 31, 2024, compared to \$668 million as of December 31, 2023. In addition to liquidity sourced from cash flows including premiums, deposits, investment income and maturities, the Company has access to secured asset-based borrowing capacity through membership in the Federal Home Loan Banks of Boston and Dallas. The Company evaluates liquidity risk quarterly by projecting cash flows under a stress scenario to ensure that there is sufficient liquidity to meet operating demands and objectives over a 36-month period, without consideration of mitigating actions such as the liquidation of investment holdings and changes in our investment strategy and product offerings.

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

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

	For the Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Net cash used in operating activities	\$ (98,819)	\$ (39,353)
Net cash used in investing activities	(697,760)	(724,711)
Net cash provided by financing activities	<u>888,102</u>	<u>928,759</u>
Net increase (decrease) in cash	<u>\$ 91,523</u>	<u>\$ 164,695</u>

Net cash used in operating activities was \$99 million for the three months ended March 31, 2024, compared to \$39 million for the same period in 2023. The change in cash used in operating activities compared to the prior year period were driven by continued growth in the Company resulting in higher operating expenses and increased mortality experience related to fixed universal life and term lines of business.

Net cash used in investing activities was \$698 million for the three months ended March 31, 2024, compared to \$725 million for the same period in 2023. The change in cash used in investing activities compared to the prior year period were driven by cost of investments acquired, net of sales, primarily due to growth in the bond portfolio and an increase in short-term investments due to higher interest rates.

Net cash provided by financing activities was \$888 million for the three months ended March 31, 2024, compared to \$929 million for the same period in 2023. The change in net cash provided by financing activities compared to the prior year period was primarily due to increased policyholder withdrawals related to universal life and annuity products.

Other Selected Data

	<u>As of</u> <u>March 31, 2024</u>	<u>As of</u> <u>December 31, 2023</u>	<u>Change</u>
	<i>(in billions)</i>		
Life insurance in force (before reinsurance ceded)	<u>\$ 345.8</u>	<u>\$ 334.4</u>	<u>\$ 11.4</u>
Total cash and invested assets (excluding unrealized gains and losses and derivatives)	<u>\$ 39.4</u>	<u>\$ 38.4</u>	<u>\$ 1.0</u>
	<u>For the Three Months Ended</u>		
	<u>March 31, 2024</u>	<u>March 31, 2023</u>	<u>Change</u>
<u>Weighted New Annualized Premium ("WNAP")</u>	<i>(in millions)</i>		
<u>Sales</u>			
Life	<u>\$ 143</u>	<u>\$ 112</u>	<u>\$ 31</u>
Annuity	<u>151</u>	<u>151</u>	<u>—</u>
Total Life and Annuity WNAP	<u>\$ 294</u>	<u>\$ 263</u>	<u>\$ 31</u>

PROSPECTIVE INFORMATION

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

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

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

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

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

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

Basis of Presentation and Principles of Consolidation

The following consolidated financial statements of NLVF have been prepared in conformity with GAAP. These financial statements should be read in conjunction with and are qualified in their entirety by reference to the Company's consolidated financial statements as of and for the years ended December 31, 2023 and 2022, which have been audited by PricewaterhouseCoopers LLP, including the accompanying notes which are an integral part of the audited financial statements. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ, possibly materially, from those estimates.

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

NLV Financial Corporation and Subsidiaries
Consolidated Balance Sheets
As of March 31, 2024 and December 31, 2023

(in thousands)

Assets:

Cash and investments:

Available-for-sale debt securities	\$ 26,995,650	\$ 26,799,650
Equity securities	140,833	132,305
Trading debt securities	152,848	154,306
Mortgage loans	4,791,813	4,762,202
Policy loans	1,318,432	1,244,017
Real estate investments	21,315	21,584
Derivative assets	3,352,730	2,494,681
Other invested assets	1,599,960	1,553,932
Short term investments	713,208	397,965
Cash and restricted cash	759,064	667,541

Total cash and investments	39,845,853	38,228,183
Deferred policy acquisition costs	4,586,814	4,434,425
Accrued investment income	361,126	353,848
Premiums and fees receivable	11,962	19,622
Amounts recoverable from reinsurers	140,196	139,554
Property and equipment, net	176,916	170,222
Corporate owned life insurance	605,183	598,668
Deferred tax asset	578,347	515,449
Other assets	243,157	186,298
Separate account assets	855,944	825,824
Total assets	\$ 47,405,498	\$ 45,472,093

Liabilities:

Policy liabilities:

Policy benefit liabilities	\$ 3,917,196	\$ 3,935,308
Policyholder account liabilities	35,184,993	34,099,412
Policyholders' deposits	155,910	149,630
Policy claims payable	135,866	141,356
Policyholders' dividends and dividend obligations	9,912	9,307

Total policy liabilities	39,403,877	38,335,013
Amounts payable to reinsurers	14,909	23,775
Derivative liabilities	2,267,467	1,577,475
Other liabilities and accrued expenses	1,180,141	1,031,663
Pension and other post-retirement benefit obligations	192,691	183,157
Federal income tax payable	76,910	29,603
Debt	917,048	916,904
Separate account liabilities	855,944	825,824
Total liabilities	\$ 44,908,987	\$ 42,923,414

Stockholder's equity:

Class A common stock, 2,000 shares authorized, no shares issued and outstanding	\$ —	\$ —
Class B common stock, par value of \$0.01, 1,001 shares authorized, 100 shares issued and outstanding	—	—
Preferred stock, 500 shares authorized, no shares issued and outstanding	—	—
Retained earnings	4,017,754	3,940,015
Accumulated other comprehensive loss	(1,521,243)	(1,391,336)
Total stockholder's equity	\$ 2,496,511	\$ 2,548,679
Total liabilities and stockholder's equity	\$ 47,405,498	\$ 45,472,093

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2024 and 2023

	For the Three Months Ended	
	March 31,	
	2024	2023
<i>(in thousands)</i>		
Revenues:		
Insurance premiums	\$ 91,660	\$ 83,525
Policy and contract charges	332,445	290,239
Commissions and fee income	17,430	15,327
Net investment income	663,311	502,671
Net investment losses	5,925	(31,980)
Other income	26,113	8,967
Total revenues	1,136,884	868,749
Benefits and expenses:		
Increase in policy liabilities	4,071	12,262
Policy benefits	188,251	152,608
Policyholders' dividends and dividend obligations	5,116	5,414
Interest credited to policyholder account liabilities	485,409	258,317
Operating expenses	121,029	107,409
Interest expense	16,723	16,589
Policy acquisition expenses	214,399	217,669
Total benefits and expenses	1,034,998	770,268
Income before income taxes	101,886	98,481
Income tax expense	24,147	20,681
Net income	\$ 77,739	\$ 77,800

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

	Class A Common Stock	Class B Common Stock	Preferred Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in thousands)</i>						
January 1, 2023	\$ —	\$ —	\$ —	\$ 3,729,404	\$ (1,819,007)	\$ 1,910,397
Net income	—	—	—	77,800	—	77,800
Effect of implementation of ASU 2016-13, net	—	—	—	(8,632)	—	(8,632)
Change in unrealized gains on available-for-sale securities, net	—	—	—	—	272,000	272,000
Change in cash flow hedge on debt issuance, net	—	—	—	—	10	10
Change in additional minimum pension liability, net	—	—	—	—	1,674	1,674
Total comprehensive income	—	—	—	—	—	342,852
March 31, 2023	\$ —	\$ —	\$ —	\$ 3,798,572	\$ (1,545,323)	\$ 2,253,249
January 1, 2024	\$ —	\$ —	\$ —	\$ 3,940,015	\$ (1,391,336)	\$ 2,548,679
Net income	—	—	—	77,739	—	77,739
Change in unrealized gains on available-for-sale securities, net	—	—	—	—	(131,554)	(131,554)
Change in cash flow hedge on debt issuance, net	—	—	—	—	10	10
Change in additional minimum pension liability, net	—	—	—	—	1,637	1,637
Total comprehensive income	—	—	—	—	—	(52,168)
March 31, 2024	\$ —	\$ —	\$ —	\$ 4,017,754	\$ (1,521,243)	\$ 2,496,511

NLV Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and 2023

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 77,739	\$ 77,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	(28,366)	(61,961)
Interest credited to policyholder account liabilities	485,409	258,317
Amortization of deferred policy acquisition costs	176,966	186,794
Policy and contract charges	(332,445)	(290,239)
Net investment losses	(5,925)	31,980
Change in fair value of derivatives	(223,012)	(105,705)
Change in corporate owned life insurance policies	(6,515)	(6,282)
Depreciation	7,828	7,969
Other	144	(8,492)
Changes in assets and liabilities:		
Accrued investment income	(7,277)	(29,096)
Deferred policy acquisition costs	(241,105)	(209,887)
Policy liabilities	52,205	49,122
Other assets and liabilities	(54,465)	60,327
Net cash used in operating activities	<u>(98,819)</u>	<u>(39,353)</u>
Cash flows from investing activities:		
Proceeds from sales, maturities and repayments of investments	1,055,964	627,947
Cost of investments acquired	(1,463,816)	(1,488,025)
Property and equipment additions	(13,812)	(6,004)
Change in policy loans	(74,414)	(41,662)
Change in short term investments	(315,242)	31,766
Change in short term broker collateral	104,910	146,420
Other	8,650	4,847
Net cash used in investing activities	<u>(697,760)</u>	<u>(724,711)</u>
Cash flows from financing activities:		
Policyholders' deposits	1,583,502	1,444,596
Policyholders' withdrawals	(701,281)	(511,284)
Advances from Federal Home Loan Banks	187,077	13,700
Repayments to Federal Home Loan Banks	(187,077)	(13,700)
Change in other deposits	5,881	(4,553)
Net cash provided by financing activities	<u>888,102</u>	<u>928,759</u>
Net increase (decrease) in cash	91,523	164,695
Cash and restricted cash:		
Beginning of period	667,541	198,162
End of period	<u>\$ 759,064</u>	<u>\$ 362,857</u>