

**PACIFIC MUTUAL HOLDING COMPANY  
AND SUBSIDIARIES**

Consolidated Financial Statements as of  
and for the years ended December 31, 2025 and 2024  
and Independent Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT**

Pacific Mutual Holding Company and Subsidiaries:

### **Opinion**

We have audited the consolidated financial statements of Pacific Mutual Holding Company and subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (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 as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our 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.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for long-duration contracts due to the adoption of the accounting guidance Accounting Standards Update No. 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, as amended ("ASU 2018-12"), effective January 1, 2025, with a transition date of January 1, 2024.

### **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 from 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.

### **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 from 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.

*Deloitte & Touche LLP*

March 5, 2026

Pacific Mutual Holding Company and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<i>(In Millions)</i>	December 31,	
	2025	2024
<b>ASSETS</b>		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost of \$121,554 and \$103,845, includes ACL of \$76 and \$37 and VIE assets of \$1,169 and zero)	\$117,358	\$96,743
Mortgage loans (includes ACL of \$314 and \$239 and VIE assets of \$465 and \$1,494)	30,362	25,533
Policy loans	8,818	8,548
Other investments (includes VIE assets of \$4,559 and \$4,125)	19,616	16,668
<b>TOTAL INVESTMENTS</b>	<b>176,154</b>	<b>147,492</b>
Cash, cash equivalents, and restricted cash (includes VIE assets of \$79 and \$45)	10,258	7,317
Deferred policy acquisition costs	7,842	6,984
Market risk benefits assets	814	767
Other assets (includes VIE assets of \$22 and \$14)	6,331	7,421
Separate account assets	73,656	67,403
<b>TOTAL ASSETS</b>	<b>\$275,055</b>	<b>\$237,384</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Policyholder account balances	\$122,512	\$104,148
Future policy benefits	42,845	36,570
Market risk benefits liabilities	610	720
Debt (includes VIE debt of \$1,533 and \$2,086)	7,336	7,345
Other liabilities (includes VIE liabilities of \$5 and \$14)	13,556	9,204
Separate account liabilities	73,656	67,403
<b>TOTAL LIABILITIES</b>	<b>260,515</b>	<b>225,390</b>
Commitments and contingencies (Note 15)		
Members' Equity:		
Members' capital	16,416	15,540
Accumulated other comprehensive loss	(2,451)	(4,108)
Total members' equity	13,965	11,432
Noncontrolling interests	575	562
<b>TOTAL EQUITY</b>	<b>14,540</b>	<b>11,994</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$275,055</b>	<b>\$237,384</b>

The abbreviation ACL above means allowance for credit losses.

The abbreviation VIE above means variable interest entity.

See Notes to Consolidated Financial Statements

*Pacific Mutual Holding Company and Subsidiaries*

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In Millions)</i>	Years Ended December 31,	
	2025	2024
<b>REVENUES</b>		
Policy fees and insurance premiums	\$10,698	\$9,000
Net investment income	7,884	6,603
Net investment gain (loss)	(846)	(897)
Investment advisory fees	192	192
Other income	307	263
<b>TOTAL REVENUES</b>	<b>18,235</b>	<b>15,161</b>
<b>BENEFITS AND EXPENSES</b>		
Policy benefits paid or provided	9,864	7,661
Future policy benefits remeasurement (gain) loss	41	(20)
Market risk benefits remeasurement gain	(627)	(1,174)
Interest credited to policyholder account balances	4,404	3,586
Commission expenses	1,231	1,153
Operating and other expenses	2,222	2,191
<b>TOTAL BENEFITS AND EXPENSES</b>	<b>17,135</b>	<b>13,397</b>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>1,100</b>	<b>1,764</b>
Provision for income taxes	167	271
Net income	933	1,493
Less: net income attributable to noncontrolling interests	(57)	(66)
<b>NET INCOME ATTRIBUTABLE TO THE COMPANY</b>	<b>\$876</b>	<b>\$1,427</b>

See Notes to Consolidated Financial Statements

Pacific Mutual Holding Company and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(In Millions)</i>	Years Ended December 31,	
	2025	2024
<b>NET INCOME</b>	\$933	\$1,493
Other comprehensive income, net of tax:		
Gain (loss) on derivatives and unrealized gain (loss) on securities available for sale, net	2,034	(647)
Future policy benefits discount rate remeasurement gain (loss)	(425)	1,076
Market risk benefits nonperformance risk gain (loss)	(34)	21
Foreign currency translation adjustments and other, net	82	(87)
Other comprehensive income	1,657	363
Comprehensive income	2,590	1,856
Less: comprehensive income attributable to noncontrolling interests	(57)	(66)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY</b>	<b>\$2,533</b>	<b>\$1,790</b>

See Notes to Consolidated Financial Statements

Pacific Mutual Holding Company and Subsidiaries

CONSOLIDATED STATEMENTS OF EQUITY

<i>(In Millions)</i>	Members' Capital	Accumulated Other Comprehensive Loss	Total Members' Equity	Noncontrolling Interests	Total Equity
<b>BALANCES, JANUARY 1, 2024</b>	\$14,768	(\$5,549)	\$9,219	\$548	\$9,767
Cumulative effect of adoption of accounting change (Note 1)	(655)	1,078	423		423
<b>REVISED BALANCES, JANUARY 1, 2024</b>	14,113	(4,471)	9,642	548	10,190
Comprehensive income:					
Net income	1,427		1,427	66	1,493
Other comprehensive income		363	363		363
Total comprehensive income			1,790	66	1,856
Change in equity of noncontrolling interests				(52)	(52)
<b>BALANCES, DECEMBER 31, 2024</b>	15,540	(4,108)	11,432	562	11,994
Comprehensive income:					
Net income	876		876	57	933
Other comprehensive income		1,657	1,657		1,657
Total comprehensive income			2,533	57	2,590
Change in equity of noncontrolling interests				(44)	(44)
<b>BALANCES, DECEMBER 31, 2025</b>	\$16,416	(\$2,451)	\$13,965	\$575	\$14,540

See Notes to Consolidated Financial Statements

Pacific Mutual Holding Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In Millions)</i>	Years Ended December 31,	
	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$933	\$1,493
Adjustments to reconcile net income to net cash provided by operating activities:		
Net accretion on fixed maturity securities	(127)	(139)
Depreciation and amortization	94	93
Deferred income taxes	66	69
Net investment (gain) loss	846	897
Net change in deferred policy acquisition costs	(792)	(593)
Interest credited to policyholder account balances	4,404	3,586
Net change in future policy benefits and other insurance liabilities	5,132	2,960
Net change in market risk benefits	(199)	(802)
Net change in tax receivables and payables	490	189
Net change in reinsurance receivables and payables	237	279
Purchases of trading securities	(111)	(108)
Proceeds from disposals of trading securities	109	99
Net gains from partnerships and joint ventures	(516)	(467)
Purchases of investments within consolidated private equity partnerships	(271)	(285)
Disposals of investments within consolidated private equity partnerships	575	511
Mortgage loans held for sale, net	(198)	
Other operating activities, net	(347)	(22)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>10,325</b>	<b>7,760</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Available for sale securities:		
Purchases	(46,233)	(23,407)
Sales	16,090	4,805
Maturities and repayments	13,480	9,864
Fundings of mortgage loans held for investment	(7,906)	(4,715)
Repayments of mortgage loans held for investment	2,236	1,297
Maturity of CMBS VIE mortgage loan	1,050	
Purchases of real estate	(434)	(207)
Proceeds from sale of real estate	806	579
Net change in policy loans	(270)	(340)
Contributions to partnerships and joint ventures	(1,104)	(788)
Purchases of working capital finance investments	(2,010)	(4,458)
Repayments of working capital finance investments	1,906	5,043
Cash received in connection with derivatives	2,959	2,054
Cash paid in connection with derivatives	(2,998)	(2,445)
Net change in cash collateral	(111)	391
Other investing activities, net	(4)	(143)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(22,543)</b>	<b>(12,470)</b>

*(Continued)*

Pacific Mutual Holding Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In Millions)</i>	Years Ended December 31,	
	2025	2024
<i>(Continued)</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Policyholder account balances:		
Deposits	\$32,885	\$26,664
Withdrawals	(21,402)	(20,754)
Issuance of long-term debt	1,321	197
Payments of long-term debt	(373)	(436)
Maturity of CMBS VIE debt	(845)	
Net change in cash collateral for loaned securities	3,730	(1,303)
Other financing activities, net	(157)	(137)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>15,159</b>	<b>4,231</b>
Net change in cash, cash equivalents, and restricted cash	2,941	(479)
Cash, cash equivalents, and restricted cash, beginning of year	7,317	7,796
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR</b>	<b>\$10,258</b>	<b>\$7,317</b>

The abbreviation CMBS above means commercial mortgage-backed securities.

The abbreviation VIE above means variable interest entity.

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Income taxes paid (received), net	(\$384)	\$16
Interest paid	398	339
<b>NON-CASH TRANSACTIONS</b>		
Assets in kind received as premiums	474	910
Assets in kind received as deposits	343	
Non-cash increase in tax credit investments	299	41

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

ORGANIZATION AND DESCRIPTION OF BUSINESS

Pacific Mutual Holding Company (PMHC), a Nebraska mutual holding company, is the parent of Pacific LifeCorp, an intermediate Delaware stock holding company. Pacific LifeCorp owns 100% of Pacific Life Insurance Company (Pacific Life), a Nebraska domiciled stock life insurance company. PMHC and its subsidiaries (the Company) and affiliates have primary business operations consisting of life insurance, annuities, and reinsurance in the United States and internationally.

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of PMHC and its majority owned and controlled subsidiaries and the variable interest entities (VIEs) in which the Company is the primary beneficiary. All significant intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Management has identified the following estimates as critical, as they involve a higher degree of judgment and are subject to a significant degree of variability:

- Fair value of investments in the absence of quoted market values
- Expected credit losses on financial assets
- Application of the consolidation rules to certain investments
- Fair value of derivatives, including embedded derivatives
- Fair value of market risk benefits (MRBs)
- The liability for future policy benefits (LFPB), including guarantees
- Income taxes, including realizability of deferred tax assets
- Litigation and other contingencies

During the years ended December 31, 2025 and 2024, Pacific Life Re International Limited (RIBM), a wholly owned indirect subsidiary of Pacific LifeCorp, amended and terminated certain assumed longevity reinsurance agreements in exchange for cash consideration of \$64 million and \$393 million, respectively, which was recorded in policy fees and insurance premiums on the consolidated statements of operations.

On January 1, 2025, the Company adopted Accounting Standards Update (ASU) 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts*, with a transition date of January 1, 2024. Adoption of ASU 2018-12 impacted the Company's accounting and presentation related to long-duration insurance contracts and certain related balances as of and for the year ended December 31, 2024. Amounts within these consolidated financial statements, which were previously presented, have been revised to conform with the current year accounting and presentation under ASU 2018-12.

Certain reclassifications have been made to the 2024 consolidated financial statements to conform to the 2025 consolidated financial statement presentation.

The Company has evaluated events subsequent to December 31, 2025 through the date the consolidated financial statements were available to be issued and has concluded that no events have occurred that require adjustments to these consolidated financial statements.

## RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-12, which improves the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The Company adopted this ASU on January 1, 2025 using the retrospective transition method, as required, for MRBs and using the modified retrospective transition method, where permitted, for changes to the LFPB and deferred policy acquisition costs (DAC) and related balances. The Company first retrospectively adjusted prior period amounts up to the transition date of January 1, 2024 and then applied the modified retrospective transition guidance as of January 1, 2024. The retrospective remeasurement of MRB gross profits resulted in the establishment of new carrying amounts for DAC and deferred sales inducements (DSI) prior to applying the modified retrospective guidance. The impact of this adoption on January 1, 2024 members' capital and accumulated other comprehensive income (loss) (AOCI) is presented below. Transition disclosures as of January 1, 2024 for the impacted insurance-related balances are presented at the disaggregated level within Notes 6, 9, and 10. The Company has included the required disclosures for ASU 2018-12 in Notes 6, 7, 8, 9, and 10.

	Members' Capital
	<i>(In Millions)</i>
Balance, December 31, 2023 (pre-adoption)	\$14,768
Change in LFPB cash flow assumptions and effect of net premiums exceeding gross premiums	(376)
Flooring of negative reserves	(591)
Adjustments to measure MRBs at fair value and changes in ceded MRB nonperformance risk, net of DAC and DSI	133
Total pre-tax adjustments	(834)
Tax impacts	179
Balance, January 1, 2024 (post-adoption)	<u>\$14,113</u>
	AOCI
	<i>(In Millions)</i>
Balance, December 31, 2023 (pre-adoption)	(\$5,549)
Removal of amounts related to unrealized gains and losses on investments in DAC, unearned revenue reserves (URR), and insurance reserves	(65)
Change in LFPB discount rate assumptions	1,532
Change in MRB nonperformance risk	(91)
Total pre-tax adjustments	1,376
Tax impacts	(298)
Balance, January 1, 2024 (post-adoption)	<u>(\$4,471)</u>

## INVESTMENTS

### Fixed Maturity Securities

Fixed maturity securities available for sale are reported at fair value, with unrealized gains and losses, net of deferred income taxes, recognized as a component of other comprehensive income (loss) (OCI). Realized gains and losses on investment transactions are determined on a specific identification basis at the trade date and are recorded in net investment gain (loss).

Amortization of premium and accretion of discount on fixed maturity securities are recorded using the effective interest method. For mortgage-backed and asset-backed securities, the determination of effective yield is based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments.

Investment income consists primarily of interest, dividends, and prepayment fees on fixed maturity securities. Interest is recognized on an accrual basis, and dividends are recorded on the ex-dividend date.

The Company regularly reviews its fixed maturity securities available for sale for declines in fair value that are determined to be impairment-related by evaluating the extent of the decline, the reasons for the decline (credit events or currency or interest rate related, including general credit spread widening), and the financial condition of the issuer. As part of the evaluation, the Company also considers the ability and intent to sell the security prior to a recovery in value. If the Company has the intent to sell the security, the amortized cost basis of the security is written down to fair value, which becomes the new amortized cost of the security, and a realized loss is recorded in net investment gain (loss).

The Company establishes an allowance for credit losses (ACL) on its fixed maturity securities available for sale, representing expected credit losses over the life of the financial asset. The measurement of expected credit losses is based on historical loss information, current conditions, and reasonable and supportable forecasts. In determining the amount of the ACL, the Company calculates the net present value of projected future cash flows discounted at the effective interest rate (NPV) and compares this value to the amortized cost of the security. The ACL is limited by the amount that fair value is less than the amortized cost. If the estimated fair value is less than the NPV, this portion of the decline in value related to other-than-credit factors is recorded in OCI as an unrealized loss.

In periods subsequent to the recognition of an initial ACL on a security, the Company reassesses credit losses quarterly. Subsequent increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the ACL, which are recognized in net investment gain (loss). However, the Company does not reduce the previously recorded ACL to an amount below zero. When the Company deems a security to be uncollectible, the Company reverses the ACL and records a direct write-off of the carrying amount of the security. Cash recoveries on amounts previously written off are recorded in net investment gain (loss).

The Company elects not to measure an ACL on accrued interest receivable due to its policy to write off uncollectible balances in a timely manner. The Company records any write-off of accrued interest through a reversal of net investment income. The Company presents accrued interest receivable in other assets, separate from the related financial asset balance, on the consolidated statements of financial condition.

#### Mortgage Loans

The Company carries mortgage loans held for investment at their unpaid principal balance, net of deferred origination fees, unamortized premiums and discounts, and the ACL. Certain off-balance sheet credit exposures (e.g., certain unfunded mortgage loan commitments where the Company cannot unconditionally cancel the commitment) are also subject to an ACL, which is included in other liabilities. The ACL represents the Company's best estimate of expected credit losses over the remaining life of the assets or off-balance sheet credit exposures. The determination of the ACL considers historical credit loss experience, current conditions, and reasonable and supportable forecasts.

Each of the Company's commercial, agricultural, and residential mortgage loan portfolio segments (including VIEs) are evaluated separately. When individual loans no longer have the credit characteristics of the loan pool (e.g., when the borrower is experiencing financial difficulty, including when foreclosure is probable), the Company removes the individual loans from the pool and evaluates them individually for an ACL. When foreclosure is probable, the ACL is calculated based on the excess of the loan's amortized cost over the fair value of the underlying collateral, less estimated costs to sell.

The ACL on mortgage loans may increase or decrease from period to period based on the factors noted below. The Company records the change in the ACL within net investment gain (loss). When the Company deems a mortgage loan to be uncollectible, the Company reverses the ACL and records a direct write-off of the carrying amount of the loan. Cash recoveries on principal amounts previously written off are recorded in net investment gain (loss).

Mortgage loans held for sale are loans purchased with the intent to sell in the secondary market. These loans are carried at the lower of cost or fair value on an individual loan basis. Net unrealized losses, if any, are recorded as a valuation allowance and charged to net investment gain (loss).

The Company recognizes interest, deferred origination fees, premiums, and discounts in investment income using the effective interest method based on the contractual life of the mortgage loans.

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. If any interest income due and accrued is deemed uncollectible, interest accrual ceases and previously accrued amounts are written off. Once a loan is on non-accrual status, the Company applies any payments received to the principal of the loan. Once the principal is repaid, the Company records amounts received in net investment income. The Company elects to present accrued interest receivable within other assets. The Company excludes the accrued interest receivable from the amortized cost balance used to calculate the ACL due to its policy to write off such balances in a timely manner. The Company records any write-off of accrued interest through a reversal of net investment income.

When loans are purchased, the acquired loans are divided into those considered purchased with more than insignificant credit deterioration (PCD) and those not considered PCD. The ACL established for purchased loans not considered PCD is recognized within net investment gain (loss) upon acquisition, whereas the ACL established for loans considered PCD at acquisition is offset by an increase in the basis of the acquired loans. Any subsequent increases and decreases in the ACL related to the purchased loans, regardless of PCD status, are recognized within net investment gain (loss), with write-offs reducing the ACL.

#### Commercial Loans

For commercial mortgage loans, other collateralized loans, and certain off-balance sheet credit exposures, the Company calculates the ACL using a probability of default and loss given default methodology to estimate expected credit losses over the remaining life of the loan. Management pools mortgage loans that share similar risk characteristics, including but not limited to, property type, occupancy rates, debt service coverage ratio (DSCR), and loan-to-value (LTV) ratio and calculates the ACL at the loan level. Key inputs to the model may include unpaid principal balances, LTV ratios, DSCR, average loan lives adjusted for prepayment, historical loss rates, and economic conditions. Management applies a probability weight to slow growth, base, and interest rate shock economic scenarios. The Company uses a reasonable and supportable forecast of economic assumptions for a 12-month period. After the applicable forecast period, the Company reverts to internal through-the-cycle historical loss experience over a period of four quarters.

#### Agricultural Loans

The Company calculates the ACL for agricultural loans using a model based on the weighted average remaining maturity method. The Company pools loans by collateral type and calculates the ACL over the contractual term of the asset, adjusted for prepayments. Key inputs to the model include the external historical loss rates on agricultural segments (given the lack of internal loss information), unpaid principal balance, and remaining maturity.

#### Residential Loans

The ACL for residential mortgage loans is calculated using a model that applies estimated lifetime loss rates to each loan. The model pools loans by loan type (e.g. new origination and reperforming) and risk profile, which considers Fair Isaac Corporation (FICO) credit scores and LTV ratios. Estimated lifetime loss rates are based on factors such as external historical experience, expected defaults, loss severity, prepayment rates, economic conditions, LTV ratios, payment history, and home prices. The model uses a reasonable and supportable forecast of economic assumptions for a 24-month period and reverts to historical average losses or macroeconomic factors used over a 12-month straight-line period.

#### Policy Loans

Policy loans are stated at unpaid principal balances. Interest income is recorded as earned using the contractual interest rate and is included in net investment income. Generally, accrued interest is capitalized on the policy's anniversary date. Valuation allowances are not established for policy loans as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal and accrued interest is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

## Other Investments

Other investments primarily consist of investments in private equity partnerships, joint ventures, hedge funds, real estate investments, tax credit investments, derivative instruments, equity securities, trading securities, working capital finance investments (WCFI) and corporate owned life insurance (COLI). Investments in private equity partnerships, joint ventures, hedge funds, and real estate equity investments are recorded either under the equity method of accounting or at fair value using the net asset value (NAV) per share practical expedient with changes in fair value recorded in net investment income. The Company's income or loss from equity method investments is recorded in net investment income. In applying the equity method, the Company uses financial information provided by the investee, generally on a quarter lag. The Company consolidates investments in certain other instances where it is deemed to exercise control or is considered the primary beneficiary of a VIE. See Note 2 for additional information about VIEs. Trading securities and equity securities are reported at fair value with changes in fair value recognized in net investment gain (loss). WCFIs are held at accreted book value, which approximates fair value due to the short-term nature of the investment. Income or loss from WCFIs is recorded in net investment income. COLI is carried at cash surrender value, and changes in cash surrender value are recorded in net investment income.

Tax credit investments primarily include low-income housing tax credit (LIHTC) investments. The Company records LIHTC investments at amortized cost and amortizes the investment into the provision for income taxes using the proportional amortization method. The Company records tax credits as a reduction to the provision for income taxes and other liabilities in the period utilized.

Real estate investments are carried at depreciated cost, net of write-downs. For real estate acquired in satisfaction of debt, cost represents fair value at the date of acquisition. Depreciation of real estate investments is computed using the straight-line method over estimated useful lives ranging from five to 50 years. The Company's operating income or loss from real estate investments is recorded in net investment income. Real estate investments are evaluated for impairment based on the future estimated undiscounted cash flows expected to be received during the estimated holding period. When the future estimated undiscounted cash flows are less than the current carrying amount of the property (gross cost less accumulated depreciation), the property is considered not recoverable, and an impairment loss is recognized in net investment gain (loss) to the extent the real estate's carrying value exceeds fair value.

## Securities Lending, Repurchase Agreements, and Reverse Repurchase Agreements

The Company participates in a securities lending program and repurchase agreements administered by authorized financial institutions whereby certain investment securities are loaned to third parties for the purpose of enhancing income on securities held through reinvestment of cash collateral received upon lending. These arrangements are accounted for as secured borrowings, and a liability is recorded within other liabilities for cash collateral received. The securities loaned under these agreements are included in fixed maturity securities available for sale and other investments. Income and expenses associated with securities lending transactions and repurchase agreements are recognized as investment income and investment expense, respectively.

With respect to securities loaned in securities lending transactions, the Company requires initial cash collateral equal to a minimum of 102% of the fair value of securities loaned. The borrower of the loaned securities is permitted to sell or repledge those securities. The Company monitors the ratio of the collateral held to the fair value of securities loaned and additional collateral is obtained as necessary. The Company may occasionally utilize amounts from the cash collateral for short-term liquidity. The utilization of the cash collateral is based on conservative forecasts of cash flows and is supported by the cash balance in the general account. Upon default of the borrower, the Company has the right to purchase replacement securities using the cash collateral held. Similarly, upon default of the Company, the borrower has the right to sell the loaned securities and apply the proceeds from such sale to the Company's obligation to return the cash collateral held.

The Company invests cash collateral received into reverse repurchase agreements as part of its securities lending program. The Company requires that all reverse repurchase agreements must be collateralized by U.S. Treasury securities, U.S. Agency securities, U.S. corporate bonds, and/or U.S. equities with a minimum margin of 102%. For the securities lending program, reverse repurchase agreements have a maximum maturity of 95 days and are indemnified by the Company's securities lending agent against counterparty default. The Company mitigates risks from counterparty default and price movements of the collateral received by mandating short maturities, applying proper haircuts, and monitoring fair values daily.

The Company has a reverse repurchase transaction commitment of \$250 million with an unaffiliated financial institution. Under this agreement, the Company purchases U.S. Treasury securities and loans in cash, with a simultaneous agreement to resell such securities at a future date or on demand in an amount equal to the cash initially loaned plus interest.

The Company also has repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company receives sales financing secured by securities as collateral in an amount at least equal to 102% of the fair value of the securities sold at the inception of the transaction, with a simultaneous agreement to repurchase such securities at a future date or on demand in an amount equal to the cash initially received plus interest. The Company monitors the ratio of the cash held to the fair value of the securities sold throughout the duration of the transaction, and additional cash or securities are obtained as necessary. Securities sold under such transactions may be sold or re-pledged by the transferee.

## DERIVATIVES

Derivatives, whether designated in a hedging relationship or not, are carried at fair value on the consolidated statements of financial condition within other investments or other liabilities, except for embedded derivatives which are recorded with the associated host contract. The Company elects to present derivatives subject to master netting agreements as a gross asset or liability.

The Company designates qualifying derivatives as cash flow, fair value, or net investment hedges. To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. In this documentation, the Company specifically identifies the asset, liability, firm commitment, or forecasted transaction that has been designated as the hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and throughout the life of the hedging relationship.

If the derivative is designated as a cash flow hedge, all changes in the fair value of the hedging derivative are reported within AOCI, and the related gains or losses on the derivative are reclassified into earnings when the cash flows of the hedged item affect earnings.

If the derivative is designated as a fair value hedge, changes in the fair value of the hedging derivative, including amounts measured as ineffectiveness, and changes in the fair value of the hedged item related to the designated risk being hedged are reported in net investment gain (loss). The change in value of the hedged item associated with the risk being hedged is reflected as an adjustment to the carrying amount of the hedged item.

If the derivative is designated as a net investment hedge, all changes in the fair value of the hedging derivative are reported within AOCI to offset the translation adjustments for subsidiaries with functional currencies other than the U.S. dollar. The accumulated amount in AOCI is reclassified into net investment gain (loss) upon sale or substantial liquidation of the hedged net investment in subsidiary.

The Company discontinues hedge accounting prospectively when (1) the derivative is no longer determined to be highly effective in mitigating changes in the estimated cash flows or fair value of a hedged item, (2) the derivative expires, is sold, terminated, or exercised, or (3) the derivative is de-designated as a hedging instrument. When hedge accounting is discontinued, the derivative continues to be carried on the consolidated statements of financial condition at fair value, with changes in fair value reported in net investment gain (loss).

For a derivative not designated as a hedging instrument, the entire change in fair value of the derivative, including net receipts and payments, is recorded in net investment gain (loss).

The periodic cash flows for all derivatives designated as hedges are recorded consistent with the hedged item on an accrual basis. For derivatives not designated as hedges, the periodic cash flows are reflected in net investment gain (loss) on an accrual basis. Upon termination of a cash flow hedging relationship, the accumulated amount in AOCI is reclassified into earnings consistent with the earnings impact of the original hedged cash flows. Upon termination of a fair value hedging relationship, the accumulated adjustment to the carrying amount of the hedged item is amortized into earnings over its remaining life.

## CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash and cash equivalents include all short-term, highly liquid investments with a maturity of three months or less from purchase date. Restricted cash primarily consists of security deposits, cash held in restricted custodian accounts, and property tax impounds. Restricted cash was \$322 million and \$207 million as of December 31, 2025 and 2024, respectively.

## DEFERRED POLICY ACQUISITION COSTS

Direct and incremental costs associated with the successful acquisition of new or renewal insurance business, such as commissions, medical examinations, underwriting and policy issuance costs, and other expenses, are deferred and recorded as an asset referred to as DAC. Such acquisition costs, including those incurred subsequent to contract issuance, such as renewal commissions in excess of ultimate commissions, are capitalized when incurred. DAC related to internally replaced contracts is immediately written off to expense and any new deferrable expenses associated with the replacement are deferred if the contract modification substantially changes the contract. However, if the contract modification does not substantially change the contract, the existing DAC asset remains in place, and any acquisition costs associated with the modification are immediately expensed.

DAC is generally grouped and amortized on a constant-level basis, which approximates the straight-line method, over the life of the related contracts using assumptions consistent with those used in estimating the related LFPB. For life insurance policies, the amortization basis is the initial face amount of insurance in force. For annuity contracts, the amortization basis is the contract count. For reinsurance contracts, amortization is calculated on an individual reinsurance contract basis. Changes in future assumptions resulting from actual experience are reflected prospectively as of the beginning of the current reporting period. DAC amortization is recorded in commission expenses and operating expenses.

DSI include bonus credits to contract holders on certain annuity products. DSI, which are typically equal to a certain percentage of each deposit, are capitalized similar to DAC. DSI is amortized over the life of the contract using the same methodologies and assumptions used to amortize DAC. DSI amortization is recorded in commission expenses.

## SEPARATE ACCOUNTS

Separate accounts primarily include variable life and variable annuity contracts as well as other guaranteed and non-guaranteed accounts. Separate account assets represent legally segregated contract holder funds and are recorded at fair value. A separate account liability is recorded equal to the amount of separate account assets, representing the account balance obligated to be returned to the contract holder. Deposits to separate accounts, investment income, and realized and unrealized gains and losses on the separate account assets accrue directly to the contract holders and, accordingly, are not reflected in the consolidated statements of operations or cash flows. Amounts charged to the separate account for mortality, surrender, and expense charges are included in policy fees revenue.

## POLICYHOLDER ACCOUNT BALANCES

Policyholder account balances represent the contract value that has accrued to the benefit of the policyholder and relate to universal life (UL) and investment-type contracts. Life contracts, variable and fixed annuities, and funding agreements and other investment contracts are valued using the retrospective deposit method where the accumulated account values are equal to gross deposits received, plus interest credited, less withdrawals and assessments. Payout annuities without life contingencies are valued using a prospective method that estimates the present value of future contract cash flows at the assumed crediting or contract rate. Equity-indexed products, such as indexed annuity contracts and indexed UL policies, are valued as hybrid financial instruments with equity-indexed features bifurcated and valued as embedded derivatives and the remaining host contract features valued using the retrospective deposit method.

## FUTURE POLICY BENEFITS

The LFPB on the consolidated statements of financial condition primarily includes the net liability for traditional and limited payment long-duration insurance contracts, which represents the present value of expected future benefits less the present value of expected net premiums ("net LFPB"). Contracts are grouped into annual cohorts primarily by product type and issue year, and reserves are calculated using a net premium ratio approach for each cohort. The net premium ratio is capped at 100%, and the net LFPB is floored at zero at the cohort level. The net premium ratio is recalculated at each reporting period, and any net premiums in excess of gross premiums are expensed immediately. The Company uses current best-estimate cash flow assumptions including mortality, morbidity, lapse, and expenses to estimate the net LFPB. Cash flow assumptions are reviewed at least annually as experience develops and are adjusted as needed, except for the expense assumption which the Company has elected to lock in at inception. Impacts from changes in cash flow assumptions and differences between expected and actual experience are recorded in earnings in future policy benefits remeasurement (gain) loss. The discount rate for the net LFPB is locked in at inception ("original discount rate") and is based on market observable upper-medium grade fixed income instrument yields that reflect the duration characteristics of the related insurance liabilities at the cohort level. For contracts issued prior to January 1, 2024, the original discount rate is generally based on expected investment returns at contract inception. For contracts issued after January 1, 2024, the original discount rate is based on upper-medium grade ("single A") rate at the time of issuance. The discount rate assumption is remeasured using the current single A rates at each reporting period with changes recognized in other comprehensive income (loss) (OCI).

For long-duration limited payment insurance contracts, the LFPB also includes a deferred profit liability (DPL) representing gross premiums received in excess of net premiums. The DPL is amortized to policy benefits paid or provided in a constant relationship to insurance in force for life contracts or the amount of expected future policy benefits for annuity contracts.

Policy fees that represent compensation to the Company for services to be provided in future periods or for consideration for origination of the contract are deferred as URR, a component of the LFPB, and recognized in policy fees revenue over the expected life of the contract using the same methods and assumptions used to amortize DAC.

The Company establishes additional insurance liabilities for contracts or contract features that provide for potential benefits in addition to the account balance but are not MRBs or embedded derivatives. These contracts primarily consist of certain life insurance contracts whereby the Company contractually guarantees a death benefit to the contract holder even when there is insufficient value to cover monthly mortality and expense charges, whereas, otherwise the contract would typically lapse. The additional insurance liabilities are determined by estimating the expected value of excess payments and recognizing those payments over the accumulation period based on total expected assessments. The excess payments are based on the average excess payments incurred over a range of scenarios. The Company uses current best-estimate cash flow assumptions to estimate the additional insurance liabilities. The discount rate is based on the relevant discount rate for the contract over a range of scenarios. Cash flow assumptions are continually reviewed as experience develops and are adjusted as needed with changes recognized in earnings in future policy benefits remeasurement (gain) loss. Any adjustments to the liabilities related to net unrealized gains and losses on fixed maturity securities available for sale are recognized in OCI.

The LFPB also includes liabilities for unpaid claims for long-duration and short-duration contracts, established based on the Company's estimated cost of settling all claims. Unpaid claims include estimates of claims that the Company believes have been incurred but have not yet been reported (IBNR) or are in course of settlement as of the reporting date. The estimates used to determine the liabilities for unpaid claims are derived principally from the Company's historical experience. Expected claims are estimated using data such as premiums with factors applied to develop the ultimate claim amount. Discounting is applied for disabled lives reserves and IBNR claims related to certain short-duration contracts.

#### MARKET RISK BENEFITS

MRBs are contracts or contract features that protect the contract holder from and expose the Company to other-than-nominal capital market risk. MRBs represent the amount a contract holder would receive in addition to the account balance upon the occurrence of a specific event or circumstance, such as death, annuitization, or periodic withdrawal. The Company offers annuity contracts with guaranteed minimum benefits which are considered MRBs, including guaranteed minimum death benefits (GMDBs) and riders with guaranteed living benefits (GLBs) that guarantee net principal or a minimum withdrawal benefit over specified periods, subject to certain restrictions. If a contract contains multiple MRBs, the benefits are bundled together and accounted for as a single compound MRB. MRB assets and liabilities are reported separately on the consolidated statements of financial condition. Ceded MRBs are included in other assets.

MRBs are measured at fair value using the non-option attributed fee valuation method where the value is the present value of all MRB benefits less the present value of a portion of the policy fees (the "attributed fee"). Under this valuation approach, benefits and fees incurred are projected at-issue under risk-neutral stochastic scenarios. MRBs are remeasured at each reporting period with changes in fair value recognized in earnings in market risk benefits remeasurement (gain) loss, except for changes in fair value due to the changes in the Company's nonperformance risk, which are recognized in OCI.

#### REVENUES, BENEFITS AND EXPENSES

Premiums from long-duration annuity contracts with life contingencies and traditional life and term insurance policies are recognized as revenue when due. When premiums are due over a significantly shorter period than the period over which benefits are provided, a DPL is recorded and amortized to policy benefits paid or provided. Benefits and expenses are provided against such revenues to recognize profits over the estimated lives of the contracts by providing for the LFPB, expenses for contract administration, and DAC amortization.

Receipts for UL and investment-type contracts are reported as deposits to either policyholder account balances or separate account liabilities and are not included in revenue. Policy fees consist of mortality charges, surrender charges, and expense charges that have been earned and assessed against related account values during the period. Benefits and expenses include policy benefits and claims incurred in the period that are in excess of related policyholder account balances, interest credited to policyholder account balances, expenses for contract administration, and DAC amortization.

## REINSURANCE

The Company has reinsurance contracts with other insurance companies to limit potential losses, reduce exposure arising from larger risks, and provide additional capacity for future growth. As part of its risk management process, the Company routinely evaluates its reinsurance programs and may change retention limits, reinsurers, or other features at any time.

The ceding of risk does not discharge the Company from its primary obligations to contract owners. To the extent that the assuming companies become unable to meet their obligations under reinsurance contracts, the Company remains liable. The Company evaluates the financial strength and stability of each reinsurer prior to entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

As part of a strategic alliance, the Company reinsures risks associated with policies written by an independent producer group primarily through modified coinsurance arrangements with this producer group's reinsurance company. All assets associated with business reinsured on a modified coinsurance basis remain with, and under the control of, the Company.

The Company has assumed reinsurance agreements with other insurance companies, which primarily include life reinsurance and longevity reinsurance. Longevity reinsurance provides protection to retirement plans and insurers of such plans against changes in mortality improvement. With a longevity reinsurance transaction, the Company agrees with another party to exchange a predefined benefit and the realized benefit for a premium. For certain assumed reinsurance agreements, the Company also provides asset and interest rate risk protection to ceding entities through funded reinsurance solutions.

The Company utilizes reinsurance accounting for ceded and assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a reinsurance contract must include insurance risk, consisting of both underwriting and timing risk, and a reasonable possibility of a significant loss to the reinsurer.

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from their respective revenue, benefit, and expense accounts. Prepaid reinsurance premiums, included in other assets, are premiums that are paid in advance for future coverage. Amounts receivable and payable to reinsurers are offset for account settlement purposes for contracts where the right of offset exists, with net reinsurance receivables included in other assets and net reinsurance payables included in other liabilities. Reinsurance receivables and payables may include balances due from reinsurance companies for paid and unpaid losses.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Net amounts receivable are reflected as an asset within other assets on the consolidated statements of financial condition. As amounts are paid or received, consistent with the underlying contracts, the deposit asset is adjusted. The Company reports reinsurance receivables net of an ACL. The ACL considers the credit quality of the reinsurance counterparty and is generally determined based on probability of default and loss given default assumptions that consider any applicable collateral arrangements. The Company reports additions to, or releases of, the ACL in operating and other expenses.

## FOREIGN CURRENCY

The reporting currency for these consolidated financial statements is the U.S. dollar. The Company uses a number of functional currencies for its operations outside the U.S. A functional currency is defined as the currency of the primary economic environment in which an entity operates. The translation of the functional currencies into U.S. dollars is performed for asset and liability accounts using current exchange rates in effect as of the last day of the reporting period and for revenue and benefit and expense accounts using the quarterly average rates. Gains or losses, net of applicable deferred income taxes, resulting from such translation are included in AOCI.

Gains or losses from foreign currency transactions, including the effect of remeasurement of foreign-denominated monetary assets and liabilities to the appropriate functional currency, are primarily included in net investment gain (loss) in the period in which they occur.

## INCOME TAXES

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the consolidated financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company recognizes deferred tax assets to the extent that these assets are more likely than not to be realized. Changes in deferred tax assets and liabilities associated with components of OCI are recorded directly to OCI. Income tax effects are released from AOCI when the related activity is reclassified into earnings.

The Company records uncertain tax positions using a two-step process. First, the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position. For tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the consolidated statements of operations. Net accrued interest and penalties are included in other assets or other liabilities in the consolidated statements of financial condition.

The Company uses the period cost method and records a current period expense for the taxes due on future U.S. inclusions in taxable income related to global intangible low-taxed income.

PMHC and its includable subsidiaries are included in the consolidated Federal income tax return and the combined California franchise tax return of PMHC and are allocated tax expense or benefit based principally on the effect of including their operations in these returns under a tax sharing agreement. Certain of the Company's non-insurance subsidiaries also file separate state tax returns, if necessary. Some of the Company's non-U.S. subsidiaries and their branches are subject to tax in the United Kingdom (UK), Bermuda, Australia, Singapore, Canada, and South Korea.

Recent tax legislation in the U.S. and globally could impact how the Company's earnings are taxed. See additional details in Note 13.

## CONTINGENCIES

The Company evaluates all identified contingent matters on an individual basis. A loss is recorded if the contingent matter is probable of occurring and reasonably estimable. The Company establishes reserves for these contingencies at the best estimate or, if no one amount within the range of possible losses is more probable than any other, the Company records an estimated reserve at the low end of the range of losses. For matters where a loss may be reasonably possible but not probable or is probable but not reasonably estimable, no accrual is established, and the matter, if potentially material, is disclosed.

## FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

In 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*. The objective of this guidance is to enhance the transparency and decision usefulness of income tax disclosures through improvements primarily related to the rate reconciliation and income taxes paid information. The new guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted.

## 2. VARIABLE INTEREST ENTITIES

The Company evaluates its interests in VIEs on an ongoing basis and consolidates those VIEs for which it has a controlling financial interest and is thus deemed to be the primary beneficiary. A controlling financial interest has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Creditors or beneficial interest holders of VIEs, where the Company is the primary beneficiary, have no recourse against the Company in the event of default by these VIEs.

## CONSOLIDATED VIES

The following table presents the assets and liabilities of VIEs that the Company has consolidated because it is the primary beneficiary:

	Assets	Liabilities
	<i>(In Millions)</i>	
<u>December 31, 2025:</u>		
Commercial mortgage-backed security trusts	\$250	\$163
Sponsored and other investment funds	4,565	991
Note issuance vehicles	1,183	384
Other	296	
Total	<u>\$6,294</u>	<u>\$1,538</u>
 <u>December 31, 2024:</u>		
Commercial mortgage-backed security trusts	\$1,301	\$1,011
Sponsored and other investment funds	4,085	1,089
Other	292	
Total	<u>\$5,678</u>	<u>\$2,100</u>

### *Commercial Mortgage-Backed Security Trusts*

The Company has purchased interests in commercial mortgage-backed security trusts secured by commercial real estate properties (CMBS VIEs). The trusts are classified as VIEs as they have no equity investment at risk and while no future equity infusions should be required to permit the entities to continue their activities, accounting guidance requires trusts with no equity at risk to be classified as VIEs. The Company has determined that it is the primary beneficiary of the VIEs due to the significant control over the collateral the Company has in the event of a default. The assets of the CMBS VIEs can only be used to settle their respective liabilities, and the Company is not responsible for any principal or interest shortfalls. Non-recourse debt consolidated by the Company is included in CMBS VIE debt in Note 11.

### *Sponsored and Other Investment Funds*

For sponsored investment funds, the Company leverages internal expertise to bring investment strategies/products to sophisticated institutional investors and qualified institutional buyers. Structured as limited partnerships, the Company has provided the initial investments to provide seed capital for these products for the purpose of refining the investment strategies and developing a performance history. The Company has other limited partnership investment funds where the Company has provided the initial investments, but management of the fund is performed by third parties. Based on the design and operation of these entities, the Company concluded that they are subject to consolidation under the VIE rules and that the Company is the primary beneficiary. Short-term non-recourse debt issued by the funds and consolidated by the Company is included in short-term VIE debt in Note 11. The lines of credit associated with this debt have a \$1.2 billion borrowing capacity. The Company's unfunded commitments to the underlying investments of the limited partnerships were \$2.0 billion and \$1.7 billion as of December 31, 2025 and 2024, respectively.

### *Note Issuance Vehicles*

The Company has purchased interests in compartments of note issuance vehicles established to hold investments acquired through structured financing arrangements. These vehicles are classified as VIE silos as they have no equity investment at risk, and each compartment represents a silo that has assets and liabilities exclusively available to satisfy rights and obligations of such compartment. The Company has determined that it is the primary beneficiary of the VIE silos due to being the sole variable interest holder. The assets of the note issuance vehicles can only be used to settle their respective liabilities. Non-recourse debt, included in other VIE debt in Note 11, consists of a legal form derivative that is classified as debt as it does not meet the definition of a derivative instrument. The Company is obligated to repay the amount through predominantly fixed swap cash flows over the term of the contract. Interest expense is calculated using the effective interest method.

## NON-CONSOLIDATED VIES

The following table presents the carrying amount and classification of the investments in VIEs in which the Company holds a variable interest but does not consolidate because it is not the primary beneficiary. The Company has determined that it is not the primary beneficiary of these VIEs because it does not have the power to direct their most significant activities. Also presented is the maximum exposure to loss, which includes the carrying amount plus any unfunded commitments, assuming the commitments are fully funded in the future.

	Carrying Amount	Maximum Exposure to Loss
	<i>(In Millions)</i>	
<u>December 31, 2025:</u>		
Private equity	\$3,213	\$6,507
Real estate and mortgage loans	1,244	2,560
Other	421	421
Total	<u>\$4,878</u>	<u>\$9,488</u>
<u>December 31, 2024:</u>		
Private equity	\$2,434	\$4,682
Real estate and mortgage loans	837	1,315
Other	72	72
Total	<u>\$3,343</u>	<u>\$6,069</u>

### *Private Equity*

Private equity non-consolidated VIEs are limited partnership investment funds that are reported in other investments.

### *Real Estate and Mortgage Loans*

Real estate related investments and mortgage loans are limited liability companies and limited partnerships that are non-consolidated and are reported in other investments and mortgage loans, respectively.

### *Other Non-Consolidated VIEs Not Included in the Table Above*

As part of normal investment activities, the Company will make passive investments in structured securities for which it is not the sponsor. The structured security investments include residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized debt obligations, and other asset-backed securities, which are reported in fixed maturity securities available for sale. The Company has determined that it is not the primary beneficiary of these structured securities because it does not have the power to direct their most significant activities. The Company's maximum exposure to loss for these investments is limited to its carrying amount. See Note 3 for the amortized cost basis and fair value of the structured security investments.

### 3. INVESTMENTS

The following table presents fixed maturity securities available for sale by asset type. See Note 5 for information on the fair value of investments.

	Amortized Cost	Gross Unrealized		ACL	Fair Value
		Gains	Losses		
<i>(In Millions)</i>					
<u>December 31, 2025:</u>					
U.S. Government	\$1,604	\$3	\$67		\$1,540
Obligations of states and political subdivisions	4,039	54	366		3,727
Foreign governments	4,648	61	415		4,294
Corporate securities	78,865	1,514	4,676	\$47	75,656
RMBS	3,837	55	129		3,763
CMBS	4,907	46	171		4,782
Collateralized debt obligations	7,367	17	1		7,383
Other asset-backed securities	16,287	165	210	29	16,213
<b>Total</b>	<b>\$121,554</b>	<b>\$1,915</b>	<b>\$6,035</b>	<b>\$76</b>	<b>\$117,358</b>
<u>December 31, 2024:</u>					
U.S. Government	\$985	\$4	\$62		\$927
Obligations of states and political subdivisions	3,439	57	354		3,142
Foreign governments	3,244	12	356		2,900
Corporate securities	72,923	554	6,376	\$20	67,081
RMBS	1,881	35	171		1,745
CMBS	4,202	19	245		3,976
Collateralized debt obligations	6,321	37	1		6,357
Other asset-backed securities	10,850	124	342	17	10,615
<b>Total</b>	<b>\$103,845</b>	<b>\$842</b>	<b>\$7,907</b>	<b>\$37</b>	<b>\$96,743</b>

The amortized cost basis and fair value of fixed maturity securities available for sale as of December 31, 2025, by contractual maturity date, are shown below. Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized	
	Cost	Fair Value
<i>(In Millions)</i>		
Due in one year or less	\$4,272	\$4,241
Due after one year through five years	20,024	19,820
Due after five years through ten years	24,563	24,252
Due after ten years	40,297	36,904
	89,156	85,217
Mortgage-backed and asset-backed securities	32,398	32,141
<b>Total</b>	<b>\$121,554</b>	<b>\$117,358</b>

The following table presents the fair value and gross unrealized losses on fixed maturity securities available for sale in an unrealized loss position without an ACL:

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(In Millions)</i>						
<u>December 31, 2025:</u>						
U.S. Government	\$859	\$9	\$135	\$58	\$994	\$67
Obligations of states and political subdivisions	336	10	1,752	356	2,088	366
Foreign governments	613	66	1,606	349	2,219	415
Corporate securities	4,672	119	34,007	4,557	38,679	4,676
RMBS	515	1	712	128	1,227	129
CMBS	375	1	1,617	170	1,992	171
Collateralized debt obligations	843	1	32		875	1
Other asset-backed securities	1,527	14	3,344	196	4,871	210
<b>Total</b>	<b>\$9,740</b>	<b>\$221</b>	<b>\$43,205</b>	<b>\$5,814</b>	<b>\$52,945</b>	<b>\$6,035</b>
<u>December 31, 2024:</u>						
U.S. Government	\$213	\$6	\$372	\$56	\$585	\$62
Obligations of states and political subdivisions	450	15	1,523	339	1,973	354
Foreign governments	1,167	66	1,195	290	2,362	356
Corporate securities	12,586	385	40,175	5,991	52,761	6,376
RMBS	159	1	884	170	1,043	171
CMBS	422	6	1,826	239	2,248	245
Collateralized debt obligations	473	1			473	1
Other asset-backed securities	2,216	53	3,779	289	5,995	342
<b>Total</b>	<b>\$17,686</b>	<b>\$533</b>	<b>\$49,754</b>	<b>\$7,374</b>	<b>\$67,440</b>	<b>\$7,907</b>

The Company concluded that an adjustment to earnings for credit losses related to these fixed maturity securities was not warranted as of December 31, 2025. The Company has evaluated fixed maturity securities available for sale with gross unrealized losses and has determined that the unrealized losses were primarily attributable to interest rate movements and credit spreads. The Company does not intend to sell the investments, and it is more likely than not that the Company will not be required to sell the investments before recovery of their amortized cost basis.

The following table presents a rollforward of the changes in the ACL on fixed maturity securities available for sale:

	Years Ended December 31,	
	2025	2024
<i>(In Millions)</i>		
Balance, beginning of year	\$37	
Provision for expected credit losses	100	\$52
Reductions for securities sold during the period	(13)	
Write-offs	(48)	(15)
<b>Balance, end of year</b>	<b>\$76</b>	<b>\$37</b>

As of December 31, 2025 and 2024, accrued interest receivable on fixed maturity securities available for sale totaled \$1.2 billion and \$994 million, respectively, and was excluded from the ACL.

As of December 31, 2025, the Company had no investments in a single issuer, other than the U.S. government, that exceeded 10% of members' equity. As of December 31, 2024, the Company had no investments in a single issuer that exceeded 10% of members' equity.

Certain assets are held as collateral in restricted custodian accounts to cover obligations under reinsurance arrangements. On a regular basis, the Company ensures that the carrying value of pledged assets is greater than or equal to the minimum value required by the reinsurance agreements. If the value of the assets in these accounts falls below the minimum value, the Company deposits additional assets to cover any shortfall. As of December 31, 2025, fixed maturity securities available for sale and restricted cash and cash equivalents (included in cash, cash equivalents, and restricted cash) with a value of \$7.6 billion and \$284 million, respectively, were held in these accounts.

The Company participates in a securities lending program and invests cash collateral received into reverse repurchase agreements. The Company may occasionally utilize amounts from the cash collateral for short-term liquidity. As of December 31, 2025 and 2024, none was utilized for general corporate purposes.

The following table summarizes amounts related to the Company's securities lending program:

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
Security loans outstanding, fair value <sup>(1)</sup>	\$5,336	\$1,732
Reinvestment portfolio, fair value <sup>(2)</sup>	5,523	1,793
Cash collateral liability <sup>(3)</sup>	5,523	1,793

<sup>(1)</sup> Comprised of fixed maturity securities available for sale and equity securities.

<sup>(2)</sup> Included in cash, cash equivalents, and restricted cash. The reinvestment portfolio remaining contractual maturities as of December 31, 2025 were \$1.2 billion, \$350 million, \$2.4 billion and \$1.6 billion maturing in 30 days or less, 31 to 60 days, 61 to 90 days, and 91 to 120 days, respectively.

<sup>(3)</sup> Included in other liabilities.

The Company also has repurchase agreements and reverse repurchase agreements with unaffiliated financial institutions. There were no loans outstanding under these agreements as of December 31, 2025 and 2024.

The following table summarizes the major categories of investment income and related investment expense:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Fixed maturity securities	\$5,489	\$4,638
Mortgage loans	1,441	1,127
Real estate	323	302
Policy loans	249	227
Partnerships and joint ventures	654	473
Other	282	307
Gross investment income	8,438	7,074
Investment expense	554	471
Net investment income	<u>\$7,884</u>	<u>\$6,603</u>

The following table presents the components of net investment gain (loss):

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Fixed maturity securities	(\$100)	(\$162)
Real estate	268	162
Derivatives	819	645
Embedded derivatives	(1,696)	(1,343)
Change in ACL	(184)	(190)
Other	47	(9)
Net investment gain (loss)	<u>(\$846)</u>	<u>(\$897)</u>

Gross realized gains and losses on sales of fixed maturity securities available for sale were \$98 million and \$198 million, respectively, for the year ended December 31, 2025. Gross realized gains and losses on sales of fixed maturity securities available for sale were \$24 million and \$186 million, respectively, for the year ended December 31, 2024.

The following table presents the net unrealized gains (losses) recognized in the consolidated statements of operations on securities still held at each year end:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Trading securities	\$1	\$1
Equity securities	14	
Other investments measured at NAV	175	232

Trading securities, included in other investments, totaled \$103 million and \$100 million as of December 31, 2025 and 2024, respectively. The cumulative net unrealized losses on trading securities as of December 31, 2025 and 2024 were \$4 million and \$6 million, respectively.

The following tables present the rollforward of the changes in the ACL on mortgage loans by portfolio segment:

	Year Ended December 31, 2025			
	Commercial	Agricultural	Residential	Total
	<i>(In Millions)</i>			
Balance, beginning of year	\$160	\$6	\$73	\$239
Provision for expected credit losses	33		49	82
Write-offs	(5)		(2)	(7)
Balance, end of year	<u>\$188</u>	<u>\$6</u>	<u>\$120</u>	<u>\$314</u>

	Year Ended December 31, 2024			
	Commercial	Agricultural	Residential	Total
	<i>(In Millions)</i>			
Balance, beginning of year	\$170	\$7	\$30	\$207
Provision for expected credit losses	99	(1)	43	141
Write-offs	(119)			(119)
Recoveries	10			10
Balance, end of year	<u>\$160</u>	<u>\$6</u>	<u>\$73</u>	<u>\$239</u>

As of December 31, 2025 and 2024, accrued interest on mortgage loans totaled \$143 million and \$103 million, respectively, and was excluded from the ACL.

The ACL incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination or acquisition. The starting point for the estimate of the ACL is historical loss information, where available, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The amount, timing, and extent of modifications granted are considered in determining any ACL recorded.

There were no loan modifications during the years ended December 31, 2025 and 2024. There were no loans that had defaulted during the years ended December 31, 2025 and 2024 that had been previously modified to borrowers experiencing financial difficulties.

As of December 31, 2025, the Company had no mortgage loans with a single issuer that exceeded 10% of members' equity. As of December 31, 2024, the Company had mortgage loans with one issuer totaling \$1.3 billion that exceeded 10% of members' equity.

For commercial mortgage loans, the Company reviews performance and credit quality on an on-going basis, including loan payment delinquencies and collateral performance. Collateral performance includes a review of the most recent collateral inspection reports and financial statements. Analysts track each loan's DSCR and LTV ratio. The DSCR compares the collateral's net operating income to its debt service payments. DSCRs less than 1.0 times indicate that the collateral operations do not generate enough income to cover the loan's current debt payments. A larger DSCR indicates a greater excess of net operating income over the debt service cost. The LTV ratio compares the amount of the loan to the fair value of the collateral and is commonly expressed as a percentage. LTV ratios greater than 100% indicate that the loan amount exceeds the collateral value. A smaller LTV ratio indicates a greater excess of collateral value over the loan amount. The monitoring process focuses on higher risk loans, which includes those that are classified as restructured, delinquent, or in foreclosure, as well as loans with higher LTV ratios and lower DSCRs. The DSCRs and LTV ratios are updated routinely.

For agricultural mortgage loans, the Company's primary credit quality indicator is the LTV ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated. The original loan DSCR is reviewed in detail prior to loan funding and is not updated or recalculated unless special circumstances warrant a review.

For residential mortgage loans, the Company reviews performance and credit quality on an on-going basis including loan payment delinquencies and collateral performance. Residential loan credit models are run periodically using updated model inputs. Results are compared to initial loss adjusted returns to actual performance and market level prices, yields and spreads, and each loan is priced monthly. In addition to LTV ratio and borrower income qualifications, the borrower's credit score is considered based on the FICO model, where applicable. FICO scores can range from 300 to 850, with the higher number indicating a better credit quality. The original loan metrics and borrower information (LTV ratio, FICO score, income verification, and borrower profile) are reviewed in detail prior to purchase and are not updated or recalculated unless special circumstances warrant a review.

The following table provides key credit quality indicators of mortgage loans held for investment at amortized cost by portfolio segment:

	Commercial		Agricultural	
	December 31,		December 31,	
	2025	2024	2025	2024
	<i>(In Millions)</i>			
<u>LTV ratio:</u>				
Less than or equal to 65%	\$14,093	\$13,517	\$1,025	\$941
Greater than 65% to 75%	6,505	3,113	2	4
Greater than 75% to 100%	2,511	4,173		
Greater than 100%	207	282		
<b>Total</b>	<b>\$23,316</b>	<b>\$21,085</b>	<b>\$1,027</b>	<b>\$945</b>
<u>DSCR:</u>				
Greater than 1.20x	\$16,311	\$15,452	\$692	\$679
Greater than 1.00x to 1.20x	2,020	981	296	247
Less than or equal to 1.00x	745	1,161	39	19
Construction <sup>(1)</sup>	4,240	3,491		
<b>Total</b>	<b>\$23,316</b>	<b>\$21,085</b>	<b>\$1,027</b>	<b>\$945</b>
	<u>Residential</u>			
	December 31,			
	2025	2024		
	<i>(In Millions)</i>			
<u>FICO score:</u>				
Greater than 780	\$1,479	\$830		
Less than or equal to 780	4,178	2,405		
Not available <sup>(2)</sup>	290	266		
Construction <sup>(1)</sup>	191	192		
<b>Total</b>	<b>\$6,138</b>	<b>\$3,693</b>		

<sup>(1)</sup> Credit quality for construction loans is based on LTV ratio, loan payment performance, and the construction progress and related costs for the underlying collateral project.

<sup>(2)</sup> Represents loans for which a FICO score is not available or not required, including those underwritten primarily on collateral value, guarantor creditworthiness, borrower liquidity, or loans to foreign nationals without a U.S. credit history.

The Company defines delinquency when mortgage loans are past due 90 days or more. There is no interest income recognized during the nonaccrual period. The past due and nonaccrual mortgage loans at amortized cost by portfolio segment are as follows:

	December 31, 2025			December 31, 2024		
	Less Than 90 Days Past Due	90 Days or More Past Due	Nonaccrual	Less Than 90 Days Past Due	90 Days or More Past Due	Nonaccrual
	<i>(In Millions)</i>					
Commercial	\$3		\$38			\$34
Agricultural	22	\$9		\$10	\$6	
Residential	263	73	36	107	48	1
<b>Total</b>	<b>\$288</b>	<b>\$82</b>	<b>\$74</b>	<b>\$117</b>	<b>\$54</b>	<b>\$35</b>

Real estate investments totaled \$3.1 billion and \$3.4 billion as of December 31, 2025 and 2024, respectively, and are included in other investments. The carrying value of foreclosed assets was \$302 million and \$245 million as of December 31, 2025 and 2024, respectively.

#### 4. DERIVATIVES AND HEDGING ACTIVITIES

The Company primarily utilizes derivative instruments to manage its exposure to interest rate risk, foreign currency risk, and equity risk. Derivative instruments are also used to manage the duration mismatch of assets and liabilities. The Company utilizes a variety of derivative instruments including swaps, futures, forwards, and options. In addition, certain insurance products offered by the Company contain features that are separately accounted for as derivatives.

See Note 1 for a description of the Company's accounting policies for derivatives. See Note 5 for information on the fair value of derivatives.

##### DERIVATIVES NOT DESIGNATED AS HEDGING

###### *Equity Derivatives*

The Company utilizes equity derivatives to manage equity risk associated with variable annuity GLBs and GMDBs not covered by reinsurance, which are classified as MRBs (see Note 9). The Company also uses equity derivatives to economically hedge the equity risk of equity-linked interest credited to the policyholder in its indexed annuity products and life insurance products with indexed account options.

Equity call options are contracts to buy the index at a predetermined time at a contracted price. These contracts involve the exchange of a premium payment (either paid up front or at the time of exercise) for the return of the differentials in the index at the time of exercise and the strike price, subject to a cap, net of option premiums, at the end of the option agreement. Equity put options involve the exchange of an upfront payment for the return of the equity index below a specified strike price at the end of the option agreement.

Equity futures are exchange-traded transactions whereby the Company agrees to purchase or sell a specified number of contracts, the values of which are determined by the underlying equity indices, and to post variation margin on a daily basis in an amount equal to the change in the daily fair value of those contracts. The Company is also required to pledge initial margin for all futures contracts. The amount of required margin is determined by the exchange on which it is traded.

Equity total return swaps are swaps whereby the Company agrees to exchange the difference between the economic risk and reward of an equity index and a floating rate of interest, calculated by reference to an agreed-upon notional amount. Cash is paid and received over the life of the contract based on the terms of the swap.

###### *Foreign Currency Interest Rate Swaps*

The Company utilizes foreign currency interest rate swaps primarily to manage the currency risk associated with assets and liabilities that are denominated in foreign currencies. Foreign currency interest rate swap agreements are used to convert fixed or floating rate foreign-denominated assets or liabilities to U.S. dollar fixed or floating rate assets or liabilities. A foreign currency interest rate swap involves the exchange of an initial principal amount in two currencies and the agreement to re-exchange the currencies at a future date at an agreed-upon exchange rate. There are also periodic exchanges of interest payments in the two currencies at specified intervals, calculated using agreed-upon interest rates, exchange rates, and the exchanged principal amounts.

###### *Foreign Currency Forwards*

The Company may utilize foreign currency forwards to reduce the risk from fluctuations in foreign currency exchange rates associated with the Company's asset and liabilities that are denominated in foreign currencies. In a foreign currency forward transaction, the Company enters a binding contract that locks in the exchange rate for the purchase or sale of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date.

###### *Interest Rate Swaps*

The Company utilizes interest rate swaps to reduce economic exposure to interest rates, including those that arise from duration mismatch between assets and liabilities as well as exposure related to variable annuity GLBs and GMDBs and indexed annuity products. An interest rate swap agreement involves the exchange, at specified intervals, of interest payments resulting from the difference between fixed rate and floating rate interest amounts calculated by reference to an underlying notional amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

### Fixed Income Forwards

The Company utilizes fixed income forwards to reduce economic exposure to changes in interest rates on future purchases and/or sales of fixed income securities. A fixed income forward is an agreement between parties to purchase or sell a fixed income security at a specified future date for a predetermined amount agreed upon at the time of the contract.

### Synthetic Guaranteed Interest Contracts

The Company issues synthetic guaranteed interest contracts (GICs) to Employee Retirement Income Security Act of 1974 qualified defined contribution employee benefit plans and 529 plans that are considered derivatives. The plan uses the contracts in its stable value fixed income option. The Company receives a fee, recognized in net investment gain (loss), for providing book value accounting for the plan's stable value fixed income option. In the event that plan participant elections exceed the fair value of the assets or if the contract is terminated and at the end of the termination period the book value under the contract exceeds the fair value of the assets, the Company is required to pay the plan the difference between book value and fair value. The Company mitigates the investment risk through pre-approval and monitoring of the investment guidelines, requiring high quality investments, and contractual provisions, including a crediting rate reset that reflects the actual investment and cash flow experience of the underlying plan.

### Embedded Derivatives

The Company has certain insurance and reinsurance contracts that contain embedded derivatives. When it is determined that the embedded derivative possesses economic and risk characteristics that are not clearly and closely related to those of the related insurance or reinsurance contract (i.e., the host contract) and that a separate instrument with the same terms would qualify as a derivative instrument, it is separated from the host contract and accounted for as a stand-alone derivative, carried at fair value, and changes in its fair value are recorded in net investment gain (loss).

The Company offers indexed annuity products and life insurance products with indexed account options where interest is credited to the policyholder's account balance based on domestic and/or international equity index changes, subject to various caps, thresholds, and/or participation rates, as applicable. These products contain embedded derivatives.

The following table summarizes amounts recognized in net investment gain (loss) for derivatives not designated as hedging instruments. Gains and losses include the changes in fair value of the derivatives, amounts realized on terminations, gains and losses from periodic net payments, and amortization.

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Derivatives:		
Equity derivatives	\$864	\$969
Foreign currency derivatives	15	(7)
Interest rate derivatives	(113)	(362)
Total derivatives	766	600
Embedded derivatives	(1,696)	(1,343)
Total	(\$930)	(\$743)

### DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

The Company primarily utilizes foreign currency and interest rate derivatives to manage its exposure to variability in cash flows due to changes in foreign currencies and benchmark interest rates of its assets and liabilities. The maximum length of time over which the Company is hedging its exposure to variability in future cash flows for forecasted transactions is 40 years.

The gains (losses) from changes in the fair value of derivatives designated as cash flow hedges recognized in OCI were \$66 million and (\$321) million for the years ended December 31, 2025 and 2024, respectively.

Over the next twelve months, the Company anticipates that \$4 million of deferred gains on derivative instruments in AOCI will be reclassified to earnings.

## DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES

The Company primarily utilizes foreign currency and interest rate derivatives to manage its exposure to variability in fair value due to changes in foreign currencies and benchmark interest rates of its assets and liabilities.

Gains and losses include the changes in fair value of the derivatives as well as the offsetting gain or loss on the hedged item attributable to the hedged risk. The Company includes the gain or loss on the derivative in the same line as the offsetting gain or loss on the hedged item in net investment gain (loss). These amounts do not include the periodic net settlements of the derivatives or the income (expense) related to the hedged item.

The following table summarizes gains (losses) recognized in income on derivatives and related hedged items in fair value hedging relationships:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Foreign currency derivatives:		
Derivatives designated as hedging instruments <sup>(1)</sup>	(\$413)	(\$21)
Hedged items	411	14
Interest rate derivatives:		
Derivatives designated as hedging instruments <sup>(1)</sup>	17	(28)
Hedged items	(17)	28

<sup>(1)</sup> Includes gains and losses that are included in the assessment of hedge effectiveness and gains and losses that are initially excluded from the assessment of hedge effectiveness.

The following table presents the carrying amounts and cumulative fair value hedging adjustments for items designated and qualifying as hedged items in fair value hedges by location on the consolidated statements of financial condition:

	Carrying Amount of Hedged Assets (Liabilities)		Cumulative Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets (Liabilities) <sup>(1)</sup>	
	December 31,		December 31,	
	2025	2024	2025	2024
	<i>(In Millions)</i>			
Fixed maturity securities available for sale	\$4,078	\$2,568	\$260	\$39
Policyholder account balances	(4,968)	(1,371)	267	89
Future policy benefits	(475)	(441)	(17)	4
Debt	(750)		16	

<sup>(1)</sup> Includes \$189 million and \$204 million of unamortized hedging adjustments from discontinued hedges as of December 31, 2025 and 2024, respectively.

## DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES

The Company may utilize foreign currency forwards to hedge the foreign currency exchange rate risk associated with certain of its net investments in foreign operations. The Company assesses hedge effectiveness based on the changes in spot rates. The Company has elected to exclude the difference between the spot and forward rate (excluded component) from the assessment of hedge effectiveness. The change in fair value of the excluded component is immediately recognized in net investment gain (loss).

## CONSOLIDATED FINANCIAL STATEMENT IMPACT

The following table summarizes the notional amount and fair value of derivative instruments. The impact of cash collateral payables and receivables and income and expense accruals is excluded. Notional amount represents a standard of measurement of the volume of over the counter (OTC) and exchange-traded derivatives. Notional amount is not a quantification of market risk or credit risk and is not recorded in the consolidated statements of financial condition. Notional amounts generally represent the amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps.

	December 31, 2025			December 31, 2024		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	<i>(In Millions)</i>			<i>(In Millions)</i>		
Derivatives designated as hedging instruments:						
Foreign currency swaps	\$19,988	\$467	\$643 <sup>(1)</sup>	\$10,519	\$358	\$383 <sup>(1)</sup>
Interest rate swaps	9,270	40	635 <sup>(1)</sup>	7,392	1	641 <sup>(1)</sup>
Total derivatives designated as hedging instruments	29,258	507	1,278	17,911	359	1,024
Derivatives not designated as hedging instruments:						
Equity options	80,184	3,441	25 <sup>(1)</sup>	69,380	2,719	26 <sup>(1)</sup>
Equity futures	3,296			2,265		
Foreign currency swaps	2,013	21	27 <sup>(1)</sup>	769	11	37 <sup>(1)</sup>
Interest rate swaps	8,927	25	797 <sup>(1)</sup>	4,226		801 <sup>(1)</sup>
Fixed income forwards	926		23 <sup>(1)</sup>			
Synthetic GICs	36,250			33,221		
Embedded derivatives:						
Fixed indexed annuities			3,483 <sup>(2)</sup>			3,141 <sup>(2)</sup>
Life indexed accounts			2,447 <sup>(2)</sup>			2,047 <sup>(2)</sup>
Other		46	740 <sup>(3)</sup>		74	110 <sup>(3)</sup>
Total derivatives not designated as hedging instruments	131,596	3,533	7,542	109,861	2,804	6,162
Total	\$160,854	\$4,040	\$8,820	\$127,772	\$3,163	\$7,186

Location on the consolidated statements of financial condition:

<sup>(1)</sup> Other investments and other liabilities

<sup>(2)</sup> Policyholder account balances

<sup>(3)</sup> Other assets and policyholder account balances

## OFFSETTING ASSETS AND LIABILITIES

The Company presents derivatives subject to master netting arrangements as a gross asset or liability and gross of collateral. The following table presents the amount of derivative assets and liabilities (excluding embedded derivatives) subject to master netting arrangements. Gross amounts include income or expense accruals. Gross amounts offset include cash collateral received or pledged limited to the gross fair value of recognized derivative assets and liabilities, net of accruals. Excess cash collateral received or pledged is not included in the tables due to the foregoing limitation. Gross amounts not offset include asset collateral received or pledged limited to the gross fair value of recognized derivative assets and liabilities.

	Gross Amounts Recognized	Gross Amounts Offset <sup>(1)</sup>	Net Amounts	Gross Amounts Not Offset - Collateral <sup>(1)</sup>	Net Amounts
<i>(In Millions)</i>					
<u>December 31, 2025:</u>					
Derivative assets	\$3,791	(\$2,710)	\$1,081	(\$1,081)	\$—
Derivative liabilities	1,598	(553)	1,045	(1,045)	—
<u>December 31, 2024:</u>					
Derivative assets	\$2,948	(\$2,724)	\$224	(\$224)	\$—
Derivative liabilities	1,354	(503)	851	(851)	—

<sup>(1)</sup> As of December 31, 2025 and 2024, the Company received/accepted excess collateral of \$84 million and \$26 million, respectively, and provided/pledged excess (insufficient) collateral of (\$1) million and \$9 million, respectively, which are not included in the table.

## COLLATERAL

For OTC derivatives, OTC-cleared derivatives, and exchange-traded derivatives, the Company pledges and receives cash and asset collateral. Cash collateral received from counterparties was \$2.3 billion as of December 31, 2025 and 2024. This unrestricted cash collateral is included in cash, cash equivalents, and restricted cash and the obligation to return it is included in other liabilities. Cash collateral pledged to counterparties was \$970 million and \$834 million as of December 31, 2025 and 2024, respectively. A receivable representing the right to call this collateral back from the counterparty is included in other investments.

As of December 31, 2025 and 2024, the Company accepted collateral, consisting of various securities, with a fair value of \$1.1 billion and \$224 million, respectively, which is held in separate custodial accounts and is not recorded in the consolidated statements of financial condition. The Company is permitted by contract to sell or repledge this collateral. As of December 31, 2025 and 2024, none of the collateral had been sold or repledged. As of December 31, 2025 and 2024, the Company provided collateral in the form of various securities with a fair value of \$1.7 billion and \$1.3 billion, respectively, which is included in fixed maturity securities available for sale.

## CREDIT EXPOSURE AND CREDIT-RISK-RELATED CONTINGENT FEATURES

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to derivatives. The Company manages credit risk by dealing with creditworthy counterparties, establishing risk control limits, executing legally enforceable master netting agreements, and obtaining collateral, where appropriate. In addition, the Company evaluates the financial stability of each counterparty before entering into each agreement and throughout the period that the financial instrument is owned. The Company's credit exposure is measured on a counterparty basis as the net positive fair value of all derivative positions with the counterparty, net of income or expense accruals and collateral received.

The Company's OTC-cleared derivatives are effected through central clearing counterparties, and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

For OTC derivative transactions, which are bilateral contracts between two counterparties, the Company enters into legally enforceable master netting agreements which provide for the netting of payments and receipts with a single counterparty. The net position with each counterparty is calculated as the aggregate fair value of all derivative instruments with each counterparty, net of income or expense accruals and collateral paid or received. These master netting agreements include collateral arrangements with derivative counterparties, which require positions be marked to market and margined on a daily basis by the daily settlement of variation margin. The Company has minimal counterparty exposure to credit-related losses in the event of nonperformance by these counterparties.

There are no credit-contingent provisions in the Company's collateral arrangements for its OTC derivatives that provide for a reduction of collateral thresholds in the event of downgrades in the financial strength ratings, assigned by certain independent rating agencies, of the Company and/or the counterparty.

The master netting agreements for OTC derivatives may include a termination event clause associated with financial strength ratings assigned by certain independent rating agencies. If these financial strength ratings were to fall below a specified level, as defined within each counterparty master netting agreement, or if one of the rating agencies were to cease to provide a financial strength rating, the counterparty could terminate the master netting agreement with payment due based on the fair value of the underlying derivatives. As of December 31, 2025, the Company's financial strength ratings were above the specified level.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The determination of fair value requires the use of observable market data when available. The fair value hierarchy consists of the following three levels that are prioritized based on observable and unobservable inputs. The Company categorizes its assets and liabilities measured at fair value into the hierarchy based on the lowest level input that is significant to its valuation.

- Level 1 Unadjusted quoted prices for identical instruments in active markets. Level 1 financial instruments include securities that are traded in an active exchange market.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-derived valuations for which all significant inputs are observable market data.
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not market observable.

The following tables present the Company's financial assets and liabilities that are carried at fair value by fair value hierarchy level:

	Level 1	Level 2	Level 3	Total
	<i>(In Millions)</i>			
<u>December 31, 2025:</u>				
Assets:				
Fixed maturity securities:				
U.S. Government		\$1,465	\$75	\$1,540
Obligations of states and political subdivisions		3,509	218	3,727
Foreign governments		3,794	500	4,294
Corporate securities		70,146	5,510	75,656
RMBS		3,489	274	3,763
CMBS		4,782		4,782
Collateralized debt obligations		7,151	232	7,383
Other asset-backed securities		8,502	7,711	16,213
Total fixed maturity securities	—	102,838	14,520	117,358
Other investments:				
Derivatives		553	3,441	3,994
Other investments <sup>(1)</sup>	\$31	247	467	745
Other investments measured at NAV <sup>(2)</sup>				118
Private equity funds measured at NAV <sup>(2)</sup>				5,301
Total other investments <sup>(3)</sup>	31	800	3,908	10,158
MRB assets			814	814
Ceded MRBs <sup>(4)</sup>			187	187
Embedded derivatives			46	46
Separate account assets:				
Separate account assets	70,624			70,624
Separate account assets measured at NAV <sup>(2)</sup>				3,032
Total separate account assets <sup>(5)</sup>	70,624	—	—	73,656
Total	\$70,655	\$103,638	\$19,475	\$202,219
Liabilities:				
MRB liabilities			\$610	\$610
Derivatives		\$2,125	25	2,150
Embedded derivatives			6,670	6,670
Total	\$—	\$2,125	\$7,305	\$9,430

	Level 1	Level 2	Level 3	Total
	<i>(In Millions)</i>			
<u>December 31, 2024:</u>				
Assets:				
Fixed maturity securities:				
U.S. Government		\$927		\$927
Obligations of states and political subdivisions		2,947	\$195	3,142
Foreign governments		2,900		2,900
Corporate securities		62,831	4,250	67,081
RMBS		1,702	43	1,745
CMBS		3,969	7	3,976
Collateralized debt obligations		6,157	200	6,357
Other asset-backed securities		5,928	4,687	10,615
Total fixed maturity securities	—	87,361	9,382	96,743
Other investments:				
Derivatives		370	2,719	3,089
Other investments <sup>(1)</sup>	\$75	379	110	564
Private equity funds measured at NAV <sup>(2)</sup>				4,932
Total other investments <sup>(3)</sup>	75	749	2,829	8,585
MRB assets			767	767
Ceded MRBs <sup>(4)</sup>			210	210
Embedded derivatives			74	74
Separate account assets:				
Separate account assets	65,740			65,740
Separate account assets measured at NAV <sup>(2)</sup>				1,663
Total separate account assets <sup>(5)</sup>	65,740	—	—	67,403
Total	\$65,815	\$88,110	\$13,262	\$173,782
Liabilities:				
MRB liabilities			\$720	\$720
Derivatives		\$1,862	26	1,888
Embedded derivatives			5,298	5,298
Total	\$—	\$1,862	\$6,044	\$7,906

<sup>(1)</sup> Excludes investments accounted for under the equity method of accounting.

<sup>(2)</sup> Investments measured using the NAV per share (or its equivalent) practical expedient are excluded from the fair value hierarchy.

<sup>(3)</sup> Other investments presented in the tables above differ from the amounts presented on the consolidated statements of financial condition because certain other investments are not carried at fair value.

<sup>(4)</sup> Ceded MRBs are included in other assets.

<sup>(5)</sup> Investment performance related to separate account assets is offset by corresponding amounts credited to contract holders whose liability is recorded in separate account liabilities. Separate account liabilities are measured to equal the fair value of separate account assets.

For certain investments that do not have a readily determinable fair value, the Company uses the NAV to determine the fair value as a practical expedient. The following table lists information regarding these investments as of December 31, 2025:

Asset Class and Investment Strategy	Fair Value	Redemption Frequency	Remaining Lock-Up Period	Redemption Notice Period	Unfunded Commitments
			(\$ In Millions)		
Other investments <sup>(1)</sup>	\$118	N/A <sup>(2)</sup>	N/A	N/A	\$232
Private equity funds <sup>(1)</sup>	5,301	N/A <sup>(2)</sup>	N/A	N/A	2,885
Separate account hedge funds <sup>(3)</sup>	3,032	Daily Monthly Quarterly Semi-Annually Annually	Zero to 23 months	1-185 days	
Total measured at NAV	\$8,451				\$3,117

<sup>(1)</sup> There are multiple investment strategies investing in U.S. and international equity, fixed income, real estate, and privately held companies.

<sup>(2)</sup> Distributions will be received when the underlying investments of the fund are liquidated. These funds are generally expected to have 10 to 12-year lives at their inception, but these lives may be extended at the fund manager's discretion, typically in one to two-year increments.

<sup>(3)</sup> There are multiple investment strategies investing in U.S. and international equity, fixed income, long/short equity, loans, precious metals, real estate, derivatives, privately held companies, and private partnerships.

#### FAIR VALUE MEASUREMENT

The following section describes the valuation methodologies used by the Company to measure various types of financial instruments at fair value. The fair value of these financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment is often required to interpret market data used to develop the estimates of fair value. Accordingly, the estimates presented may not be indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the fair value of the financial instruments.

##### *Fixed Maturity, Trading, and Equity Securities*

The fair values of fixed maturity securities available for sale and trading and equity securities, which are included in other investments, are determined by management after considering external pricing sources and internal valuation techniques. For securities with sufficient trading volume, prices are obtained from third-party pricing services. For securities that are traded infrequently, fair values are determined after evaluating prices obtained from third-party pricing services and independent brokers or through internal valuation techniques. Based on this evaluation, the Company selects the source that represents the best estimate of fair value.

Prices received from independent third parties are analyzed and evaluated to determine whether they are reasonable estimates of fair value. This analysis may include, but is not limited to, a review of pricing methodologies and inputs, an analysis of recent trades, comparisons to prices received from other third parties, and the development of internal models utilizing observable market data of comparable securities. The Company applies a formal process to challenge any prices received that are not considered representative of fair value. If prices obtained from third-party pricing services are determined not to be representative of fair value, non-binding broker quotations are obtained or internally developed valuations are prepared. The Company assesses the reasonableness of valuations received from independent brokers by considering current market dynamics and pricing for similar securities.

Fair values determined by internally developed valuation tools use observable market data when available, generally including an actively-traded comparable security as a benchmark for pricing. These internal valuation methods primarily use discounted cash flow models that incorporate significant assumptions such as spreads, discount rates, default rates, severity, and prepayment speeds. In the absence of observable inputs, management's best estimate is used. Internally-developed estimates may also use unobservable data that reflects the Company's assumptions about the inputs market participants would use. The use of internally developed valuations did not produce material differences in the fair value of the portfolio.

Most securities priced by third-party pricing services have been classified as Level 2, as management has verified that the significant inputs used in determining their fair values are market observable and appropriate. Externally priced securities for which fair value measurement inputs are not sufficiently transparent, such as securities valued based on broker quotations, have been classified as Level 3. Internally valued securities, including adjusted prices received from third parties where significant assumptions have been utilized, have been classified as Level 3. Securities categorized as Level 1 consist primarily of investments in mutual funds.

#### *Other Investments*

In addition to trading and equity securities described above, other investments include securities that are reported at fair value using third-party pricing services and broker quotations. Securities valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data are classified as Level 2. Securities valued using assumptions or contractual terms with counterparties that are not readily observable in the market are classified as Level 3.

#### *Derivative Instruments*

Derivative instruments are reported at fair value using pricing valuation models, which utilize market data inputs, independent broker quotations, or exchange prices for exchange-traded futures. The Company calculates the fair value of derivatives using market standard valuation methodologies. The derivatives are valued using mid-market inputs that are predominantly observable in the market. Inputs include, but are not limited to, interest swap rates, foreign currency forward and spot rates, credit spreads and correlations, interest rate volatility, equity volatility, and equity index levels. On a monthly basis, the Company performs an analysis of derivative valuations, which includes both quantitative and qualitative analyses. Examples of procedures performed include, but are not limited to, review of pricing statistics and trends, analysis of the impacts of changes in the market environment, and review of changes in the market value for each derivative. A credit valuation analysis is performed for all derivative positions that are uncollateralized to determine the nonperformance risk that the counterparties to the transaction will be unable to perform under the contractual terms. Internally calculated fair values are reviewed and compared to external broker fair values for reasonableness.

Derivative instruments classified as Level 2 primarily include foreign currency derivatives, interest rate derivatives, and equity total return swaps. The derivative valuations are determined using pricing models with inputs that are observable in the market or can be derived principally from or corroborated by observable market data, primarily interest swap rates, interest rate volatility, and foreign currency forward and spot rates.

Derivative instruments classified as Level 3 include complex derivatives, such as equity options and equity futures. Also classified in Level 3 are embedded derivatives in certain insurance and reinsurance contracts. These derivatives are valued using pricing models, which utilize both observable and unobservable inputs, primarily interest rate volatility, equity volatility, equity index levels, nonperformance risk, and, to a lesser extent, market fees and broker quotations. A derivative instrument containing Level 2 inputs will be classified as a Level 3 financial instrument in its entirety if it has at least one significant Level 3 input.

#### *Embedded Derivatives and Market Risk Benefits*

Fair values for embedded derivatives and MRBs are calculated based upon significant unobservable inputs using internally developed models because active, observable markets do not exist for these items. As a result, these financial instruments are categorized as Level 3. Inputs include, but are not limited to, behavior risk margin, which includes withdrawal utilization and lapse rates, mortality risk margin, and nonperformance risk spread. The resulting aggregation is reconciled or calibrated, if necessary, to market information that is, or may be, available to the Company but may not be observable by other market participants.

#### *Separate Account Assets*

The fair value of separate account assets is based on the fair value of the underlying assets. Separate account assets are primarily invested in mutual funds, fixed maturity securities, and hedge funds. Level 1 assets include mutual funds that are valued based on reported NAVs provided by fund managers daily and can be redeemed without restriction.

## LEVEL 3 FINANCIAL INSTRUMENTS

The tables below present purchases, sales, settlements, and transfers into and out of Level 3 for financial assets and liabilities that have been measured at fair value on a recurring basis using significant unobservable inputs, excluding MRBs (see Note 9):

	Year Ended December 31, 2025				
	Purchases	Sales	Settlements	Transfers Into Level 3	Transfers Out of Level 3
	<i>(In Millions)</i>				
Fixed maturity securities:					
U.S. Government	\$75				
Obligations of states and political subdivisions	40	(\$2)			
Foreign governments	500				
Corporate securities	1,784	(489)	(\$18)	\$410	(\$466)
RMBS	274	(3)			(42)
CMBS					(8)
Collateralized debt obligations	232		(108)		(92)
Other asset-backed securities	4,313	(1,047)	(177)	43	(194)
Total fixed maturity securities	7,218	(1,541)	(303)	453	(802)
Other investments	111	(64)	(6)	314	(10)
Derivatives, net	1,847	(1)	(2,593)		
Embedded derivatives, net	(1,985)		2,279		
Total	\$7,191	(\$1,606)	(\$623)	\$767	(\$812)

	Year Ended December 31, 2024				
	Purchases	Sales	Settlements	Transfers Into Level 3	Transfers Out of Level 3
	<i>(In Millions)</i>				
Fixed maturity securities:					
Obligations of states and political subdivisions	\$163	(\$1)			(\$15)
Corporate securities	1,582	(848)	(\$205)	\$466	(964)
RMBS	83				(40)
CMBS	34		(1)	5	(88)
Collateralized debt obligations	397		(129)	142	(1,363)
Other asset-backed securities	3,045	(603)	(188)	504	(600)
Total fixed maturity securities	5,304	(1,452)	(523)	1,117	(3,070)
Other investments	65	(20)	(11)		
Derivatives, net	1,532	(1)	(2,145)		
Embedded derivatives, net	(1,477)		1,946		
Total	\$5,424	(\$1,473)	(\$733)	\$1,117	(\$3,070)

During the years ended December 31, 2025 and 2024, transfers into Level 3 were primarily due to the decreased availability and use of market observable inputs to estimate fair value. The transfers out of Level 3 were generally due to the use of market observable inputs in valuation methodologies, including the utilization of independent pricing services.

The following table presents a summary of significant unobservable inputs used in the fair value measurement of Level 3 assets and liabilities as of December 31, 2025:

	Fair Value Asset (Liability)	Predominant Valuation Method	Significant Unobservable Inputs
<i>(In Millions)</i>			
U.S. Government	\$75	Market pricing	Quoted prices <sup>(1)</sup>
Obligations of states and political subdivisions	218	Market pricing	Quoted prices <sup>(1)</sup>
Foreign governments	500	Discounted cash flow	Spread
Corporate securities	5,510	Discounted cash flow Collateral value Market pricing	Spread Collateral value <sup>(2)</sup> Quoted prices <sup>(1)</sup>
RMBS	274	Market pricing	Quoted prices <sup>(1)</sup>
Collateralized debt obligations	232	Market pricing	Quoted prices <sup>(1)</sup>
Other asset-backed securities	7,711	Discounted cash flow Market pricing Collateral value	Spread Quoted prices <sup>(1)</sup> Collateral value <sup>(2)</sup>
Other investments	467	Redemption value Market pricing Collateral value	Redemption value <sup>(3)</sup> Quoted prices <sup>(1)</sup> Collateral value <sup>(2)</sup>
Derivatives, net	3,416	Option pricing model	Equity volatility <sup>(4)</sup>
Embedded derivatives, net	(6,624)	Option pricing techniques	Equity volatility <sup>(4)</sup> Mortality rates <sup>(5)</sup> Withdrawal utilization <sup>(6)</sup> Lapse rates <sup>(7)</sup> Nonperformance risk spread <sup>(8)</sup>
MRBs, net (including ceded MRBs)	391	Discounted cash flow	Equity volatility <sup>(4)</sup> Mortality rates <sup>(5)</sup> Withdrawal utilization <sup>(6)</sup> Lapse rates <sup>(7)</sup> Nonperformance risk spread <sup>(8)</sup>
Total	\$12,170		

<sup>(1)</sup> Independent third-party quotations were used in the determination of fair value.

<sup>(2)</sup> Valuation based on the Company's share of fair value of the underlying assets.

<sup>(3)</sup> Represents Federal Home Loan Bank (FHLB) common stock that is valued at the contractual amount that will be received upon redemption.

<sup>(4)</sup> Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available and vary by equity index. The assumption is based on historical realized equity volatility.

<sup>(5)</sup> Mortality rates vary by age, gender, policy year, and rider type. Mortality improvement factors are also applied and vary based on age, gender, calendar year, and rider type. Mortality rates and improvement factors are based on Company experience.

<sup>(6)</sup> The withdrawal utilization assumption estimates the percentage of contract holders with a guaranteed minimum withdrawal benefit (GMWB) who will elect to utilize the benefit. The assumption varies by the type of GMWB, tax qualification status, policy size, and age at rider issue. Withdrawal utilization assumptions are based on Company experience.

- (7) Variable annuity lapse rates vary by policy size, commission option, single/joint life status, surrender charge duration, age, policy month and year, amount of time until the end of the rider utilization waiting period (if any), withdrawal status, and the amount by which the guaranteed amount is greater than the account value. Fixed annuity lapse rates vary by product, surrender charge duration, policy month and year, age, qualification status, policy size, a market factor adjustment (if no rider), and the amount by which the guaranteed amount is greater than the account value (if there is a rider). Lapse rate assumptions are based on Company experience.
- (8) The nonperformance risk spread is based on Barclays financial credit spreads and represents the estimated additional credit spread that market participants would apply to the market observable discount rate when pricing a contract. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flows being discounted.

## 6. DEFERRED POLICY ACQUISITION COSTS

### DEFERRED POLICY ACQUISITION COSTS

The following tables present the balances of and changes in DAC:

	Year Ended December 31, 2025					
	Life Insurance	Variable Annuities	Fixed Annuities	Payout Annuities	Reinsurance	Total
	<i>(In Millions)</i>					
Balance, beginning of year	\$3,374	\$1,585	\$764	\$12	\$995	\$6,730
Capitalization	848	278	167	23	114	1,430
Amortization	(232)	(186)	(130)	(1)	(62)	(611)
Foreign currency and other					67	67
Balance, end of year	\$3,990	\$1,677	\$801	\$34	\$1,114	\$7,616

	Year Ended December 31, 2024					
	Life Insurance	Variable Annuities	Fixed Annuities	Payout Annuities	Reinsurance	Total
	<i>(In Millions)</i>					
Balance, beginning of year	\$2,867	\$1,627	\$733		\$934	\$6,161
Capitalization	717	170	151	\$12	167	1,217
Amortization	(210)	(212)	(120)		(61)	(603)
Foreign currency and other					(45)	(45)
Balance, end of year	\$3,374	\$1,585	\$764	\$12	\$995	\$6,730

### DEFERRED SALES INDUCEMENTS

The following tables present the balances of and changes in DSI:

	Year Ended December 31, 2025		
	Variable Annuities	Fixed Annuities	Total
	<i>(In Millions)</i>		
Balance, beginning of year	\$215	\$24	\$239
Capitalization	1		1
Amortization	(25)	(3)	(28)
Balance, end of year	\$191	\$21	\$212

	Year Ended December 31, 2024		
	Variable Annuities	Fixed Annuities	Total
	<i>(In Millions)</i>		
Balance, beginning of year	\$232	\$28	\$260
Capitalization	2		2
Amortization	(19)	(4)	(23)
Balance, end of year	\$215	\$24	\$239

The following table reconciles DAC and DSI to the consolidated statements of financial condition at each year end:

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
DAC	\$7,616	\$6,730
DSI	212	239
Other	14	15
Total	\$7,842	\$6,984

The following tables detail the January 1, 2024 transition adjustments by providing a rollforward of the ending reported balances as of December 31, 2023 to the opening balances as of January 1, 2024:

DAC	Life Insurance	Variable Annuities	Fixed Annuities	Reinsurance	Total
	<i>(In Millions)</i>				
Balance, December 31, 2023 (pre-adoption)	\$3,478	\$2,108	\$1,077	\$934	\$7,597
Removal of amounts related to unrealized gains and losses on investments	(611)	(29)	(332)		(972)
Impact of revising margins for retrospective MRB transition		(452)	(12)		(464)
Balance, January 1, 2024 (post-adoption)	\$2,867	\$1,627	\$733	\$934	\$6,161

DSI	Variable Annuities	Fixed Annuities	Total
	<i>(In Millions)</i>		
Balance, December 31, 2023 (pre-adoption)	\$297	\$28	\$325
Impact of revising margins for retrospective MRB transition	(65)		(65)
Balance, January 1, 2024 (post-adoption)	\$232	\$28	\$260

Prior to the adoption of ASU 2018-12, DAC and DSI were generally amortized through earnings in proportion to the present value of estimated gross profits from projected investment, mortality and expense margins, and surrender charges over the estimated lives of the contracts. DAC related to certain unrealized components in OCI, primarily unrealized gains and losses on securities available for sale, was adjusted with corresponding charges or benefits, respectively, directly to equity through OCI. Upon adoption of ASU 2018-12, the accumulated unrealized components in DAC and AOCI were removed. The Company also adjusted DAC and DSI by the impact of the retrospective remeasurement of MRB gross profits (see Note 9), which resulted in the establishment of new DAC and DSI pre-adoption carrying amounts.

## 7. SEPARATE ACCOUNTS

The Company issues variable life and annuity contracts through separate accounts which may include GMDB and GLB features. For a discussion of certain guaranteed benefit features accounted for as MRBs, see Note 9.

The following tables present the balances of and changes in separate account liabilities:

	Year Ended December 31, 2025		
	Life Insurance	Variable Annuities	Total
	<i>(In Millions)</i>		
Balance, beginning of year	\$14,475	\$52,928	\$67,403
Premiums and deposits	2,654	4,407	7,061
Policy charges	(508)	(1,017)	(1,525)
Surrenders and withdrawals	(291)	(8,077)	(8,368)
Benefit payments	(213)	(11)	(224)
Investment performance	2,119	7,332	9,451
Transfers to general account	(72)		(72)
Other charges	(122)	(17)	(139)
Balance, end of year	<u>\$18,042</u>	<u>\$55,545</u>	73,587
Other business			69
Total separate account liabilities			<u>\$73,656</u>

Cash surrender value <sup>(1)</sup>	\$17,752	\$54,584	\$72,336
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	Year Ended December 31, 2024		
	Life Insurance	Variable Annuities	Total
	<i>(In Millions)</i>		
Balance, beginning of year	\$12,059	\$50,726	\$62,785
Premiums and deposits	1,364	4,140	5,504
Policy charges	(436)	(1,026)	(1,462)
Surrenders and withdrawals	(222)	(7,276)	(7,498)
Benefit payments	(92)	(8)	(100)
Investment performance	1,716	6,380	8,096
Transfers to general account	(64)		(64)
Other charges	150	(8)	142
Balance, end of year	<u>\$14,475</u>	<u>\$52,928</u>	\$67,403

Cash surrender value <sup>(1)</sup>	\$14,132	\$51,972	\$66,104
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<sup>(1)</sup> Cash surrender value represents the amount of the contract holders account balances, excluding general account amounts, distributable at the reporting date, less certain surrender charges.

The fair value of separate account assets by asset type is as follows:

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
Investments:		
Asset allocation	\$41,038	\$39,556
Equity	25,287	21,067
Bonds	5,663	5,290
Money market	1,638	1,336
Total investments	73,626	67,249
Other assets	30	154
Total	\$73,656	\$67,403

## 8. POLICYHOLDER ACCOUNT BALANCES

The following tables present the balances of and changes in policyholder account balances:

	Year Ended December 31, 2025						Total
	Life Insurance	Variable Annuities	Fixed Annuities	Payout Annuities	Institutional	Reinsurance	
	<i>(\$ In Millions)</i>						
Balance, beginning of year	\$39,756	\$1,454	\$32,347	\$8,164	\$21,601	\$606	\$103,928
Premiums and gross deposits	6,740	6,727	7,631	1,396	15,383	1,677	39,554
Policy charges	(3,033)	(1,027)	(50)	(68)		(6)	(4,184)
Surrenders and withdrawals	(1,467)	(8,264)	(6,267)		(6)	(44)	(16,048)
Benefit payments	(1,063)			(786)	(8,670)	(7)	(10,526)
Net transfers from (to) separate account	(1,571)	4,697			(67)		3,059
Interest credited	2,027	78	1,081	370	1,105	45	4,706
Change in fair value of embedded derivatives	927	141	582	17			1,667
Foreign currency and other	(46)	(21)		(7)	221	(79)	68
Balance, end of year	\$42,270	\$3,785	\$35,324	\$9,086	\$29,567	\$2,192	\$122,224
Weighted-average crediting rate	3.9%	3.3%	4.2%	4.4%	4.3%	2.4%	
Net amount at risk <sup>(1)</sup>	\$262,050	\$1,830	\$1,239	N/A	N/A	\$2,546	\$267,665
Cash surrender value <sup>(2)</sup>	40,976	3,655	33,429	N/A	N/A	2,595	80,655

Year Ended December 31, 2024

	Life Insurance	Variable Annuities	Fixed Annuities	Payout Annuities	Institutional	Reinsurance	Total
	<i>(\$ In Millions)</i>						
Balance, beginning of year	\$38,130	\$1,599	\$30,272	\$6,788	\$16,160		\$92,949
Premiums and gross deposits	4,866	4,162	5,817	1,901	14,092	\$636	31,474
Policy charges	(2,757)	(1,037)	(65)	(95)		(1)	(3,955)
Surrenders and withdrawals	(1,414)	(7,495)	(5,034)			(15)	(13,958)
Benefit payments	(1,191)			(726)	(9,330)	(1)	(11,248)
Net transfers from (to) separate account	(550)	4,170					3,620
Interest credited	1,868	51	852	302	824	9	3,906
Change in fair value of embedded derivatives	841		505	1			1,347
Foreign currency and other	(37)	4		(7)	(145)	(22)	(207)
Balance, end of year	\$39,756	\$1,454	\$32,347	\$8,164	\$21,601	\$606	\$103,928
Weighted-average crediting rate	3.8%	3.3%	3.7%	4.2%	4.1%	2.0%	
Net amount at risk <sup>(1)</sup>	\$247,305	\$2,533	\$1,169	N/A	N/A	\$389	\$251,396
Cash surrender value <sup>(2)</sup>	38,919	1,437	30,710	N/A	N/A	655	71,721

<sup>(1)</sup> The net amount at risk calculation includes both general account and separate account balances.

<sup>(2)</sup> Cash surrender value represents the amount of the contract holders account balances, excluding separate accounts, distributable at the reporting date less certain surrender charges.

For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the amount of death benefit in excess of the current contract holder account balance. For those guarantees of benefits that are payable in the event of annuitization, the net amount at risk is generally defined as the amount of estimated annuitization benefits in excess of the current contract holder account balance. For those guarantees of benefits that are payable in the event of withdrawal, the net amount at risk is generally defined as the protected balance, as defined, in excess of account value for variable annuities and fixed annuities. For contracts with multiple guaranteed benefit features, the feature with the greatest net amount at risk is used in the calculation.

The following table reconciles policyholder account balances to the consolidated statements of financial condition at each year end:

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
Policyholder account balances	\$122,224	\$103,928
Other investment contracts	259	196
Other	29	24
Total	\$122,512	\$104,148

Included in Institutional policyholder account balances are fixed and floating rate funding agreements issued by the Company, which are denominated in U.S. dollars or foreign currencies, to special-purpose, unaffiliated entities, that have issued either debt securities (FABN) or commercial paper (FABCP) for which payment of interest and principal is secured by such funding agreements. The Company also issues private funding agreements directly to institutional investors. As of December 31, 2025 and 2024, funding agreements outstanding were \$22.7 billion and \$15.7 billion, respectively.

Pacific Life is a member of the FHLB of Topeka. As of December 31, 2025 and 2024, the Company had \$2.3 billion and \$1.7 billion, respectively, of fixed and floating rate funding agreements with the FHLB of Topeka, which are included in Institutional policyholder account balances. In connection with these funding agreements, the Company is required to purchase member stock and post sufficient collateral. As of December 31, 2025 and 2024, fixed maturity securities with a fair value of \$1.2 billion and \$1.4 billion, respectively, and mortgage loans with a carrying value of \$12.3 billion and \$10.0 billion, respectively, were pledged as approved collateral for the funding agreements. The Company had estimated available eligible collateral of \$9.2 billion as of December 31, 2025. See Note 11.

In March 2025, the Company entered into an agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac), under which the Company can issue up to \$900 million of funding agreements to a subsidiary of Farmer Mac. As of December 31, 2025, the Company had \$100 million of fixed rate funding agreements with Farmer Mac, which are included in Institutional policyholder account balances. In connection with these funding agreements, the Company is required to post sufficient collateral. As of December 31, 2025, agricultural mortgage loans with a carrying value of \$891 million were pledged as approved collateral for the funding agreements.

The balance of account values by range of guaranteed minimum crediting rates (GMCR) and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums is as follows. There are no GMCRs for Reinsurance policyholder account balances.

	December 31, 2025				
	At Guaranteed Minimum	1 Basis Point to 50 Basis Points Above	51 Basis Points to 150 Basis Points Above	Greater Than 150 Basis Points Above	Total
	<i>(In Millions)</i>				
<b>Life insurance</b>					
Less than 2%	\$132	\$93	\$1,921	\$1,000	\$3,146
Greater than 2% to 4%	13,167	1,920	3,597		18,684
Greater than 4%	620				620
Allocated to index strategies					19,820
<b>Total</b>	<b>\$13,919</b>	<b>\$2,013</b>	<b>\$5,518</b>	<b>\$1,000</b>	<b>\$42,270</b>
<b>Variable annuities</b>					
Greater than 2% to 4%	\$973	\$290		\$7	\$1,270
Allocated to index strategies					2,515
<b>Total</b>	<b>\$973</b>	<b>\$290</b>		<b>\$7</b>	<b>\$3,785</b>
<b>Fixed annuities</b>					
Less than 2%	\$430	\$255	\$1,505	\$10,944	\$13,134
Greater than 2% to 4%	898	63	1,340	4,996	7,297
Allocated to index strategies					14,893
<b>Total</b>	<b>\$1,328</b>	<b>\$318</b>	<b>\$2,845</b>	<b>\$15,940</b>	<b>\$35,324</b>
<b>Payout annuities</b>					
Less than 2%	\$69				\$69
Greater than 2% to 4%	3,366				3,366
Greater than 4%	5,039				5,039
Allocated to index strategies					612
<b>Total</b>	<b>\$8,474</b>				<b>\$9,086</b>
<b>Institutional</b>					
Less than 2%	\$2,340			\$4,476	\$6,816
Greater than 2% to 4%	2,822				2,822
Greater than 4%	15,104				15,104
Products with no GMCR					4,825
<b>Total</b>	<b>\$20,266</b>			<b>\$4,476</b>	<b>\$29,567</b>

	December 31, 2024				
	At Guaranteed Minimum	1 Basis Point to 50 Basis Points Above	51 Basis Points to 150 Basis Points Above	Greater Than 150 Basis Points Above	Total
	<i>(In Millions)</i>				
Life insurance					
Less than 2%	\$106	\$1,878	\$161	\$639	\$2,784
Greater than 2% to 4%	13,606	1,972	3,658		19,236
Greater than 4%	654				654
Allocated to index strategies					17,082
<b>Total</b>	<b>\$14,366</b>	<b>\$3,850</b>	<b>\$3,819</b>	<b>\$639</b>	<b>\$39,756</b>
Variable annuities					
Greater than 2% to 4%	\$1,133	\$312	\$6		\$1,451
Allocated to index strategies					3
<b>Total</b>	<b>\$1,133</b>	<b>\$312</b>	<b>\$6</b>		<b>\$1,454</b>
Fixed annuities					
Less than 2%	\$438	\$279	\$2,070	\$10,600	\$13,387
Greater than 2% to 4%	1,026	73	459	3,085	4,643
Allocated to index strategies					14,317
<b>Total</b>	<b>\$1,464</b>	<b>\$352</b>	<b>\$2,529</b>	<b>\$13,685</b>	<b>\$32,347</b>
Payout annuities					
Less than 2%	\$93				\$93
Greater than 2% to 4%	3,729				3,729
Greater than 4%	3,779				3,779
Allocated to index strategies					563
<b>Total</b>	<b>\$7,601</b>				<b>\$8,164</b>
Institutional					
Less than 2%	\$2,857			\$4,177	\$7,034
Greater than 2% to 4%	1,200				1,200
Greater than 4%	9,375				9,375
Products with no GMCR					3,992
<b>Total</b>	<b>\$13,432</b>			<b>\$4,177</b>	<b>\$21,601</b>

## 9. MARKET RISK BENEFITS

The Company issues variable and fixed annuity contracts that include GMDB and GLB features that are considered MRBs. The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract that are accounted for as a single compound MRB.

The GMDBs provide a specified minimum return upon death. Many of these death benefits are spousal, whereby a death benefit will be paid upon death of the first spouse. The survivor has the option to terminate the contract or continue it and have the death benefit paid into the contract and a second death benefit paid upon the survivor's death. The GMDB features include those where the Company contractually guarantees to the contract holder either (a) return of no less than total deposits made to the contract less any partial withdrawals (return of net deposits), (b) the highest contract value on any contract anniversary date through age 80 minus any payments or partial withdrawals following the contract anniversary (anniversary contract value), (c) the highest of contract value on certain specified dates or total deposits made to the contract less any partial withdrawals plus a minimum return (minimum return), or (d) the contract value plus the annual roll-up credit, capped by the maximum roll-up amount.

The guaranteed minimum income benefit (GMIB) is a GLB that provides the contract holder with a guaranteed annuitization value after 10 years. Annuitization value is generally based on deposits adjusted for withdrawals plus a minimum return. In general, the GMIB requires contract holders to invest in an approved asset allocation strategy.

The Company offers variable and fixed annuity contracts with guaranteed minimum withdrawal benefits for life (GMWBL) features, which are considered MRBs. The GMWBL is a GLB that provides a percentage of a contract holder's guaranteed payment base which will be available for withdrawal for life starting no earlier than age 59.5, regardless of market performance, subject to certain restrictions. The rider terminates upon death of the contract holder or their spouse if a spousal form of the rider is purchased.

The Company also offers a rider on certain variable annuity contracts that guarantees net principal over specific holding periods, as well as riders on certain variable annuity contracts that guarantee a minimum withdrawal benefit over specified periods, subject to certain restrictions. These variable annuity GLBs are considered MRBs.

GLBs on variable annuity contracts issued between January 1, 2007 and March 31, 2009 are partially reinsured by third-party reinsurers. These reinsurance arrangements are used to offset a portion of the Company's exposure to the variable annuity GLBs for the lives of the host variable annuity contracts issued. The ceded portion of these variable annuity GLBs is considered a MRB and is included in other assets.

The following tables present the balances of and changes in MRBs:

	Year Ended December 31, 2025		
	Variable Annuities	Fixed Annuities	Total
	<i>(\$ In Millions)</i>		
Balance, beginning of year	(\$234)	\$187	(\$47)
Effect of changes in nonperformance risk	(61)	(6)	(67)
Balance, beginning of year, before effect of changes in nonperformance risk	(295)	181	(114)
Issuances	15		15
Benefit payments	(13)		(13)
Interest accrual	(7)	6	(1)
Attributed fees collected	430	13	443
Effect of actual variances from expected experience	165	4	169
Effect of changes in interest rates	(86)	(6)	(92)
Effect of changes in equity markets	(607)	(5)	(612)
Effect of changes in equity index volatility	(46)		(46)
Effect of changes in future expected assumptions and models	(11)	(51)	(62)
Other		1	1
Balance, end of year, before effect of changes in nonperformance risk	(455)	143	(312)
Effect of changes in nonperformance risk	98	10	108
Balance, end of year	(357)	153	(204)
Less: Ceded MRBs	187		187
Balance, end of year, net of reinsurance	(\$544)	\$153	(\$391)
Net amount at risk <sup>(1)</sup>	\$1,830	\$1,239	\$3,069
Weighted average attained age of policyholders (years)	73	72	

	Year Ended December 31, 2024		
	Variable Annuities	Fixed Annuities	Total
	(\$ In Millions)		
Balance, beginning of year	\$504	\$276	\$780
Effect of changes in nonperformance risk	(76)	(14)	(90)
Balance, beginning of year, before effect of changes in nonperformance risk	428	262	690
Issuances	(5)		(5)
Benefit payments	(17)		(17)
Interest accrual	(15)	10	(5)
Attributed fees collected	447	14	461
Effect of actual variances from expected experience	361	(6)	355
Effect of changes in interest rates	(530)	(34)	(564)
Effect of changes in equity markets	(683)	(7)	(690)
Effect of changes in equity index volatility	(95)	(3)	(98)
Effect of changes in future expected assumptions and models	(186)	(57)	(243)
Other		2	2
Balance, end of year, before effect of changes in nonperformance risk	(295)	181	(114)
Effect of changes in nonperformance risk	61	6	67
Balance, end of year	(234)	187	(47)
Less: Ceded MRBs	210		210
Balance, end of year, net of reinsurance	(\$444)	\$187	(\$257)
Net amount at risk <sup>(1)</sup>	\$2,533	\$1,169	\$3,702
Weighted average attained age of policyholders (years)	73	71	

<sup>(1)</sup> For additional information on the net amount at risk, see Note 8.

For the year ended December 31, 2024, the effect of changes in future expected assumptions and models was primarily driven by favorable changes in policyholder behavior, including lapse and utilization assumptions.

The following table reconciles MRBs to the consolidated statements of financial condition at each year end:

	December 31, 2025			December 31, 2024		
	Assets	Liabilities	Net (Assets) Liabilities	Assets	Liabilities	Net (Assets) Liabilities
	(In Millions)					
Variable annuities	\$805	\$448	(\$357)	\$762	\$528	(\$234)
Fixed annuities	9	162	153	5	192	187
Total	\$814	\$610	(\$204)	\$767	\$720	(\$47)

The following table details the January 1, 2024 transition adjustments by providing a rollforward of the ending reported balances as of December 31, 2023 to the opening balances as of January 1, 2024:

	Variable Annuities	Fixed Annuities	Total
	<i>(In Millions)</i>		
Balance, December 31, 2023 (pre-adoption)	\$894	\$224	\$1,118
Removal of amounts related to unrealized gains and losses on investments	1	91	92
Adjustments to measure MRBs at fair value	(468)	(53)	(521)
Changes in nonperformance risk	77	14	91
Balance, January 1, 2024 (post-adoption)	504	276	780
Less: Ceded MRBs	288		288
Balance, January 1, 2024 (post-adoption), net of reinsurance	\$216	\$276	\$492

Prior to the adoption of ASU 2018-12, guaranteed minimum benefit features on the Company's annuity contracts that were only attainable upon annuitization or were wholly life contingent (e.g., GMDBs or GMWBLs) were accounted for as insurance liabilities using best-estimate assumptions, as applicable, for interest rates, mortality, morbidity, retirement age, and expenses. All other GLBs were accounted for as embedded derivatives measured at fair value. Upon adoption of ASU 2018-12, such features are reported as MRBs at fair value. The difference between the previous carrying amount of MRBs to fair value at January 1, 2024, excluding the impact of nonperformance risk, was adjusted to members' capital. Any adjustments to the previous carrying amount related to net unrealized gains and losses on securities available for sale that was included in AOCI was removed. Under the full retrospective adoption method, the cumulative effect of changes in nonperformance risk between the original contract issuance date and January 1, 2024 was adjusted to AOCI, while the effect of such changes in ceded nonperformance risk was adjusted to members' capital.

## 10. FUTURE POLICY BENEFITS

The following tables present the balances of and changes in the net LFPB:

	Year Ended December 31, 2025				
	Life Insurance	Payout Annuities	Institutional	Reinsurance	Total
	(\$ In Millions)				
<b>Present Value of Expected Net Premiums</b>					
Balance, beginning of year	\$3,191			\$10,345	\$13,536
Effect of changes in discount rate assumptions	521			1,197	1,718
Balance, beginning of year, at original discount rate	3,712			11,542	15,254
Effect of changes in cash flows	160			(214)	(54)
Effect of actual variances from expected experience <sup>(1)</sup>	(63)			895	832
Adjusted balance, beginning of period	3,809			12,223	16,032
Issuances	869			932	1,801
Interest accrual	146			370	516
Net premiums	(384)			(1,080)	(1,464)
Foreign currency and other				623	623
Ending balance at original discount rate	4,440			13,068	17,508
Effect of changes in discount rate assumptions	(410)			(1,212)	(1,622)
Balance, end of year	\$4,030	\$—	\$—	\$11,856	\$15,886
<b>Present Value of Expected Future Benefits</b>					
Balance, beginning of year	\$4,087	\$8,019	\$12,193	\$15,497	\$39,796
Effect of changes in discount rate assumptions	1,099	648	719	1,707	4,173
Balance, beginning of year, at original discount rate	5,186	8,667	12,912	17,204	43,969
Effect of changes in cash flows	172	(69)	69	(139)	33
Effect of actual variances from expected experience <sup>(1)</sup>	(72)	(58)	24	921	815
Adjusted balance, beginning of period	5,286	8,540	13,005	17,986	44,817
Issuances	882	585	3,213	2,480	7,160
Interest accrual	202	406	680	608	1,896
Benefit payments	(170)	(646)	(1,447)	(1,397)	(3,660)
Foreign currency and other				946	946
Ending balance at original discount rate	6,200	8,885	15,451	20,623	51,159
Effect of changes in discount rate assumptions	(936)	(496)	(348)	(1,746)	(3,526)
Balance, end of year	\$5,264	\$8,389	\$15,103	\$18,877	\$47,633
Net balance, end of year, before flooring	\$1,234	\$8,389	\$15,103	\$7,021	\$31,747
Add: Impact of flooring	5			330	335
Net balance, end of year	1,239	8,389	15,103	7,351	32,082
Less: Reinsurance recoverable	27			27	54
Net balance, end of year, net of reinsurance	\$1,212	\$8,389	\$15,103	\$7,324	\$32,028
Weighted average duration of policies (years)	17	11	7	6	

	Year Ended December 31, 2024				
	Life Insurance	Payout Annuities	Institutional	Reinsurance	Total
	(\$ In Millions)				
<b>Present Value of Expected Net Premiums</b>					
Balance, beginning of year	\$2,692			\$9,455	\$12,147
Effect of changes in discount rate assumptions	443			1,025	1,468
Balance, beginning of year, at original discount rate	3,135			10,480	13,615
Effect of changes in cash flows	77			118	195
Effect of actual variances from expected experience <sup>(1)</sup>	(6)			1,532	1,526
Adjusted balance, beginning of period	3,206			12,130	15,336
Issuances	718			566	1,284
Interest accrual	110			320	430
Net premiums	(322)			(999)	(1,321)
Foreign currency and other				(475)	(475)
Ending balance at original discount rate	3,712			11,542	15,254
Effect of changes in discount rate assumptions	(521)			(1,197)	(1,718)
Balance, end of year	\$3,191	\$—	\$—	\$10,345	\$13,536
<b>Present Value of Expected Future Benefits</b>					
Balance, beginning of year	\$3,449	\$8,491	\$10,847	\$14,202	\$36,989
Effect of changes in discount rate assumptions	899	115	235	1,440	2,689
Balance, beginning of year, at original discount rate	4,348	8,606	11,082	15,642	39,678
Effect of changes in cash flows	108		(54)	109	163
Effect of actual variances from expected experience <sup>(1)</sup>	(9)	(58)	(26)	1,648	1,555
Adjusted balance, beginning of period	4,447	8,548	11,002	17,399	41,396
Issuances	729	346	2,533	1,322	4,930
Interest accrual	155	398	541	502	1,596
Benefit payments	(144)	(625)	(1,164)	(1,395)	(3,328)
Foreign currency and other	(1)			(624)	(625)
Ending balance at original discount rate	5,186	8,667	12,912	17,204	43,969
Effect of changes in discount rate assumptions	(1,099)	(648)	(719)	(1,707)	(4,173)
Balance, end of year	\$4,087	\$8,019	\$12,193	\$15,497	\$39,796
Net balance, end of year, before flooring	\$896	\$8,019	\$12,193	\$5,152	\$26,260
Add: Impact of flooring	22			242	264
Net balance, end of year	918	8,019	12,193	5,394	26,524
Less: Reinsurance recoverable	23			22	45
Net balance, end of year, net of reinsurance	\$895	\$8,019	\$12,193	\$5,372	\$26,479
Weighted average duration of policies (years)	20	11	7	9	

<sup>(1)</sup> Includes new business from existing contracts for Reinsurance.

For the year ended December 31, 2025, the net effect of changes in cash flows was primarily driven by unfavorable updates in assumptions related to mortality for Life.

For the year ended December 31, 2024, the net effect of changes in cash flows was primarily driven by favorable updates in assumptions related to mortality for Institutional partially offset by unfavorable updates in assumptions related to mortality for Life Insurance.

For the year ended December 31, 2025, the net effect of actual variances from expected experience was primarily driven by favorable mortality for Payout Annuities partially offset by new business from existing contracts for Reinsurance.

For the year ended December 31, 2024, the net effect of actual variances from expected experience was primarily driven by unfavorable claims experience for Reinsurance partially offset by favorable mortality for Payout Annuities.

The following table presents the balances of and changes in additional insurance liabilities:

	Years Ended December 31,	
	2025	2024
	<u>Life Insurance</u>	
	<i>(\$ In Millions)</i>	
Balance, beginning of year	\$1,287	\$1,149
Effect of changes in cash flows	(7)	(40)
Effect of actual variances from expected experience	44	(38)
Issuances	4	1
Interest accrual	58	48
Net assessments collected	67	48
Benefit payments	(14)	(9)
Other	(20)	128
Balance, end of year, prior to impact of unrealized investment gains and losses	1,419	1,287
Impact of unrealized investment gains and losses	1	
Balance, end of year	1,420	1,287
Less: Reinsurance recoverable	172	165
Balance, end of year, net of reinsurance	<u>\$1,248</u>	<u>\$1,122</u>
Weighted average duration of policies (years)	12	12

The following tables present the balances of and changes in URR:

	Year Ended December 31, 2025		
	Life Insurance	Variable Annuities	Total
	<i>(In Millions)</i>		
Balance, beginning of year	\$4,711	\$34	\$4,745
Deferrals	827	6	833
Amortization	(363)	(4)	(367)
Balance, end of year	<u>\$5,175</u>	<u>\$36</u>	<u>\$5,211</u>
	Year Ended December 31, 2024		
	Life Insurance	Variable Annuities	Total
	<i>(In Millions)</i>		
Balance, beginning of year	\$4,277	\$33	\$4,310
Deferrals	731	5	736
Amortization	(297)	(4)	(301)
Balance, end of year	<u>\$4,711</u>	<u>\$34</u>	<u>\$4,745</u>

The following table reconciles the net LFPB, additional insurance liabilities, URR, and total unpaid claims for short-duration contracts to the consolidated statements of financial condition at each year end:

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
Net LFPB	\$32,082	\$26,524
Additional insurance liabilities	1,420	1,287
URR	5,211	4,745
Unpaid claims for short-duration contracts	618	540
Unpaid claims for long-duration contracts	1,869	1,842
DPL	1,154	1,126
Other	491	506
<b>Total</b>	<b>\$42,845</b>	<b>\$36,570</b>

The amount of discounted and undiscounted expected future gross premiums and expected future policy benefit payments is as follows:

	December 31, 2025		December 31, 2024	
	Discounted	Undiscounted	Discounted	Undiscounted
	<i>(In Millions)</i>			
Life insurance				
Expected future benefit payments	\$5,264	\$10,450	\$4,087	\$8,621
Expected future gross premiums	5,731	9,763	4,694	8,029
Payout annuities				
Expected future benefit payments	\$8,389	\$21,392	\$8,019	\$19,983
Institutional				
Expected future benefit payments	\$15,103	\$24,269	\$12,193	\$20,163
Reinsurance				
Expected future benefit payments	\$18,877	\$34,473	\$15,497	\$27,424
Expected future gross premiums	19,354	33,742	17,147	29,807

The amount of revenue recognized in policy fees and insurance premiums and interest recognized in policy benefits paid or provided on the consolidated statements of operations associated with the net LFPB is as follows:

	Gross Premiums		Interest Accrual	
	Years Ended December 31,		Years Ended December 31,	
	2025	2024	2025	2024
	<i>(In Millions)</i>			
Life insurance	\$577	\$477	\$56	\$45
Payout annuities	675	369	406	398
Institutional	3,129	2,491	680	541
Reinsurance	3,655	2,822	238	182
<b>Total</b>	<b>\$8,036</b>	<b>\$6,159</b>	<b>\$1,380</b>	<b>\$1,166</b>

The amount of revenue recognized in policy fees and insurance premiums and interest recognized in policy benefits paid or provided on the consolidated statements of operations associated with additional insurance liabilities is as follows:

	Gross Assessments		Interest Accrual	
	Years Ended December 31,		Years Ended December 31,	
	2025	2024	2025	2024
	<i>(In Millions)</i>			
Life insurance	\$88	\$65	\$58	\$48

The weighted-average interest rates associated with the net LFPB are as follows:

	December 31,	
	2025	2024
Life insurance		
Original discount rate	3.68%	3.58%
Current discount rate	5.71%	5.85%
Payout annuities		
Original discount rate	4.91%	4.85%
Current discount rate	5.44%	5.60%
Institutional		
Original discount rate	4.88%	4.74%
Current discount rate	5.23%	5.75%
Reinsurance		
Original discount rate	4.01%	3.72%
Current discount rate	4.77%	5.21%

The weighted average original interest rate associated with additional insurance liabilities is as follows:

	December 31,	
	2025	2024
Life insurance	4.52%	4.45%

For additional information regarding observable market information and the techniques used to determine the interest rate assumptions seen above, see Note 1.

The following tables detail the January 1, 2024 transition adjustments by providing a rollforward of the ending reported balances as of December 31, 2023 to the opening balances as of January 1, 2024:

Net LFPB	Life Insurance	Payout Annuities	Institutional	Reinsurance	Total
	<i>(In Millions)</i>				
Balance, December 31, 2023 (pre-adoption)	\$1,243	\$8,627	\$11,554	\$5,221	\$26,645
Change in cash flow assumptions and effect of net premiums exceeding gross premiums	(31)	(20)	(472)	(60)	(583)
Flooring of negative reserves	1			615	616
Change in discount rate assumptions	(416)	(116)	(235)	(756)	(1,523)
Balance, January 1, 2024 (post-adoption)	797	8,491	10,847	5,020	25,155
Less: Reinsurance recoverable	28			17	45
Balance, January 1, 2024 (post-adoption), net of reinsurance	\$769	\$8,491	\$10,847	\$5,003	\$25,110

Prior to the adoption of ASU 2018-12, assumptions used to measure the net LFPB, such as mortality, net premium ratio, and discount rates, were "locked-in" upon the issuance of new business. Upon adoption of ASU 2018-12, the Company adjusted the net LFPB for in-force contracts, grouped by cohort, using current best-estimate cash flow assumptions and for cohorts where net premiums exceeded gross premiums (net premium ratio greater than 100%). Cohorts where the calculated net LFPB at transition was less than zero (a contra-liability) were floored at zero. The change in cash flow assumptions and excess of net premiums over gross premiums as of January 1, 2024 was adjusted to members' capital. The Company also adjusted the net LFPB using a discount rate reflecting an upper-medium grade fixed income instrument yield. The changes in the discount rate assumptions as of January 1, 2024 were adjusted to AOCI.

URR	Life Insurance	Variable Annuities	Total
	<i>(In Millions)</i>		
Balance, December 31, 2023 (pre-adoption)	\$5,276	\$33	\$5,309
Removal of amounts related to unrealized gains and losses on investments	(999)		(999)
Balance, January 1, 2024 (post-adoption)	\$4,277	\$33	\$4,310

Prior to the adoption of ASU 2018-12, URR was recognized in revenue over the expected life of the contract using the same methods and assumptions used to amortize DAC. Unearned revenue related to certain unrealized components in OCI, primarily unrealized gains and losses on securities available for sale, was recorded to equity through OCI. Upon adoption of ASU 2018-12, the accumulated unrealized components in URR and AOCI were removed.

The following tables provide information on incurred and paid claims development, net of reinsurance, for short-duration contracts for reinsurance. Liabilities for claims and claims expenses, net of reinsurance, equals total incurred claims less cumulative paid claims plus outstanding liabilities prior to the year ended December 31, 2025. The information about incurred and paid claims development prior to 2025 is presented as supplementary information.

The cumulative number of reported claims represents the count of individual reported claims by claim year. This includes all reported claims including claims which have been paid, in payment, withdrawn, declined or claims which are in the process of being assessed. There were no significant changes in methodologies during the year ended December 31, 2025.

Claim Year	<b>Incurred Claims and Allocated Claims Adjustments, Net of Reinsurance</b>										December 31, 2025	
	Years Ended December 31,										Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	<i>(Unaudited)</i>											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
	<i>(\$ in Millions)</i>											
2016	\$107	\$95	\$95	\$98	\$100	\$97	\$101	\$99	\$99	\$99	\$2	3,284
2017		108	107	116	119	117	119	118	119	118	3	4,304
2018			115	126	129	130	139	135	136	136	4	4,919
2019				142	151	159	171	172	173	174	10	5,718
2020					239	237	271	269	271	274	30	7,483
2021						266	242	276	283	285	48	10,315
2022							177	157	156	158	33	7,214
2023								279	280	271	88	13,668
2024									307	304	137	12,760
2025										300	249	3,943
Total										2,119		
	Cumulative paid claims and allocated claims adjustments, net of reinsurance										(1,475)	
	All outstanding claims prior to 2016, net of reinsurance											
	Liabilities for claims and claim adjustment expenses, net of reinsurance										\$644	

Claim Year	<b>Cumulative Paid Claims and Allocated Claims Adjustments, Net of Reinsurance</b>										
	Years Ended December 31,										
	<i>(Unaudited)</i>										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
	<i>(In Millions)</i>										
2016	\$27	\$59	\$61	\$84	\$89	\$91	\$95	\$95	\$96	\$97	
2017		42	58	91	105	106	114	113	114	115	
2018			33	81	105	114	123	126	129	132	
2019				34	90	117	140	150	158	163	
2020					37	110	172	206	228	243	
2021						32	118	181	214	234	
2022							18	76	102	121	
2023								39	129	173	
2024									56	155	
2025										42	
Total										\$1,475	

The following table reconciles the net incurred and paid claims to the unpaid claims for short-duration contracts for reinsurance in the consolidated statements of financial condition as of December 31, 2025:

	December 31, 2025
	<i>(In Millions)</i>
Liabilities for claims and claim expenses, net of reinsurance	\$644
Adjustments to reconcile to total policy claims and future policy benefits:	
Effect of discounting	(39)
Unpaid claims for short-duration contracts	<u>\$605</u>

The following table discloses the discounting impact included in the claims development information:

	December 31,	
	2025	2024
	<i>(\$ in Millions)</i>	
Carrying amount of discounted claims	\$434	\$372
Aggregate amount of the discount	(39)	(31)
Interest accretion <sup>(1)</sup>	11	10
Range of interest rates	0.26%-4.24%	0.15%-4.21%

<sup>(1)</sup> Interest accretion is included in policy benefits paid or provided on the consolidated statements of operations

The following table presents the balances of and changes in unpaid claims for short-duration contracts for reinsurance:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Balance, beginning of year	\$522	\$530
Less: reinsurance recoverable		24
Net balance, beginning of year	522	506
Claims incurred current year	278	314
Claims incurred prior year	(4)	12
Total claims incurred	274	326
Payments current year	(40)	(57)
Payments prior year	(191)	(189)
Total payments	(231)	(246)
Other changes:		
Effect of discounting	(4)	(11)
Foreign currency	44	(53)
Net balance, end of year	605	522
Add: reinsurance recoverable		
Balance, end of year	605	522
Other business	13	18
Total unpaid claims for short-duration contracts	<u>\$618</u>	<u>\$540</u>

Changes in incurred claims and claim expenses associated with prior periods are primarily due to updating assumptions which reflect changes to the claims development of short-duration contracts for reinsurance. These past claim development trends have been considered in establishing the current year liability for unpaid claims. No additional premiums have been accrued as a result of these prior year effects.

The following tables discloses supplementary information about the average annual payout of incurred claims by age, net of reinsurance:

Years	Year Ended December 31, 2025									
	<i>(Unaudited)</i>									
	1	2	3	4	5	6	7	8	9	10
Short-duration contracts for reinsurance	67 %	18 %	8 %	4 %	2 %	1 %				

## 11. DEBT

### SHORT-TERM DEBT

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
Short-term debt: <sup>(1)</sup>		
Short-term VIE debt (Note 2)	\$991	\$1,078
Total short-term debt	\$991	\$1,078

<sup>(1)</sup> Does not include current maturities of long-term debt.

In May 2025, the Company entered into a new senior revolving credit facility with a total borrowing capacity of \$1.5 billion, replacing its existing \$1.0 billion facility. The new facility includes Pacific Life Re International Limited (RIBM) as an additional borrower and has a maturity date of May 2030. Under the terms of the agreement, the Company and Pacific Life may borrow up to the full commitment amount, while RIBM may borrow up to \$500 million. The facility serves as a back-up line of credit to the commercial paper program. Borrowings under the facility bear interest at variable rates. There were no amounts outstanding as of December 31, 2025 and 2024.

Pacific Life maintains a \$1.0 billion commercial paper program. There was no commercial paper debt outstanding as of December 31, 2025 and 2024.

Pacific Life is eligible to receive advances from the FHLB of Topeka based on a percentage of Pacific Life's statutory general account assets provided it has sufficient available eligible collateral and is in compliance with the FHLB of Topeka requirements, debt covenant restrictions and insurance law and regulations. See Note 8. Interest is at variable or fixed rates. Pacific Life had no debt outstanding with the FHLB of Topeka as of December 31, 2025 and 2024.

Pacific Life & Annuity Company (PL&A) is a member of the FHLB of San Francisco. PL&A is eligible to receive advances from the FHLB of San Francisco based on a percentage of PL&A's statutory net admitted assets provided it has sufficient available eligible collateral and is in compliance with the FHLB of San Francisco requirements and insurance law and regulations. PL&A had estimated available eligible collateral of \$4 million as of December 31, 2025. Interest is at variable or fixed rates. PL&A had no debt outstanding with the FHLB of San Francisco as of December 31, 2025 and 2024.

## LONG-TERM DEBT

	December 31,					December 31,
	Carrying	Maturity Date	Interest Rate	Interest Payment		Carrying
Amount	Frequency			Type	Amount	
	(\$ In Millions)					
Long-term debt:						
Surplus notes: <sup>(1)</sup>						
2025 surplus notes	\$750	2055	5.95%	Semiannually	Fixed	
2017 surplus notes <sup>(2)</sup>	749	2067	4.3%	Semiannually	Fixed	\$749
2009 surplus notes	300	2039	9.25%	Semiannually	Fixed	300
Senior notes: <sup>(3)</sup>						
2022 senior notes	749	2052	5.4%	Semiannually	Fixed	749
2020 senior notes	745	2050	3.35%	Semiannually	Fixed	745
2013 senior notes	406	2043	5.125%	Semiannually	Fixed	406
2003 senior notes	567	2033	6.6%	Semiannually	Fixed	567
Fair value hedge adjustments - terminated interest rate swap agreements <sup>(4)</sup>	189					204
RIBM term loan <sup>(5)</sup>	115	2029	1.0% to 1.4%	Semiannually	Variable	115
Non-recourse long-term debt:					Variable/	
Other non-recourse debt <sup>(6)</sup>	1,287	2026 to 2033	2.4% to 6.9%	Monthly	Fixed	1,469
CMBS VIE debt (Note 2)	162	2030	3.25%	Monthly	Fixed	1,008
Other VIE debt (Note 2) <sup>(7)</sup>	380	2065	4.83%	N/A	Fixed	
Total long-term debt	6,399					6,312
Total short-term debt	991					1,078
Debt issuance cost	(54)					(45)
Total debt	\$7,336					\$7,345

<sup>(1)</sup> The surplus notes are unsecured and subordinated to all present and future senior indebtedness and policy claims of Pacific Life. All future payments of interest and principal on these surplus notes can be made only with the prior approval of the NE DOI. Pacific Life may redeem all or portion of the 2025 surplus notes at its option at any time or from time to time prior to March 15, 2055 at the redemption price described under the terms of the notes, may redeem all or a portion of the 2009 surplus notes at its option at the redemption price described under the terms of the notes, and may redeem all or a portion of the 2017 surplus notes at its option at any time on or after October 24, 2047 at the redemption price described under the terms of the notes, subject to the prior approval of the NE DOI noted above.

<sup>(2)</sup> Represent rate, frequency, and type through October 23, 2047. Thereafter until maturity, interest is payable quarterly at a floating rate equal to three-month Secured Overnight Financing Rate (SOFR) for deposits in U.S. dollars plus 2.796%. The loan agreement contains fallback language in the event SOFR becomes unavailable.

<sup>(3)</sup> Pacific LifeCorp may redeem all or a portion of the senior notes at any time at the redemption price described under the terms of the senior notes.

<sup>(4)</sup> Pacific Life previously terminated interest rate swaps converting the 2009 surplus notes and 2003 senior notes to variable rate notes. As a result, fair value hedge adjustments were recorded to the net carrying amount of each note and are being amortized as a reduction to interest expense over the remaining life of the surplus notes using the effective interest method. The total unamortized fair value hedge adjustments as of December 31, 2025 for the 2009 surplus notes and 2003 senior notes were \$77 million and \$112 million, respectively. The total unamortized fair value hedge adjustments as of December 31, 2024 for the 2009 surplus notes and 2003 senior notes were \$80 million and \$124 million, respectively.

<sup>(5)</sup> In March 2024, RIBM repaid the previous term loan and entered into a new replacement term loan. The parental guarantee with the Company was also removed. See Note 15.

- (6) As of December 31, 2025 and 2024, the debt outstanding was on various real estate property loans entered into by certain subsidiaries of Pacific Asset Holding LLC, a wholly owned subsidiary of Pacific Life. These loans are secured by real estate properties.
- (7) Interest rate represents the effective interest rate based on the Company's repayment of debt through predominantly fixed cash flows over time.

In September 2025, the Company issued \$750 million of surplus notes at a fixed interest rate of 5.95%, maturing on September 15, 2055. Interest is payable semiannually on March 15 and September 15.

The following summarizes aggregate scheduled principal payments during the next five years and thereafter:

	Surplus Notes	Senior Notes	Other Long-Term Debt	Total
<u>Years Ending December 31:</u>	<i>(In Millions)</i>			
2026			\$244	\$244
2027			222	222
2028			240	240
2029			170	170
2030			230	230
Thereafter	\$1,800	\$2,478	296	4,574
<b>Total</b>	<b>\$1,800</b>	<b>\$2,478</b>	<b>\$1,402</b>	<b>\$5,680</b>

The table above excludes short-term debt, revolving credit facilities, VIE debt, fair value hedge adjustments, and original issue discount fees of \$12 million.

Interest expense is included in operating and other expenses and was \$405 million and \$331 million for the years ended December 31, 2025 and 2024, respectively.

Certain of the Company's debt instruments contain various administrative, reporting, legal, and financial covenants. The Company believes it was in compliance with all such covenants as of December 31, 2025.

## 12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the balances of and changes in AOCI:

	Unrealized Gain (Loss) on Securities Available for Sale, Net	Gain (Loss) on Derivatives	LFPB Discount Rate Re- measurement Gain (Loss)	MRB Non- performance Risk Gain (Loss)	Foreign Currency Translation Adjustments and Other, Net	Total AOCI
	<i>(In Millions)</i>					
Balance, January 1, 2024	(\$4,869)	(\$470)			(\$210)	(\$5,549)
Cumulative effect of adoption of accounting change (Note 1)	(51)		\$1,200	(\$71)		1,078
Revised balance, January 1, 2024	(4,920)	(470)	1,200	(71)	(210)	(4,471)
Change in OCI before reclassifications	(818)	(181)	1,350	26	(95)	282
Income tax benefit (expense)	149	33	(274)	(5)	8	(89)
(Gain) loss reclassified from AOCI	223 <sup>(1)</sup>	(8) <sup>(2)</sup>				215
Income tax expense (benefit)	(47)	2				(45)
Balance, December 31, 2024	(\$5,413)	(\$624)	\$2,276	(\$50)	(\$297)	(\$4,108)
Change in OCI before reclassifications	2,379	40	(543)	(43)	94	1,927
Income tax benefit (expense)	(510)	(36)	118	9	(12)	(431)
Loss reclassified from AOCI	200 <sup>(1)</sup>	4 <sup>(2)</sup>				204
Income tax benefit	(42)	(1)				(43)
Balance, December 31, 2025	(\$3,386)	(\$617)	\$1,851	(\$84)	(\$215)	(\$2,451)

<sup>(1)</sup> Located in net investment gain (loss) on the consolidated statements of operations.

<sup>(2)</sup> Located in net investment income on the consolidated statements of operations.

## 13. INCOME TAXES

The provision for income taxes is as follows:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Current:		
Domestic	\$330	\$115
Foreign	14	9
Total current	344	124
Deferred:		
Domestic	(178)	101
Foreign	1	46
Total deferred	(177)	147
Total	\$167	\$271

A reconciliation of the provision for income taxes based on the Federal corporate statutory tax rate of 21% for income taxes is as follows:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Provision for income taxes at the statutory rate	\$232	\$371
Dividends received deduction	(29)	(31)
Noncontrolling interests	(12)	(14)
Tax-exempt income	(13)	(10)
Tax credits	(18)	(19)
Interest accrual, net of tax	(17)	(25)
Foreign rate differential	28	
Other	(4)	(1)
Provision for income taxes	<u>\$167</u>	<u>\$271</u>

An immaterial amount of interest and penalties were recognized in the years ended December 31, 2025 and 2024.

The net deferred tax asset (liability), included in other assets and other liabilities, respectively, is comprised of the following tax effected temporary differences:

	December 31,	
	2025	2024
	<i>(In Millions)</i>	
Deferred tax assets:		
Investments including derivatives	\$2,473	\$1,885
Policyholder reserves	796	581
Deferred compensation	81	78
Tax net operating loss carryovers	281	272
Tax credit carryforwards	99	344
Other	463	379
Total deferred tax assets before valuation allowance	<u>4,193</u>	<u>3,539</u>
Valuation allowance	(171)	(109)
Net deferred tax assets after valuation allowance	<u>4,022</u>	<u>3,430</u>
Deferred tax liabilities:		
DAC	(1,010)	(966)
Derivatives	(1,950)	(1,544)
Partnership investments	(617)	(401)
Depreciation	(46)	(7)
Total deferred tax liabilities	<u>(3,623)</u>	<u>(2,918)</u>
Net deferred tax asset	399	512
Net deferred tax asset in AOCI	515	942
Net deferred tax asset	<u>\$914</u>	<u>\$1,454</u>

As of December 31, 2025, the Company had \$99 million of Federal tax credit carryforwards that expire in 2043 and 2044.

As of December 31, 2025, the Company had \$141 million of Federal net operating loss carryovers that carryover indefinitely. The Company also had foreign tax loss carryovers as follows: UK \$286 million, Bermuda \$458 million, Singapore \$146 million, Australia \$268 million, China \$1 million, and South Korea \$26 million. The UK, Bermuda, Singapore, and Australia tax losses generally carryover indefinitely. South Korea and China tax losses generally expire in 15 years and 5 years, respectively.

Management has assessed the realizability of the deferred tax assets as of December 31, 2025 and has determined that it is more likely than not that the deferred tax assets, other than certain foreign tax loss carryovers, will be realized through projected future taxable income and the reversal of existing deferred tax liabilities listed above.

A valuation allowance of \$171 million and \$109 million was recorded on the deferred tax assets related to certain foreign tax loss carryovers as of December 31, 2025 and 2024, respectively. When recognized, the tax benefits related to any reversal of valuation allowance will be accounted for as a reduction of income tax expense.

The Company does not expect material changes to its unrecognized tax benefits for the twelve month period following the reporting date.

PMHC files income tax returns in U.S. Federal and various state jurisdictions. PMHC is under continuous audit by the Internal Revenue Service (IRS) and is audited periodically by some state taxing authorities. The IRS is currently examining PMHC's tax returns for the years ended December 31, 2013 through 2022. The exam of the Federal tax returns through tax years ended December 31, 2012 has been completed and certain issues are under appeals. The State of California is auditing the tax year ended December 31, 2009 and certain issues are under protest. The Company does not expect the current Federal and California audits to result in any material assessments.

The Company considers the earnings in the foreign operations of the reinsurance business to be indefinitely reinvested outside the U.S. on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and specific plans for reinvestment of those subsidiary earnings. Accordingly, deferred income taxes have not been recorded for any excess of the amount for financial reporting over the tax basis in its non-U.S. subsidiaries, including undistributed earnings.

In July 2025, the One Big Beautiful Bill Act (OBBB) was enacted into law. The legislation includes a broad range of tax reform provisions affecting businesses, including extensions and modifications to certain provisions of the Tax Cuts and Jobs Act, as well as expansions and accelerations of provisions under the Inflation Reduction Act. While most provisions are effective January 1, 2026, certain provisions are retroactive to an earlier date in 2025. The Company has evaluated the impact of the OBBB and concluded that it does not have a material impact on the Company's consolidated financial statements.

The Organization for Economic Co-operation and Development (OECD) has introduced the Base Erosion and Profit Shifting (BEPS) Pillar Two framework, which establishes a global minimum corporate tax rate of 15% for multinational enterprises that exceed specified revenue and profit thresholds. Key provisions of Pillar Two are set to take effect for fiscal years starting on or after January 1, 2024. Although the United States has not yet passed legislation to implement Pillar Two, several countries where the Company conducts business have either enacted or are in the process of enacting laws to comply with these rules. At this time, the Company anticipates that the implementation of Pillar Two will not have a significant impact on its consolidated financial statements, associated disclosures, or effective tax rate. On January 5, 2026, the OECD/G20 announced the Side-by-Side package, implemented as administrative guidance and modifying the operation of Pillar Two rules. The package introduces simplifications and new safe harbors for U.S. and other multinational companies where domestic and international tax systems meet robust requirements to coexist with Pillar Two. Under these provisions, U.S.-parented groups would be fully exempt from the application of two of the three Pillar Two top-up taxes. The Side-by-Side package also extends the current Transitional Country-by-Country Reporting Safe Harbor by one year, through the end of fiscal year of 2027. The Company will continue to monitor U.S. and international legislative developments, including further announcements on the Side-by-Side package, to assess any potential impacts on its operations.

On December 27, 2023, Bermuda enacted a 15% corporate income tax regime (Bermuda CIT) that applies to Bermuda businesses that are part of multinational enterprise groups with annual revenue of €750 million or more and is effective for tax years beginning on or after January 1, 2025. The Company's financial statements reflect an immaterial amount for the impact of the enactment of the Bermuda CIT.

## 14. TRANSACTIONS WITH RELATED PARTIES

Pacific Life Fund Advisors LLC, a wholly owned subsidiary of Pacific Life, serves as the investment advisor for the Pacific Select Fund (PSF), an investment vehicle provided to the Company's variable UL and variable annuity contract holders, and the Pacific Life Investment Grade Trade Receivable Fund. Investment advisory and other asset-based fees are based primarily on annual percentages of the average daily net assets of each of the underlying portfolios. These fees, included in investment advisory fees on the consolidated statements of operations, amounted to \$199 million and \$195 million for the years ended December 31, 2025 and 2024, respectively.

Additionally, the PSF has service and other plans whereby PSF pays Pacific Select Distributors, LLC (PSD), a wholly owned broker-dealer subsidiary of Pacific Life, as distributor of the fund, a service fee in connection with services rendered to or procured for shareholders of the fund or their variable life insurance policyholders and variable annuity contract holders. These services may include, but are not limited to, payment of compensation to broker-dealers, including PSD itself, and other financial institutions and organizations, which assist in providing any of the services. For the years ended December 31, 2025 and 2024, PSD received \$77 million in service and other fees from the funds, which are recorded in other income on the consolidated statements of operations.

## 15. COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

As of December 31, 2025, the Company had \$13.4 billion of outstanding commitments that may be funded to make investments primarily in mortgage loans, limited partnerships, fixed maturity securities, and other investments. The Company expects most commitments will be invested over the next five years; however, these commitments could become due at any time upon counterparty request.

Pacific LifeCorp provides guarantees for the performance of certain obligations of Pacific Life Re (Australia) Pty Limited (PLRA) and RIBM, both entities being wholly owned indirect subsidiaries of Pacific LifeCorp. As stated in their respective guarantee agreements, if PLRA or RIBM are unable to meet their current obligations under reinsurance agreements, Pacific LifeCorp shall guarantee payment on any past, present, and future obligations of PLRA or RIBM. Pacific Life also has agreements with PLRA and RIBM to guarantee the performance of reinsurance obligations of PLRA and RIBM, respectively. These guarantees are secondary to the guarantee provided by Pacific LifeCorp and would only be triggered in the event of nonperformance by PLRA or RIBM (in respect to their guarantees) and Pacific LifeCorp. Management believes that obligations, if any, related to the guarantee agreements are not likely to have a material adverse effect on the Company's consolidated financial statements.

Pacific LifeCorp provided a guarantee for the performance of certain loan obligations of RIBM until March 2024. Pacific LifeCorp also has a commitment to provide up to \$230 million of capital to RIBM. Management believes that obligations, if any, related to this commitment are not likely to have a material adverse effect on the Company's consolidated financial statements. As of December 31, 2025, RIBM has outstanding letters of credit totaling \$667 million issued to support various reinsurance transactions with counterparties. The letters of credit have terms from one to five years and are subject to automatic renewal. No amounts were outstanding in connection with these letters of credit as of December 31, 2025.

Pacific LifeCorp has a capital maintenance agreement with Pacific Life Re Global Limited (RGBM), a wholly owned indirect subsidiary of Pacific LifeCorp. As stated in their agreement, Pacific LifeCorp shall provide capital if RGBM's capital falls below the minimum requirements.

In connection with the operations of certain subsidiaries, the Company has made commitments to provide for additional capital funding as may be required.

### CONTINGENCIES - LITIGATION

In the ordinary course of business, the Company is a respondent in a number of legal proceedings. Although the Company is confident of its position and the likelihood of an unfavorable outcome is low, it remains possible that a judge or jury could rule against the Company. It is the opinion of management that such an outcome would be unlikely to have a material adverse effect on the Company's consolidated financial statements. The Company believes adequate provision has been made in its consolidated financial statements for probable and reasonably estimable losses for litigation claims against the Company, if any.

## CONTINGENCIES - IRS REVENUE RULING

In 2007, the IRS issued Rev. Rul. 2007-54, interpreting then-current tax law regarding the computation of the DRD. Later in 2007, the IRS issued Rev. Rul. 2007-61, suspending Rev. Rul. 2007-54 and indicating that the IRS would readdress this issue in a future regulation project. In 2014, the IRS issued Rev. Rul. 2014-7, stating that it would not address this issue through regulation but instead would defer to legislative action. Rev. Rul. 2014-7 also expressly superseded Rev. Rul. 2007-54 and declared Rev. Rul. 2007-61 obsolete. With the enactment of the tax reform legislation in December 2017, DRD computations have been modified effective January 1, 2018. Therefore, the Company does not expect that any of the rulings described above will affect DRD computations in the future. However, in open tax years before 2018, the Company could still lose a substantial portion of its DRD claims, which could in turn have a material adverse effect on the Company's consolidated financial statements.

## CONTINGENCIES - OTHER

In the course of its business, the Company provides certain indemnifications related to dispositions, acquisitions, investments, lease agreements, or other transactions that are triggered by breaches of representations, warranties, or covenants provided by the Company, among other things. These obligations are typically subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. The Company is also subject to state and federal regulatory inquiries and examinations from time to time, which could result in fines or penalties. Because the amounts of these types of indemnifications and regulatory actions are often not explicitly stated, the overall maximum amount of the obligations under such indemnifications and regulatory actions cannot be reasonably estimated. The Company has not historically made material payments for these types of indemnifications and regulatory actions. However, the Company may record a contingent reserve for such matters. Management believes that Company liabilities related to such matters, if any, are not likely to have a material adverse effect on the Company's consolidated financial statements.

Most of the jurisdictions in which the Company is admitted to transact business require insurance companies to participate in guaranty associations, which are organized to pay certain contractual benefits owed pursuant to insurance policies issued by insolvent insurance companies. These associations levy assessments, up to prescribed limits, on all member companies in a particular state based on the proportionate share of premiums written by member companies in the lines of business in which the insolvent insurer operated. Additionally, assessments in some states can be offset by tax credits. The Company has not received notification of any significant insolvency that is expected to result in a material guaranty fund assessment.

The Company had ceded and assumed reinsurance contracts with a reinsurer whose financial condition deteriorated. A rehabilitation and injunction order was previously issued by the reinsurer's domiciliary state regulator, and the reinsurer was subsequently placed into liquidation, resulting in the termination of the reinsurance contracts. The Company previously recorded an immaterial impairment related to this exposure. As of December 31, 2025, the timing of expected settlements of the reinsurance recoverable remains uncertain. The Company does not expect the reinsurer's financial deterioration to have a material adverse effect on its consolidated financial statements.

See Note 3 for discussion of contingencies related to restricted custodian accounts.

See Note 4 for discussion of contingencies related to derivative instruments.

See Note 13 for discussion of other contingencies related to income taxes.

## 16. REINSURANCE

Included in other assets were reinsurance recoverables, receivables, and deposit assets of \$2.8 billion and \$3.2 billion as of December 31, 2025 and 2024, respectively. As of December 31, 2025, the Company had no deposit assets that exceeded 10% of members' equity. As of December 31, 2024, the Company had deposit assets of \$1.6 billion from one reinsurer that exceeded 10% of members' equity. Reinsurance payables, included in other liabilities, were \$296 million and \$453 million as of December 31, 2025 and 2024, respectively.

The following table presents the components of insurance premiums, included within policy fees and insurance premiums, and policy benefits paid or provided in the consolidated statements of operations:

	Years Ended December 31,	
	2025	2024
	<i>(In Millions)</i>	
Insurance premiums:		
Direct premiums	\$4,431	\$3,361
Reinsurance assumed	3,685	2,859
Reinsurance ceded	(429)	(434)
Total	<u>\$7,687</u>	<u>\$5,786</u>
Policy benefits paid or provided:		
Direct benefits paid or provided	\$7,137	\$6,055
Reinsurance assumed	3,379	2,456
Reinsurance ceded	(652)	(850)
Total	<u>\$9,864</u>	<u>\$7,661</u>

## 17. STATUTORY FINANCIAL INFORMATION AND DIVIDEND RESTRICTIONS

### STATUTORY ACCOUNTING PRACTICES

The Company's principal life insurance subsidiary, Pacific Life, prepares its statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the Nebraska Department of Insurance (NE DOI), which is a comprehensive basis of accounting other than U.S. GAAP. Statutory accounting practices primarily differ from U.S. GAAP by charging policy acquisition costs to expense as incurred, recognizing certain policy fees as revenue when billed, establishing future policy benefit liabilities using different actuarial assumptions, reporting surplus notes as surplus instead of debt, as well as the valuation of investments and certain assets, and accounting for deferred income taxes on a different basis.

During 2024, Pacific Life applied Nebraska Revised Statute 44-2222 to its non-insulated separate account for its registered index-linked annuities product in order to align with how Pacific Life manages and measures the overall general account portfolio. The state prescribed practice allows for assets, other than derivatives, to be transferred between the general account and non-insulated separate account at book value instead of fair value. For the years ended December 31, 2025 and 2024, there were no assets transferred between the general account and non-insulated separate account.

The NE DOI approved a permitted accounting practice, effective January 1, 2022, allowing Pacific Life to calculate the policy reserves for funding agreements based on a methodology that differs from the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP). In the permitted practice, Pacific Life utilized a reference rate in the valuation interest rate calculation based on the day of the funding agreement issuance which resulted in a policy reserve less than or equal to the NAIC SAP policy reserve. The permitted practice resulted in an increase in statutory capital and surplus of Pacific Life of \$29 million as of December 31, 2024 and a decrease in statutory net income of Pacific Life of \$8 million for the year ended December 31, 2024.

The NAIC's Life Actuarial Task Force adopted Amendment Proposal Form 2024-05 for the 2025 Valuation Manual (VM), which allows a monthly determination of the statutory maximum valuation rate for Pacific Life's funding agreements, with domiciliary Commissioner approval. Pacific Life received Commissioner approval to determine statutory maximum valuation rates as described in VM Section II Subsection 3(C) for contracts issued on or after January 1, 2017 (the operative date of the VM), effective January 1, 2025. Pacific Life shall continue to determine statutory maximum valuation rates using the same methodology for future valuations. Pacific Life's permitted practice was no longer used subsequent to December 31, 2024.

### STATUTORY NET INCOME AND SURPLUS

Statutory net income of Pacific Life was \$1.6 billion and \$178 million for the years ended December 31, 2025 and 2024, respectively. Statutory capital and surplus of Pacific Life was \$14.6 billion and \$12.1 billion as of December 31, 2025 and 2024, respectively.

## RISK-BASED CAPITAL

Risk-based capital is a method developed by the NAIC to measure the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The formulas for determining the amount of risk-based capital specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Additionally, certain risks are required to be measured using actuarial cash flow modeling techniques, subject to formulaic minimums. The adequacy of a company's actual capital is measured by a comparison to the risk-based capital results. Companies below minimum risk-based capital requirements are classified within certain levels, each of which requires specified corrective action. As of December 31, 2025 and 2024, Pacific Life, PL&A, an Arizona domiciled life insurance company wholly owned by Pacific Life, Pacific Alliance Reinsurance Company of Vermont (PAR Vermont), and Pacific Baleine Reinsurance Company (PBRC) all exceeded the minimum risk-based capital requirements. PAR Vermont and PBRC are Vermont based special purpose financial insurance companies subject to regulatory supervision by the Vermont Department of Financial Regulation (Vermont Department). PAR Vermont and PBRC are wholly owned subsidiaries of Pacific Life and accredited authorized reinsurers in Nebraska.

## DIVIDEND RESTRICTIONS AND INTERNAL SURPLUS NOTES

The payment of dividends by Pacific Life to Pacific LifeCorp is subject to restrictions set forth in the State of Nebraska insurance laws. These laws require (i) notification to the NE DOI for the declaration and payment of any dividend and (ii) approval by the NE DOI for accumulated dividends within the preceding twelve months that exceed the greater of 10% of statutory policyholder surplus as of the preceding December 31 or statutory net gain from operations for the preceding twelve months ended December 31. Generally, these restrictions pose no short-term liquidity concerns for Pacific LifeCorp. Based on these restrictions and 2025 statutory results, Pacific Life could pay \$918 million in dividends in 2026 to Pacific LifeCorp without prior approval from the NE DOI, subject to the notification requirement. During the year ended December 31, 2025, Pacific Life paid \$50 million in dividends to Pacific LifeCorp. During the year ended December 31, 2024, Pacific Life paid no dividends to Pacific LifeCorp.

The payment of dividends by PL&A to Pacific Life is subject to restrictions set forth in the State of Arizona insurance laws. These laws require (i) notification to the Arizona Department of Insurance and Financial Institutions (AZ DIFI) for the declaration and payment of any dividend and (ii) approval by the AZ DIFI for accumulated dividends within the preceding twelve months that exceed the lesser of 10% of statutory surplus as regards to policyholders as of the preceding December 31 or statutory net gain from operations for the preceding twelve months ended December 31. Based on these restrictions and 2025 statutory results, PL&A could pay \$44 million in dividends to Pacific Life in 2026 without prior regulatory approval, subject to the notification requirement. During the years ended December 31, 2025 and 2024, PL&A paid no dividends to Pacific Life.

During 2013, Pacific Life issued a \$500 million 5.125% internal surplus note to Pacific LifeCorp that matures in 2043. In 2017, Pacific Life repurchased and retired \$90 million of its 5.125% internal surplus note to Pacific LifeCorp. This internal surplus note eliminates upon consolidation under U.S. GAAP. Pacific Life is required to pay Pacific LifeCorp interest on this internal surplus note semiannually at fixed annual rates. All future payments of interest and principal on this internal surplus note can be made only with the prior approval of the NE DOI.

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