

**Arrow Reinsurance Company, Limited**  
(Incorporated in Bermuda)

Financial Statements  
December 31, 2023 and 2022

CONFIDENTIAL

**INDEX**

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	<b>Page No.</b>
Report of Independent Auditors	1
<b>Financial Statements</b>	<b>3</b>
Statements of Financial Condition	3
Statements of Operations	4
Statements of Changes in Shareholder's Equity	5
Statements of Cash Flows	6
<b>Notes to Financial Statements</b>	<b>7</b>
Note 1. Description of Business	7
Note 2. Basis of Presentation	7
Note 3. Significant Accounting Policies	7
Note 4. Minimum Guarantees	8
Note 5. Fair Value Measurements	8
Note 6. Derivative Activities	9
Note 7. Fair Value Option	11
Note 8. Net Investment Income	12
Note 9. Fee Income	12
Note 10. Transactions with Related Parties	12
Note 11. Federal Income Taxes	12
Note 12. Shareholder's Equity	13
Note 13. Statutory Requirements	13
Note 14. Subsequent Events	13

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April 29, 2024

## Report of Independent Auditors

To the Board of Directors and Shareholder of Arrow Reinsurance Company, Limited

### Opinion

We have audited the accompanying financial statements of Arrow Reinsurance Company, Limited (the "Company"), which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of operations, of changes in shareholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "Financial Statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 the financial statements are available to be issued.

### Auditors' 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 auditors' 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 US 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 judgement made by a reasonable user based on the financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement 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 judgement, 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.

*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**  
Hamilton, Bermuda

**Statements of Financial Condition**

<i>U.S. \$ in thousands</i>	<b>Notes</b>	<b>As of December 31</b>	
		<b>2023</b>	<b>2022</b>
<b>Assets</b>			
Cash	3	<b>14,316</b>	12,000
Reinsurance contracts (at fair value)	7	<b>163,103</b>	74,330
Receivables from customers	4	<b>63,815</b>	67,263
Receivables from affiliates	10	<b>10,448</b>	10,693
Unsecured intercompany loan	10	<b>64,948</b>	99,030
Accrued interest receivable	10	-	3,852
Deferred tax asset	11	<b>976</b>	962
Prepaid expenses		<b>112</b>	127
<b>Total assets</b>		<b>317,718</b>	268,257
<b>Liabilities and shareholder's equity</b>			
Reinsurance contracts (at fair value)	7	<b>78,944</b>	85,867
Net derivative instruments	6	<b>763</b>	-
Secured financings (long-term) (at fair value)	7	<b>8,959</b>	10,465
Payables to customers	4	<b>89,684</b>	42,408
Payables to affiliates	10	<b>2,516</b>	469
Accrued expenses and accounts payable		<b>182</b>	206
Accrued interest payable	10	<b>482</b>	-
Federal income tax payable	11	<b>2,052</b>	2,372
<b>Total liabilities</b>		<b>183,582</b>	141,787
<b>Shareholder's equity</b>			
Common stock (par value \$1.00 per share; 370,000 shares authorized, issued and outstanding)	12	<b>370</b>	370
Additional paid-in capital	12	<b>112,580</b>	112,580
Retained earnings	12	<b>21,186</b>	13,520
<b>Total shareholder's equity</b>		<b>134,136</b>	126,470
<b>Total liabilities and shareholder's equity</b>		<b>317,718</b>	268,257

The accompanying notes are an integral part of these financial statements.

**Statements of Operations**

<i>U.S. \$ in thousands</i>	<b>Notes</b>	<b>Year Ended December</b>	
		<b>2023</b>	<b>2022</b>
<b>Revenues</b>			
Change in fair value of reinsurance contracts and derivatives		<b>289</b>	3,677
Change in fair value of secured financings		<b>1,750</b>	63
Net investment income	8	<b>7,759</b>	4,724
Fee Income	9	<b>516</b>	1,338
Net currency translation gain/(loss)		<b>10</b>	126
<b>Total net revenues</b>		<b>10,324</b>	9,928
<b>Operating expenses</b>			
General operating expenses		<b>620</b>	621
<b>Total operating expenses</b>		<b>620</b>	621
Pre-tax earnings		<b>9,704</b>	9,307
Provision for taxes	11	<b>2,038</b>	1,955
<b>Net earnings</b>		<b>7,666</b>	7,352

The accompanying notes are an integral part of these financial statements.

**Statements of Changes in Shareholder's Equity**

<i>U.S. \$ in thousands</i>	Year Ended December	
	2023	2022
<b>Common stock</b>		
Beginning balance	370	370
Ending balance	370	370
<b>Additional paid-in capital</b>		
Beginning balance	112,580	122,580
Capital Reduction	-	(10,000)
Ending balance	112,580	112,580
<b>Retained earnings</b>		
Beginning balance	13,520	36,168
Dividend distribution	-	(30,000)
Net earnings	7,666	7,352
Ending balance	21,186	13,520
<b>Total shareholder's equity</b>	<b>134,136</b>	<b>126,470</b>

The accompanying notes are an integral part of these financial statements.

**Statements of Cash Flows**

<i>U.S. \$ in thousands</i>	Year Ended December	
	2023	2022
<b>Cash flows from/(used for) operating activities</b>		
Net earnings	7,666	7,352
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income taxes	(14)	(417)
Foreign currency translations	4,646	279
Changes in operating assets and liabilities:		
Accrued interest	4,334	(3,623)
Derivative instruments	763	19,898
Reinsurance contracts, net	(95,696)	(134,101)
Receivables and payables, net	53,017	71,564
Accrued expenses and accounts payable	(24)	39
Federal income taxes payable	(320)	1,962
Other assets	15	(17)
Secured financings	(1,506)	(2,407)
Net cash from/(used for) operating activities	(27,119)	(39,471)
<b>Cash flows from/(used for) investing activities</b>		
Receipts from unsecured intercompany loan	29,421	78,635
Net cash from/(used for) investing activities	29,421	78,635
<b>Cash flows from/(used for) financing activities</b>		
Dividend distribution	-	(30,000)
Capital reduction	-	(10,000)
Net cash from/(used for) financing activities	-	(40,000)
Effect of exchange rate changes on cash and cash equivalents	14	(15)
<b>Net increase/(decrease) in cash</b>	<b>2,316</b>	<b>(851)</b>
Cash, beginning balance	12,000	12,851
<b>Cash, ending balance</b>	<b>14,316</b>	<b>12,000</b>

**Supplemental Disclosures:**

Cash receipts from interest was \$4.574 in 2023 and \$ Nil in 2022

Cash payments for income taxes was \$0.41 during 2023 and \$ Nil during 2022

The Company's tax liability of \$2.372 was discharged by Group Inc. during 2023

The accompanying notes are an integral part of these financial statements



## Notes to the Financial Statements

### Note 1.

#### Description of Business

Arrow Reinsurance Company, Limited (the Company) is a wholly-owned subsidiary of Goldman Sachs Non-US Americas Holdings LLC and is ultimately held by The Goldman Sachs Group, Inc. (Group Inc.), a bank holding company under the U.S. Bank Holding Company Act of 1956 (BHC Act), a financial holding company under the amendments to the BHC Act effected by the U.S. Gramm Leach Bliley Act of 1999, and is subject to supervision and examination by the Federal Reserve Board. The Company was incorporated on November 26, 1997 in Bermuda and was registered as a Class 3A insurer and a Class C insurer under The Insurance Act 1978, with amendments thereto and related regulations (the Insurance Act). The Company acts as a reinsurer, bringing new capacity to the reinsurance market by allowing for the transfer of risk to the capital markets through swaps and options (collectively, derivative contracts). In this capacity, the Company will enter into agreements with third parties and/or affiliates.

On December 23, 1997, the Bermuda Parliament passed The Arrow Reinsurance Company, Limited Act, 1997 (the Arrow Re Act), which, among other things, permits the Company to designate the treatment of a risk contract as either an Event-Linked Financial Instrument or a Policy for the purposes of Bermuda statutory reporting.

### Note 2.

#### Basis of Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

All references to 2023 and 2022 refer to the Company's years ended, or the dates, as the context requires, December 31, 2023 and December 31, 2022. Certain reclassifications have been made to previously reported amounts to conform to the current presentation.

### Note 3.

#### Significant Accounting Policies

##### Use of Estimates

Preparation of these financial statements requires management to make certain estimates and assumptions, most important of which relate to fair value measurements. These estimates and assumptions are based on the best available information but actual results could be materially different.

#### Financial Assets and Financial Liabilities at Fair Value.

In the normal course of business, the Company enters into derivative contracts as economic hedges for risk assumed via reinsurance contracts. The Company accounts for its financial instruments at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 – Fair Value Measurements and Disclosure. The fair value of a financial instrument is the amount 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.

#### Offsetting Assets and Liabilities

To reduce credit exposures on derivatives, the Company may enter into master netting agreements or similar arrangements (collectively, netting agreements) with counterparties that permit it to offset receivables and payables with such counterparties. A netting agreement is a contract with a counterparty that permits net settlement of multiple transactions with that counterparty, including upon the exercise of termination rights by a non-defaulting party. Upon exercise of such termination rights, all transactions governed by the netting agreement are terminated and a net settlement amount is calculated. In order to assess enforceability of the Company's right of setoff under netting agreements, the Company evaluates various factors including applicable bankruptcy laws, local statutes and regulatory provisions in the jurisdiction of the parties to the agreement.

As a result, where all relevant criteria are met including when a legal right of setoff exists under an enforceable netting agreement, derivatives are reported on a net-by-counterparty basis (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) in the statements of financial condition.

#### Cash

Cash is primarily comprised of highly liquid overnight deposits held in the ordinary course of business. As of December 2023 and December 2022, \$14.32 million and \$12.00 million were held in such deposits and the Company did not hold any restricted cash.

#### Foreign Currency Translation

The reporting and functional currency of the Company is the U.S. dollar. Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the statements of financial condition and revenues and expenses are translated at average rates of exchange for the period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings.

## Notes to the Financial Statements

### Reinsurance

The Company evaluated and determined it has met the risk transfer provisions of ASC 944-40 – Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts. To meet risk transfer requirements, a long duration reinsurance contract must transfer mortality or morbidity risks, and subject the reinsurer to a reasonable possibility of a significant loss. For short-duration contracts to meet risk transfer requirements, the reinsurer must assume significant insurance risk and have a reasonable possibility of experiencing significant loss.

#### Note 4.

##### Minimum Guarantees

The Company assumes, via reinsurance, annuity contracts with guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation benefits (GMAB) features. The GMDB features provide annuity contract holders with a guarantee that the payment received at death will be no less than a prescribed minimum amount. If the GMDB amount is higher than the account value at the time of death, the Company is obligated to pay the difference.

The GMAB features provide annuity contract holders with a guarantee that, regardless of market performance, the value of the contract at some future date will be no less than 100% or 90% (depending on certain elections) of the initial premium paid. If the account value is less than the guaranteed amount at the specified future date, the Company is obligated to pay the difference between the account value and the guarantee value.

The Company had a liability of \$78.94 million and \$85.87 million and an asset of \$163.1 million and \$74.33 million associated with these annuities as of December 2023 and December 2022. These are reflected in the statements of financial condition as reinsurance contracts. See Note 7 for the valuation methodology of these reinsurance contracts. The aforementioned reinsurance contracts covering these annuities are collateralized. The collateral is reflected in the statements of financial condition within receivables from customers and payables to customers. The Company had collateral receivable from customers of \$63.82 million and \$67.26 million as of December 2023 and December 2022. The Company had collateral payable to customers of \$89.68 million and \$42.41 million as of December 2023 and December 2022.

The table below represents information regarding the Company's annuity contracts with guarantees.

<i>U.S. \$ in thousands, except for contract holders' information</i>	Account Value	Net Amount at Risk	Average Attained Age
<b>As of December 2023</b>			
<b>Benefit Type</b>			
<b>GMDB</b>	<b>\$ 399,864</b>	<b>\$ 67,715</b>	<b>64.5</b>
<b>GMAB</b>	<b>\$ 399,864</b>	<b>\$ 67,715</b>	<b>64.5</b>
<b>As of December 2022</b>			
<b>Benefit Type</b>			
GMDB	\$ 681,338	\$ 105,109	65.5
GMAB	\$ 681,338	\$ 105,082	65.5

In the table above, the net amount at risk represents the excess of the guaranteed benefits over account value for contracts that have an account value less than the guarantee.

#### Note 5.

##### Fair Value Measurements

The fair value of a financial instrument is the amount 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. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

The best evidence of fair value is a quoted price in an active market. If quoted prices in active markets are not available, fair value is determined by reference to prices for similar instruments, quoted prices or recent transactions in less active markets, or internally developed models that primarily use market-based or independently sourced inputs, including, but not limited to, interest rates, volatilities, equity or debt prices, foreign exchange rates, commodity prices, credit spreads and funding spreads (i.e., the spread or difference between the interest rate at which a borrower could finance a given financial instrument relative to a benchmark interest rate).

U.S. GAAP has a three-level fair value hierarchy for disclosure of fair value measurements. This hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to level 1 inputs and the lowest priority to level 3 inputs. A financial instrument's level in this hierarchy is based on the lowest level of input that is significant to fair value measurement. In evaluating the significance of a valuation input, the Company considers, among other factors, a portfolio's net risk exposure to that input.

## Notes to the Financial Statements

The fair value hierarchy is as follows:

**Level 1.** Inputs are unadjusted quoted prices in active markets to which the Company had access at the measurement date for identical, unrestricted assets or liabilities. The Company had no Level 1 financial assets or liabilities as of December 2023 and December 2022.

**Level 2.** Inputs to valuation techniques are observable, either directly or indirectly. The Company had an immaterial financial liability classified as Level 2 as of December 2023 and December 2022.

**Level 3.** One or more inputs to valuation techniques are significant and unobservable.

The fair values for substantially all of the Company's financial assets and financial liabilities are classified in levels 3 of the fair value hierarchy. Certain level 3 financial assets and financial liabilities may require appropriate valuation adjustments that a market participant would require to arrive at fair value for factors such as counterparty and the firm's credit quality, funding risk, transfer restrictions, liquidity and bid/offer spreads. Valuation adjustments are generally based on market evidence. See Note 6 and Note 7 for further information about fair value measurement of derivatives and other financial liabilities.

The following tables set forth by level within the fair value hierarchy financial assets and liabilities accounted for at fair value under ASC 820 as of December 2023 and December 2022. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

U.S. \$ in thousands	As of December 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Reinsurance contracts	-	-	163,103	163,103
Derivative instruments:				
Equities	-	-	94,630	94,630
Gross fair value of financial assets	-	-	257,733	257,733
Cross-level counterparty netting	-	-	-	-
Counterparty netting in levels	-	-	(94,630)	(94,630)
<b>Total financial assets at fair value</b>				<b>\$ 163,103</b>
<b>Liabilities</b>				
Reinsurance contracts	-	-	78,923	78,923
Secured financings	-	-	8,959	8,959
Derivative instruments:				
Equities	-	2,319	183,544	185,863
Gross fair value of financial liabilities	-	2,319	271,426	273,745
Cross-level counterparty netting	-	-	-	-
Counterparty netting in levels	-	-	(94,630)	(94,630)
<b>Total financial liabilities at value</b>				<b>\$ 179,115</b>

U.S. \$ in thousands	As of December 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Reinsurance contracts	-	-	74,330	74,330
Derivative instruments:				
Equities	-	-	125,916	125,916
Gross fair value of financial assets	-	-	200,246	200,246
Cross-level counterparty netting	-	-	(2,729)	(2,729)
Counterparty netting in levels	-	-	(118,784)	(118,784)
<b>Total financial assets at fair value</b>				<b>\$ 78,733</b>
<b>Liabilities</b>				
Reinsurance contracts	-	-	85,867	85,867
Secured financings	-	-	10,465	10,465
Derivative instruments:				
Equities	-	2,729	118,784	121,513
Gross fair value of financial liabilities	-	2,729	215,116	217,845
Cross-level counterparty netting	-	(2,729)	-	(2,729)
Counterparty netting in levels	-	-	(118,784)	(118,784)
<b>Total financial liabilities at fair value</b>				<b>\$ 96,332</b>

### Note 6. Derivative Activities

Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates and other inputs, or a combination of these factors. The Company's derivatives are privately negotiated contracts, which are usually referred to as over-the-counter (OTC) derivatives.

## Notes to the Financial Statements

Substantially all of the Company's derivative instruments are equity swaps and put options (collectively, equity derivatives), used to hedge certain risks inherent in the funds underlying the annuity policies assumed under annuity reinsurance transactions.

The Company accounts for derivatives under ASC 815, with changes in fair value of the instruments recognized in the statements of operations within change in fair value of reinsurance contracts and derivatives.

The table below presents the gross fair value and the notional amounts of derivative contracts by product type, and the amounts of counterparty netting and collateral netting in the statements of financial condition, as well as cash and securities collateral posted and received under enforceable credit support agreements that do not meet the criteria for netting under U.S. GAAP. As of December 2023 and December 2022, the Company had no such collateral posted and received.

The Company's derivatives are used as an economic hedge of risks inherent in the funds underlying the annuity policies assumed under a reinsurance transaction.

U.S. \$ in thousands	As of December 2023		As of December 2022	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Equities – Bilateral OTC	\$ 94,630	\$ 185,863	\$ 125,916	\$ 121,513
<b>Total gross fair value</b>	<b>\$ 94,630</b>	<b>\$ 185,863</b>	<b>\$ 125,916</b>	<b>\$ 121,513</b>
Counterparty netting	\$ (94,630)	\$ (94,630)	\$ (121,513)	\$ (121,513)
Collateral netting	\$ -	\$ (90,470)	\$ (4,857)	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 763</b>	<b>\$ (454)*</b>	<b>\$ -</b>

\*Represented under Receivable from Affiliates

U.S. \$ in thousands	Notional Amounts as of December	
	2023	2022
Equities – Bilateral OTC	\$ 5,092,485	\$ 3,785,905
<b>Total notional amounts</b>	<b>\$ 5,092,485</b>	<b>\$ 3,785,905</b>

In the tables above:

- Gross fair values exclude the effects of counterparty netting and Collateral netting and therefore are not representative of the Company's exposure.
- If the Company receives or posts collateral under credit support agreements, but has not determined such agreements are enforceable, the related collateral would not be netted.
- Notional amounts, which represent the sum of gross long and short derivative contracts, provide an indication of the volume of the Company's derivative activity and do not represent anticipated losses.

### Valuation Techniques and Significant Unobservable Inputs

Level 2 and level 3 derivatives are valued using derivative pricing models (e.g., discounted cash flow models, correlation models, and models that incorporate option pricing methodologies, such as Monte Carlo simulations). For level 2 derivative instruments, valuation models require a variety of inputs, such as contractual terms, market prices, yield curves, discount rates (including those derived from interest rates on collateral received and posted as specified in credit support agreements for collateralized derivatives), credit curves, measures of volatility, prepayment rates, loss severity rates and correlations of such inputs. Significant inputs to the valuations of level 2 derivatives can be verified to market transactions, broker or dealer quotations or other alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations (e.g., indicative or firm) and the relationship of recent market activity to the prices provided from alternative pricing sources. Level 3 derivatives are valued using models which utilize observable level 1 and/or level 2 inputs, as well as unobservable level 3 inputs. For level 3 Equity Derivatives, significant unobservable inputs include Correlation, Lapse and Mortality.

### Level 3 Rollforward

The table below presents a summary of the changes in fair value for level 3 derivatives.

U.S. \$ in thousands	Year Ended December	
	2023	2022
<b>Total level 3 equity derivatives</b>		
Beginning balance	7,132	139,736
Net realized gains/(losses)	(29,794)	(25,489)
Net unrealized gains/(losses)	(95,611)	(122,804)
Purchases	-	(12,417)
Sales	1,202	3,512
Settlements	28,157	24,594
<b>Ending balance – Gross</b>	<b>(88,914)</b>	<b>7,132</b>
<b>Collateral Netting</b>	<b>(90,470)</b>	<b>(4,857)</b>
<b>Ending balance – Net</b>	<b>\$ (1,556)</b>	<b>\$ 2,275</b>

In the table above:

- Changes in fair value are presented for all derivative assets and liabilities that are classified as level 3 as of the end of the period.
- Net unrealized gains/(losses) related to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a derivative was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of derivative assets.

## Notes to the Financial Statements

Negative amounts for transfers into level 3 and positive amounts for transfers out of level 3 represent net transfers of derivative liabilities.

- A derivative with level 1 and/or level 2 inputs is classified in level 3 in its entirety if it has at least one significant level 3 input.
- If there is one significant level 3 input, the entire gain or loss from adjusting only observable inputs (i.e., level 1 and level 2 inputs) is classified in level 3.

### Note 7.

#### Fair Value Option

#### Other Financial Liabilities at Fair Value

In addition to derivative instruments, the Company accounts for certain of its other financial liabilities at fair value, substantially all under the fair value option. These financial liabilities include reinsurance contracts and secured financings.

#### Reinsurance Contracts

The fair value of the reinsurance contracts are determined by using Goldman, Sachs & Co.'s (GS&Co) proprietary valuation model and procedures. The inputs into the model include market implied volatility and growth rates for the underlying separate account or index. Policyholder lapse is modeled as dynamic and reflective of the value of the underlying fund or index guarantee. Mortality rates are based on quoted reinsurance on the underlying pool.

Some inputs to the model are both significant to the valuation and unobservable as price transparency is limited and the reinsurance contracts are generally illiquid. Where possible, these inputs are based upon third-party information. In the absence of such information, management's best estimate is used.

#### Secured Financings

The fair value of secured financings is determined by using GS&Co's proprietary valuation model and procedures. The inputs into the model include the amount and timing of expected future cash flows and interest rates.

#### Level 3 Rollforward

The table below presents a summary of the changes in the fair value for level 3 reinsurance contracts and secured financings.

U.S. \$ in thousands	Year Ended December	
	2023	2022
<b>Reinsurance contracts (Assets)</b>		
Beginning balance	\$ 74,330	\$ 9,161
Net realized gains/(losses)	-	-
Net unrealized gains/(losses)	94,828	65,169
Issuances	-	-
Settlements	(6,055)	-
<b>Ending balance</b>	<b>\$ 163,103</b>	<b>\$ 74,330</b>
<b>Reinsurance contracts (Liabilities)</b>		
Beginning balance	\$ 85,867	\$ 154,798
Net realized gains/(losses)	-	-
Net unrealized gains/(losses)	(868)	(59,770)
Issuances	-	-
Settlements	(6,055)	(9,161)
<b>Ending balance</b>	<b>\$ 78,944</b>	<b>\$ 85,867</b>
<b>Secured financings</b>		
Beginning balance	\$ 10,465	\$ 12,872
Net realized gains/(losses)	-	-
Net unrealized gains/(losses)	(1,506)	(2,407)
Settlements	-	-
<b>Ending balance</b>	<b>\$ 8,959</b>	<b>\$ 10,465</b>

Changes in fair value are presented for all reinsurance contracts and secured financings that are categorized as level 3 as of the end of the period.

- Net unrealized gains/(losses) relate to instruments that were still held at period-end.
- Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. If a reinsurance contracts or secured financings was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3.
- Positive amounts for transfers into level 3 and negative amounts for transfers out of level 3 represent net transfers of reinsurance contracts or secured financings.
- Level 3 reinsurance contracts are economically hedged with derivative. Accordingly, gains or losses that are classified in level 3 can be partially offset by gains or losses attributable to level 3 derivatives. As a result, gains or losses included in the level 3 rollforward above do not necessarily represent the overall impact on the Company's results of operations, liquidity or capital resources.

## Notes to the Financial Statements

### Note 8. Net Investment Income

The table below presents the details of net investment income.

U.S. \$ in thousands	As of December	
	2023	2022
Interest on loan	\$ 285	\$ 3,600
Interest on overnight placements	446	48
Interest on collateral placed	6,838	1,070
Investment income with Affiliate	7,569	4,718
Interest income on cash deposit	173	-
Interest on collateral placed/(held) with third parties	17	6
<b>Investment income</b>	<b>\$ 7,759</b>	<b>\$ 4,724</b>

### Note 9. Fee Income

The table below presents the details of fee income from its group affiliate as per the transfer pricing regulations.

U.S. \$ in thousands	As of December	
	2023	2022
<b>Fee income</b>	<b>\$ 516</b>	<b>\$ 1,338</b>

### Note 10. Transactions with Related Parties

Receivable balances from affiliates primarily relate to derivative contracts (net of collateralization) used to hedge risks assumed on annuity contracts. The Company has derivative instrument (net asset) with affiliates amounting to \$Nil and \$4.40 million as at December 2023 and December 2022 respectively, and (net liabilities) with affiliates amounting to \$91.23 million and \$Nil as at December 2023 and December 2022 respectively, which is netted with net collateral receivable/payable amounting to \$90.47 million and \$4.86 million as at December 2023 and December 2022 respectively. These balances are presented in the Statement of financial condition as \$0.76 million as at December 2023 and \$Nil as at December 2022 respectively. The Company's other receivables from and payables to affiliates are immaterial as at December 2023 and December 2022. Further, the Company had secured financing amounting to \$8.96 million and \$10.47 million as at December 2023 and December 2022 respectively. See Note 6 and Note 7 for details.

The Company had a loan receivable from Group Inc. of \$64.95 million and \$99.03 million as at December 2023 and December 2022, presented as unsecured intercompany loan. The Company had accrued interest payable of \$0.48 million and accrued interest receivable of \$3.85 million, in connection with this loan. The carrying amount of this loan receivable

approximates fair value as this borrowing is short term and accrues interest at a variable rate per annum, subject to change, as negotiated by the parties. For the years ended December 2023 and December 2022, the Company earned \$0.29 million and \$3.60 million, as interest income from the intercompany loan with Group Inc. which is reflected in the statements of operations within net investment income. For the years ended December 2023 and December 2022, the Company earned \$0.52 million and \$1.34 million as fee income from affiliate which is reflected in the statements of operations as fee income.

### Note 11. Federal Income Taxes

On December 27, 2023 the Government of Bermuda enacted the Corporate Income Tax Act 2023. As a result, certain Bermuda businesses which are part of large multinational groups will be subject to a 15% corporate income tax in fiscal years beginning on or after January 1, 2025 regardless of any past assurances for exemption from local income, withholding and capital gains taxes. We expect the Company to be subject to the legislation and evaluated the impact of the legislation on our operations, including the transitional provisions and elections available to mitigate such impact. The legislation did not have a material impact on our 2023 annual effective tax rate.

#### Provision for Federal Income Taxes

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. The Company reports interest expense related to income tax matters in provision for taxes.

The Company has received an undertaking from the Government of Bermuda which exempts it from all local income, withholding and capital gains taxes until March 31, 2035. Therefore, no such taxes are accrued for in Bermuda. The Company has made a 953(d) election to be treated as a domestic corporation for U.S. federal income tax purposes. As a domestic corporation for U.S. tax purposes, the Company is subject to U.S. federal income taxes on its earnings. The Company's results of operations are included in the consolidated federal tax returns of Group Inc. The Company computes its tax liabilities and benefits as if it were filing a federal tax return on a modified separate company basis and settles such liabilities or benefits with Group Inc. pursuant to a tax sharing arrangement. As of December 2023 and December 2022, the Company had taxes payable of \$2.05 million and \$2.37 million.

## Notes to the Financial Statements

For U.S. federal income tax purposes, the Company's Segregated Account is treated as a Controlled Foreign Corporation and files a Form 5471.

The table below presents information about the tax provision for federal income tax expense.

U.S. \$ in thousands	Year Ended December	
	2023	2022
Current tax expense	\$ 2,052	\$ 2,372
Deferred tax expense/(benefit)	(14)	(417)
Previous year true-up/(down)	-	-
Provision for taxes	\$ 2,038	\$ 1,955

### Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

The Company has recorded a deferred tax asset of \$976 thousand and \$962 thousand as of December 2023 and December 2022 respectively.

For the years ended December 2023 and December 2022, the deferred tax expense is primarily due to temporary differences from unrealized gains and losses on reinsurance contracts and derivatives. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. There were no valuation allowances deemed necessary as of both December 2023 and December 2022.

### Unrecognized Tax Benefits

The Company recognizes tax positions in the financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between position taken in a tax return and amounts recognized in the financial statements. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will impact the Company's financial condition, results of operations, or cash flows.

As of both December 2023 and December 2022, the Company did not record a liability related to unrecognized income tax benefits.

### Regulatory Tax Examinations

The Company is subject to examination by the U.S. Internal Revenue Service (IRS) as part of Group Inc.

Group Inc. has been accepted into the Compliance Assurance Process program by the IRS for each of the tax years from 2013 through 2024. This program allows Group Inc. to work with the IRS to identify and resolve potential U.S. federal tax issues before the filing of tax returns. All issues for the 2011 through 2018 tax years have been resolved and completion is pending final review by the Joint Committee on Taxation. All issues for the 2019 through 2021 tax years have been resolved and will be effectively settled pending administrative completion by the IRS. Final completion of tax years 2011 through 2021 will not have a material impact on the effective tax rate. The 2022 tax year remains subject to post-filing review.

### Note 12. Shareholder's Equity

The Company is authorized to issue up to 370,000 shares of common stock with a par value of \$1.00 per share. As of both December 2023 and December 2022, there were 370,000 shares outstanding. Hence, as of both December 2023 and December 2022 all of the shares were held by Goldman Sachs Non-US Americas Holdings LLC. Distributions out of additional paid-in capital or retained earnings are unrestricted to the extent that the statutory requirements are met as described in Note 13.

### Note 13. Statutory Requirements

Under the Bermuda Insurance Act 1978 and other regulations, the Company is required to prepare and file financial statements and a statutory financial return in Bermuda. The Act also requires the Company to maintain certain measures of solvency and liquidity. The information provided below is supplementary and unaudited.

U.S. \$ in thousands except for Enhanced Capital Requirement Ratio	Year Ended December	
	2023	2022
Minimum Margin of Solvency	\$ 3,653	\$ 2,977
Enhanced Capital Requirement Available Economic Capital and Surplus	3,666	\$ 8,299
Enhanced Capital Requirement Ratio	118,580	111,708
	\$ 3235%	\$ 1,346%

### Note 14. Subsequent Events

The Company evaluated subsequent events through April 29, 2024, the date the financial statements were issued and determined that there were no material events or transactions that would require recognition or additional disclosure in these financial statements.