Arrow Reinsurance Company, Limited

(Incorporated in Bermuda)

Financial Statements
December 31, 2021 and 2020

CONFIDENTIAL

INDEX

April 26, 2022

Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of Arrow Reinsurance Company, Limited (the "Company"), which comprise the balance sheets as of December 31, 2021 and December 31, 2020, and the related statements of operations, changes in shareholder's equity and 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, 2021 and December 31, 2020, 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 scepticism 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

ARROW REINSURANCE COMPANY, LIMITED

Statements of Financial Condition

U.S. $ in thousands	**Notes**	As of December 31 **2021**	 2020
Assets			
Cash	3	**12,851**	59,952
Net derivative instruments	6	**19,898**	14,342
Reinsurance contracts (at fair value)	5	**9,161**	4,419
Receivables from customers	4	**112,466**	196,303
Receivables from affiliates	9	**30**	4
Unsecured intercompany loan	9	**177,929**	207,423
Accrued interest	9	**229**	1,553
Deferred tax asset	10	**545**	769
Prepaid expenses		**110**	-
Total assets		**333,219**	484,765
Liabilities and shareholder's equity			
Reinsurance contracts (at fair value)	5	**154,799**	266,379
Secured financings (long-term) (at fair value)	5	**12,872**	14,039
Payables to customers	4	**5,833**	4,599
Payables to affiliates	9	**20**	289
Accrued expenses and accounts payable		**167**	388
Federal income tax payable	10	**410**	2,356
Total liabilities		**174,101**	288,050
Shareholder's equity			
Common stock (par value $1.00 per share; 370,000 shares authorized, issued and outstanding)	11	**370**	370
Additional paid-in capital	11	**122,580**	132,580
Retained earnings	11	**36,168**	63,765
Total shareholder's equity		**159,118**	196,715
Total liabilities and shareholder's equity		**$ 333,219**	$ 484,765

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

ARROW REINSURANCE COMPANY, LIMITED

Statements of Operations

U.S. $ in thousands	**Notes**	Year Ended December **2021**	2020
Revenues			
Change in fair value of reinsurance contracts and derivatives		**(745)**	(1,949)
Change in fair value of secured financings		**935**	11
Net investment income	8	**3,162**	4,777
Net currency translation gain/(loss)		**31**	(78)
Total net revenues		**3,383**	2,761
Operating expenses			
General operating expenses		**345**	432
Total operating expenses		**345**	432
Pre-tax earnings		**3,038**	2,329
Provision for taxes	10	**635**	494
Net earnings		**2,403**	1,835

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

ARROW REINSURANCE COMPANY, LIMITED

Statements of Changes in Shareholder's Equity

	Year Ended December	
U.S. $ in thousands	**2021**	2020
Common stock		
Beginning balance	**370**	370
Ending balance	**370**	370
Additional paid-in capital		
Beginning balance	**132,580**	132,580
Capital Reduction	**(10,000)**	-
Ending balance	**122,580**	132,580
Retained earnings		
Beginning balance	**63,765**	61,930
Dividend distribution	**(30,000)**	-
Net earnings	**2,403**	1,835
Ending balance	**36,168**	63,765
Total shareholder's equity	**159,118**	196,715

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

ARROW REINSURANCE COMPANY, LIMITED

Statements of Cash Flows

U.S. $ in thousands	Year Ended December 2021	2020
Cash flows from/(used for) operating activities		
Net earnings	**2,403**	1,835
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income taxes	**224**	(138)
Foreign currency translations	**4,821**	(3,623)
Changes in operating assets and liabilities:		
Accrued interest	**1,324**	7,076
Derivative instruments	**(5,556)**	8,944
Reinsurance contracts, net	**(116,322)**	113,059
Receivables and payables, net	**84,776**	(107,743)
Accrued expenses and accounts payable	**(221)**	(149)
Federal income taxes payable	**(1,946)**	631
Other assets	**(110)**	6
Secured financings	**(1,167)**	(13,622)
Net cash from/(used for) operating activities	**(31,774)**	6,276
Cash flows from/(used for) investing activities		
Unsecured intercompany loan	**24,673**	25,772
Net cash from/(used for) investing activities	**24,673**	25,772
Cash flows from/(used for) financing activites		
Dividend distribution	**(30,000)**	-
Capital reduction	**(10,000)**	-
Net cash from/(used for) financing activites	**(40,000)**	-
Net increase/(decrease) in cash	**(47,101)**	32,048
Cash, beginning balance	**59,952**	27,904
Cash, ending balance	**12,851**	59,952

Supplemental Disclosures:

Cash receipts from interest was $ 4.38 million in 2021 and $ 11.69 million in 2020.

Cash payments for income taxes was $ 2.36 million for 2021 and $ 1.06 million for 2020.

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 (on Jan 1, 2009) and a Class C insurer (on Sept 22, 2009) 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 2021 and 2020 refer to the Company's years ended, or the dates, as the context requires, December 31, 2021 and December 31, 2020. 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.

Revenue Recognition

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 contacts. 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.

To better reflect the credit risk related to the derivatives and to reduce operational complexity, the entity changed its accounting policy with regard to offsetting amounts related to derivative transactions from the period ended 31 December 2020. 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 2021 and December 2020, $12.85 million and $59.95 million were held in such deposits. As of December 2021 and December 2020, 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.

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, variable 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 $154.8 million and $266.38 million associated with these variable annuities as of December 2021 and December 2020. 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 fully 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 $112.47 million and $196.3 million as of December 2021 and December 2020. The Company had collateral payable to customers of $5.83 million and $4.6 million as of December 2021 and December 2020.

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

U.S. $ in thousands, except for contract holders' information		Account Value		Net Amount at Risk	Average Attained Age
As of December 2021					
Benefit Type					
GMDB	**$**	**1,545,928**	**$**	**82,875**	**66.1**
GMAB	**$**	**1,545,928**	**$**	**82,709**	**66.1**
As of December 2020					
Benefit Type					
GMDB	$	1,635,454	$	160,408	65.4
GMAB	$	1,635,454	$	159,246	65.4

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.

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 2021 and December 2020.

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 2021 and no level 2 financial assets as of December 2020.

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 2021 and December 2020. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	As of December 2021			
U.S. $ in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Reinsurance contracts	–	–	9,161	9,161
Derivative instruments:				
Equities	–	–	236,712	236,712
Gross fair value of financial assets	–	–	245,873	245,873
Counterparty netting in levels	–	(317)	(96,976)	(97,293)
Subtotal	–	(317)	148,897	148,580
Cross-level counterparty Netting				–
Total financial assets at fair value				$ 148,580
Liabilities				
Reinsurance contracts	–	–	154,799	154,799
Secured financings	–	–	12,872	12,872
Derivative instruments:				
Equities	–	317	96,976	97,293
Gross fair value of financial liabilities	–	317	264,647	264,964
Counterparty netting in levels	–	(317)	(96,976)	(97,293)
Subtotal	–	–	167,671	167,671
Cross-level counterparty Netting				–
Total financial liabilities at value				$ 167,671

	As of December 2020			
U.S. $ in thousands	Level 1	Level 2	Level 3	Total
Assets				
Reinsurance contracts	–	–	4,419	4,419
Derivative instruments:				
Equities	–	–	416,580	416,580
Gross fair value of financial assets	–	–	420,999	420,999
Counterparty netting in levels	–	–	(161,465)	(161,465)
Subtotal	–	–	259,534	259,534
Cross-level counterparty netting				–
Total financial assets at fair value				$ 259,534
Liabilities				
Reinsurance contracts	–	–	$266,37	266,379
Secured financings	–	–	14,039	14,039
Derivative instruments:				
Equities	–	–	161,465	161,465
Gross fair value of financial liabilities	–	–	441,883	441,883
Counterparty netting in levels	–	–	(161,465)	(161,465)
Subtotal	–	–	280,418	280,418
Cross-level counterparty netting				–
Total financial liabilities at fair value				$ 280,418

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.

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 variable annuity policies assumed under variable 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 2021 and December 2020, the Company had no such collateral posted and received.

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

	As of December 2021		As of December 2020	
U.S. $ in thousands	**Derivative Assets**	**Derivative Liabilities**	Derivative Assets	Derivative Liabilities
Equities – Bilateral OTC	**$ 236,712**	**$ 97,293**	$ 416,580	$ 161,465
Total gross fair value	**$ 236,712**	**$ 97,293**	$ 416,580	$ 161,465
Offset in the statements of financial condition				
Counterparty netting	**$ (97,293)**	**$ (97,293)**	$ (161,465)	$ (161,465)
Collateral netting	**$ (119,521)**	**-**	$ (240,773)	-
Total	**$ 19,898**	**$ –**	$ 14,342	$ –

	Notional Amounts as of December	
U.S. $ in thousands	**2021**	2020
Equities – Bilateral OTC	**$ 4,648,710**	$ 4,817,140
Total notional amounts	**$ 4,648,710**	$ 4,817,140

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 been 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.
- Substantially all of the Company's OTC derivatives have a remaining maturity of greater than five years.

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.

	Year Ended December	
U.S. $ in thousands	**2021**	2020
Total level 3 equity derivatives		
Beginning balance	**255,115**	146,653
Net realized gains/(losses)	**(18,864)**	(27,652)
Net unrealized gains/(losses)	**(114,489)**	108,463
Purchases	**1,301**	-
Sales	**9,781**	(40)
Settlements	**6,892**	27,691
Ending balance – Gross	**139,736**	255,115
Collateral Netting	**(119,521)**	(240,773)
Ending balance – Net	**$ 20,215**	$ 14,342

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. 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. Policyholder lapse is modeled as dynamic and reflective of the value of the underlying fund 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.

All reinsurance contracts have a remaining maturity of greater than five years.

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.

Secured financings have a remaining maturity of greater than five years.

Level 3 Rollforward

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

	Year Ended December	
U.S. $ in thousands	**2021**	2020
Reinsurance contracts, net		
Beginning balance	**$ (261,960)**	$ (148,901)
Net realized gains/(losses)	**(1,222)**	30,133
Net unrealized gains/(losses)	**116,322**	(113,059)
Issuances	**-**	(30,133)
Settlements	**1,222**	-
Ending balance	**$ (145,638)**	$ (261,960)
Secured financings		
Beginning balance	**$ (14,039)**	$ (27,661)
Net realized gains/(losses)	**-**	(13,723)
Net unrealized gains/(losses)	**1,167**	13,622
Settlements	**-**	13,723
Ending balance	**$ (12,872)**	$ (14,039)

In the table above:

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.
- Negative amounts for transfers into level 3 and positive 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.

Note 8.
Net Investment Income

The table below presents the details of net investment income.

	As of December	
U.S. $ in thousands	**2021**	2020
Interest on loan	**$ 3,113**	$ 4,614
Interest on overnight placements	**53**	92
Interest on collateral placed	**6**	119
Gross investment income	**3,172**	4,825
Interest on collateral held	**(10)**	(48)
Net investment income	**$ 3,162**	$ 4,777

Note 9.
Transactions with Related Parties

Receivable balances from affiliates primarily relate to derivative contracts (net of collateralization) used to hedge risks assumed on variable annuity contracts.The Company has derivative instrument (net asset) with affiliates amounting to $139.42 million and $255.12 million as at December 2021 and December 2020 respectively, which is netted with net collateral payable amounting to $119.52 million and $240.77 million as at December 2021 and December 2020 respectively. These balances are presented in the Statement of financial condition as $19.9 million and $14.34 million as at December 2021 and December 2020 respectively. The Company's other receivables from and payables to affiliates are immaterial as at December 2021 and December 2020. Further, the company had secured financing amounting to $12.87 million and $14.04 million as at December 2021 and December 2020 respectively. See Note 6 and Note 7 for details.

The Company had a loan receivable from Group Inc. of approximately $177.93 million and $207.42 million as at December 2021 and December 2020, included in unsecured intercompany loan. The Company had accrued interest of $0.23 million and $1.55 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 2021 and December 2020, the Company earned $3.11 million and $4.61 million, as interest income from the intercompany loan with Group Inc. which is reflected in the statements of operations within net investment income.

Note 10.
Federal Income Taxes

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 2021 and December 2020, the Company had taxes payable of $0.41 million and $2.36 million.

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.

	Year Ended December	
U.S. $ in thousands	**2021**	2020
Current tax expense	**$ 410**	$ **632**
Deferred tax expense/(benefit)	**228**	**(142)**
Previous year true-up/(down)^	**(3)**	**4**
Provision for taxes	**$ 635**	$ **494**

^Represents true down of deferred tax expenses of $ 3 thousand in 2021 and true up of deferred tax expenses $4 thousand in 2020.

In March 2021, the American Rescue Plan Act of 2021 (Rescue Plan) was signed into law. The Rescue Plan is a $1.9 trillion stimulus package enacted to help address the economic health impacts of the coronavirus pandemic. The legislation did not have a material impact on the Company for 2021.

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 $545 thousand and $769 thousand as of December 2021 and December 2020 respectively.

For the years ended December 2021 and December 2020, 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 2021 and December 2020.

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 2021 and December 2020, 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 2022. 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. The fieldwork for tax years through 2018 has been completed. The final resolution of the audit for tax years through 2018 is not expected to have a material impact on the effective tax rate of Group Inc. or the Company. The 2019 and 2020 tax years remain subject to post-filing review.

Note 11.
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 2021 and December 2020, there were 370,000 shares outstanding. Hence, as of both December 2021 and December 2020 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 12.

The company made a dividend distribution of $30 million out of retained earnings and a return of capital distribution of $10 million during the year 2021. There were no capital contributions or distributions in 2020.

Note 12.
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			
		2021		2020
Minimum Margin of Solvency	**$**	**4,101**	$	4,406
Enhanced Capital Requirement		**16,403**	$	16,525
Available Economic Capital and Surplus		**145,019**		133,292
Enhanced Capital Requirement Ratio	**$**	**884%**	$	807%

Note 13.
Subsequent Events

The Company evaluated subsequent events through April 26, 2022, 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.