North End Re Ltd.

Financial Statements

For the period from July 13, 2018 to December 31, 2021

North End Re Ltd.

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North End Re Ltd.

Opinion

We have audited the financial statements of North End Re Ltd. (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of operations, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period July 13, 2018 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies (all expressed in United States dollars).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the for the period July 13, 2018 to December 31, 2021 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). 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 independent of the Company in accordance with the ethical requirements of the International Ethics Standards Board for Accountants (IESBA) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility 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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieved fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Ltd.

April 26, 2022

North End Re Ltd.

Statement of Financial Position
As at December 31, 2021

(In thousands of United States dollars)

	Note	2021
		$
Assets		
Cash and cash equivalents	*4*	1,716
Investments	*4*	168,090
Accounts receivable	*3*	1,538
Reinsurance funds withheld	*4*	1,645,981
Other assets		536
Total assets		**1,817,861**
Liabilities		
Accounts payable and accrued liabilities	*7*	3,205
Note payable	*6*	1,000
Deferred revenue	*5*	82,370
Insurance reserves	*8*	1,563,456
Total liabilities		**1,650,031**
Shareholder's equity	*10*	
Share capital		150,050
Accumulated surplus		15,198
Accumulated other comprehensive income		2,582
Total equity		**167,830**
Total liabilities and equity		**1,817,861**

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

North End Re Ltd.

Statement of Operations

For the period from July 13, 2018 to December 31, 2021

(In thousands of United States dollars)

	Note	**2021**
		$
Revenue		
Premiums		1,598,780
Net investment results from funds withheld	*4*	72,575
Other revenue	*5*	2,630
Net investment loss	*4*	(451)
Total revenue		**1,673,534**
Expenses		
Benefits paid on insurance contracts		89,812
Change in insurance reserves		1,563,456
Other reinsurance expenses	*12*	2,137
Operating expenses	*13*	2,931
Total expenses		**1,658,336**
Net income for the period		**15,198**

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

North End Re Ltd.

Statement of Comprehensive Income

For the period from July 13, 2018 to December 31, 2021

(In thousands of United States dollars)

	2021
	$
Net income for the period	15,198
Other comprehensive income:	
Unrealized gain on available-for-sale investments	2,582
Comprehensive income for the period	**17,780**

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

North End Re Ltd.

Statement of Changes in Equity

For the period from July 13, 2018 to December 31, 2021

(In thousands of United States dollars)

	Note	2021
	10	**$**
Common shares		
Beginning of the period		—
Issuance of shares		150,050
End of the period		**150,050**
Accumulated surplus		
Beginning of the period		—
Net income for the period		15,198
End of the period		**15,198**
Accumulated other comprehensive income		
Beginning of the period		—
Other comprehensive income for the period		2,582
End of the period		**2,582**
Total equity		**167,830**

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

North End Re Ltd.

Statement of Cash Flows

For the period from July 13, 2018 to December 31, 2021

(In thousands of United States dollars)

	2021
	$
Operating activities	
Net income for the period	15,198
Items not involving cash:	
Amortization of investments	(92)
Changes in non-cash balances related to operations:	
Change in insurance reserves	1,563,456
Change in reinsurance funds withheld	(1,645,981)
Change in deferred revenue	82,370
Change in other working capital items	2,131
Cash from operating activities	**17,082**
Investing activities	
Purchase of financial assets	(165,416)
Cash used in investing activities	**(165,416)**
Financing activities	
Issuance of shares	150,050
Cash from financing activities	**150,050**
Cash and cash equivalents at the beginning of the period	—
Net increase in cash and cash equivalents during the period	1,716
Cash and cash equivalents at the end of the period	**1,716**

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

1. The Company

North End Re Ltd. (the "Company") is a private limited company incorporated under the laws of Bermuda on July 13, 2018. The Company is a wholly-owned subsidiary of Brookfield Asset Management Reinsurance Holdings Ltd. (the “Parent”) which is wholly-owned by Brookfield Asset Management Reinsurance Partners Ltd. (“BAM Re”).

The Company received its Class E reinsurance license on May 5, 2021, from the Bermuda Monetary Authority ("BMA"). The Company is licensed to conduct commercial long-term life and annuity reinsurance business with third-party direct insurers and reinsurers.

On September 3, 2021, the Company entered into a modified coinsurance retrocession agreement to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligation.

As of November 3, 2021, a financial strength “A- “(Excellent) and long-term issuer credit rating of “a- “, was confirmed to the Company by AM Best. The outlook for these ratings is listed as stable. Credit ratings represent the opinions of rating agencies regarding an entity’s ability to repay its indebtedness. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurer or reinsurer to meet its obligations under an insurance policy or reinsurance arrangement and generally involve quantitative and qualitative evaluations by ratings agencies of a company’s financial condition and performance.

2. Summary of significant accounting policies

a) *Statement of Compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) which were in effect as at December 31, 2021. The financial statements are prepared on a going concern basis and have been presented in United States dollars ("USD") rounded to the nearest thousand unless otherwise indicated.

In accordance with IFRS, presentation of assets and liabilities on the Statements of Financial Position is in order of liquidity.

b) *Accounting estimates and judgements*

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The reported amounts and disclosures most susceptible to changes in estimates and assumptions include the measurement of insurance reserves, reinsurance assets, the fair value of financial assets determined using valuation techniques and the impairment of financial assets. Actual results may differ from those based on estimates and assumptions. Outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

Management judgment is also used in applying the accounting policies used to prepare the financial statements. The item most susceptible to changes in judgements is the evaluation of indicators of impairment of our investments.

The significant accounting policies used in preparing these financial statements, are summarized below.

2. Summary of significant accounting policies (continued)

c) Significant accounting policies

i. Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of 90 days or less. Cash and cash equivalents are classified as fair value through profit or loss ("FVTPL").

ii. Investments

Investments are financial assets which are comprised of bonds and other fixed income instruments. The Company uses trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- Available for sale ("AFS") assets are measured at fair value, with changes in fair value recognized in other comprehensive income/(loss); and
- FVTPL assets are measured at fair value with changes in fair value recognized in net income/(loss).

Financial assets are classified according to their nature and use at the time of initial recognition. Financial assets supporting capital and surplus and insurance reserves are classified as AFS and are measured at fair value. Unrealized gains/(losses) are recognized in other comprehensive income/(loss). Net impairment losses and realized gains or losses are reclassified to the Statement of Operations and recorded in net investment income/(loss). Transaction costs related to AFS investments are capitalized as part of the carrying value at initial recognition.

iii. Reinsurance funds withheld

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the Company acts as a reinsurer. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by the Company. These assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, the Company would need to assert a claim on the assets supporting the insurance reserves. However, the Company has the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets.

iv. Right to offset

Amounts presented in these financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

v. Impairment

At each reporting date, financial assets are assessed for impairment indicators. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligations. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer’s financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

vi. Note payable

Interest-bearing and non-interest-bearing notes outstanding to related parties are classified as note payable. Interest-bearing note payable accrue monthly interest at a London Interbank Offered Rate ("LIBOR") + spread rate.

2. Summary of significant accounting policies (continued)

c) Significant accounting policies (continued)

vii. Insurance reserves

Contract classifications
Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4, *Insurance Contracts* ("IFRS 4") on the Statement of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or service contracts and are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") or IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement
Insurance reserves are determined by the Company using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrues to the benefit of the policyholders as of the reporting date (commonly referred to as the account value), including policyholders accumulated net deposits plus a guaranteed rate of interest credited, less policyholder deaths and withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed.

viii. Reinsurance assumed
The Company assumes insurance contracts under modified coinsurance arrangements (“Modco”). The Company generally has the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

ix. Deferred revenue
The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies. Different amortization methods are permissible, one of these methods being present value of estimated gross profits. However, if estimated gross profits are expected to be negative, alternative amortization techniques are to be used. Given the absence of initial profits for the Company, the deferred revenue is amortized by number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in other revenue within the Statement of Operations.

x. Premiums
Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, with the result that benefits, and expenses are matched with such revenue.

xi. Benefits paid
Benefits paid are recorded in the Statement of Operations when they are due and incurred.

2. Summary of significant accounting policies (continued)

c) Significant accounting policies (continued)

xii. Net investment income

Interest income is calculated using the effective interest method.

Realized gains/(losses) on investments represent the difference between net sale proceeds and the book value.

Unrealized gains/(losses) on investments measure the difference between the fair value of investments at the end of each reporting date and their book value. The net movement reflects both unrealized gains and losses recognized during the period adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

xiii. Net investment results from funds withheld

Net investment results from funds withheld include investment income on funds withheld investments. Changes in the fair value of funds withheld investments are included in the net investment results from funds withheld in the Statement of Operations.

xiv. Foreign currencies

Foreign currency denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date, and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net investment loss.

xv. Future accounting policy changes

IFRS 17

In May 2017, the IASB issued IFRS 17, *Insurance Contracts* ("IFRS 17") which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB issued amendments to IFRS 17, which include deferral of the effective date to annual reporting periods beginning on or after January 1, 2023. In addition, the IASB extended the exemption for qualifying insurers to apply IFRS 9, *Financial Instruments* ("IFRS 9"), so that both IFRS 9 and IFRS 17 will have the same effective date.

IFRS 17 sets out the requirements for the recognition, measurement, presentation, and disclosures of insurance contracts a company issues and reinsurance contracts it holds. The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how insurance contracts are accounted for and how their financial performance are reported in the Statement of Operations. The impact from IFRS 17 is been assessed, as it is expected to be significant, on the timing of earnings recognition, as well as presentation and disclosure, of insurance contracts.

IFRS 9

In July 2014, the IASB published the complete version of IFRS 9, which replaces IAS 39 and is effective for annual periods beginning on or after January 1, 2018, with retrospective application. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model, and new hedge accounting guidance. In September 2016, the IASB issued an amendment to IFRS 4 to provide qualifying insurance companies with an optional temporary exemption from applying IFRS 9. The Company qualifies and has elected to take the deferral approach as its activities are predominantly connected with insurance.

2. Summary of significant accounting policies (continued)

c) Significant accounting policies (continued)

IFRS 9 (continued)
In July 2021, the IASB published a narrow-scope amendment to IFRS 9, which allow insurers to apply the classification overlay to address possible accounting mismatches between financial assets and insurance reserves in the comparative information presented on the initial application of IFRS 9 and IFRS 17.

The impact on the implementation of IFRS 9 on the financial statements is currently being assessed. Further details are disclosed in Note 4(f).

Amendments to IFRS 3
In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 *Business Combination*s. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022.

Amendments to IAS 37
In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Asset*s. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022.

Annual Improvements to IFRS Standards 2018-2020
In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our financial statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

Amendments to IAS 1
In February 2021, the IASB published *Disclosure of Accounting Policies* (Amendments to IAS 1, *Presentation of Financial Statements* and IFRS Practice Statement 2, *Making Materiality Judgements)* with amendments that are intended to help prepares in deciding which accounting policies to disclose in the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 8
In February 2021, the IASB published *Definition of Accounting Estimates* (Amendments to IAS 8, A*ccounting Policies, Changes in Accounting Estimates and Errors)* to help entities distinguish between accounting estimates and accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

xvi. Impact of COVID-19
Since the outbreak of COVID-19, emergency measures taken in response to the spread of the virus have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving, and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the assets.

(In thousands of United States dollars, except as otherwise noted)

3. Accounts receivable

Accounts receivable as at December 31, 2021 were $1,538. These consisted of amounts due from related party totaling $598 and accrued interest receivable totaling $940.

4. Financial instruments

a) *Summary of cash and cash equivalents, investments and reinsurance funds withheld.*

The summary of cash and cash equivalents, investments and reinsurance funds withheld is as follows:

As at December 31, 2021				
	Carrying Value	**FVTPL**	**AFS**	**Total**
		$	**$**	**$**
Cash and cash equivalents				
Cash	1,716	1,716	—	1,716
Total cash and cash equivalents	**1,716**	**1,716**	**—**	**1,716**
Bonds				
Government	83,724	—	83,724	83,724
Corporate and other	84,366	—	84,366	84,366
Total debt securities	168,090	—	168,090	**168,090**
Total investments	**168,090**	**—**	**168,090**	**168,090**
Reinsurance funds withheld	**1,645,981**	**1,645,981**	**—**	**1,645,981**

All financial instruments measured at FVTPL have been designated as FVTPL at initial recognition.

The fair value of available-for-sale are shown by contractual maturity of investments.

As at December 31, 2021	
	$
Terms to maturity	
Bonds	
1 year or less	—
1-3 years	—
4-5 years	—
Over 5 years	168,090
Total	**168,090**

(In thousands of United States dollars, except as otherwise noted)

4. Financial instruments (continued)

b) Fair value hierarchy

Investments carried at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13, Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments.

The following table sets out the Company's assets and liabilities measured at fair value on a recurring basis, classified in accordance with the above-mentioned fair value hierarchy.

As at December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Fair value through profit or loss:				
Cash	1,716	—	—	1,716
Other fixed income securities:				
Reinsurance funds withheld assets	—	1,645,981	—	1,645,981
Available for sale:				
Bonds	—	168,090	—	168,090
Total financial assets	**1,716**	**1,814,071**	**—**	**1,815,787**

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Financial Instruments	**Valuation Techniques and Key Inputs**
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

There were no transfers between Level 1 or Level 2, and there were no Level 3 investments during the period ended December 31, 2021.

(In thousands of United States dollars, except as otherwise noted)

4. Financial instruments (continued)

c) Net investment loss

Net investment loss comprised of the following:

For the period ended December 31, 2021	
	$
Interest income	
AFS investments	1,051
Total interest income	**1,051**
Investment manager fees	(1,502)
Net investment loss	**(451)**

d) Net investment results from funds withheld

Net investment results from funds withheld assets are attributable to the Company and included in the net income for the period. Investment results from funds withheld assets are shown on the Statement of Operations and comprised of the following:

For the period ended December 31, 2021	
	$
Interest income	
FVTPL investments	17,150
Total interest income attributable to funds withheld	**17,150**
Amortization	
FVTPL investments	(2,375)
Total amortization attributable to funds withheld	**(2,375)**
Realized losses on investment	
FVTPL investments	(3,042)
Total realized losses on investments attributable to funds withheld	**(3,042)**
Unrealized losses on investments	
FVTPL investments	(14,507)
Total unrealized losses on investments and derivatives attributable to funds withheld	**(14,507)**
Other investment income from RGA	75,349
Net investment results from funds withheld	**72,575**

(In thousands of United States dollars, except as otherwise noted)

4. Financial instruments (continued)

e) Summary of investments

As at December 31, 2021	Carrying Amount	Percent
	$	%
Corporate Bonds		
Corporate securities	59,928	3
Asset backed securities	24,438	1
	84,366	4
Government Bonds		
United States government	83,724	5
	83,724	5
Funds withheld	1,645,981	91
Total	**1,814,071**	**100**

f) Solely Payments of Principal and Interest ("SPPI") Disclosure

The Company has taken the temporary exemption to defer the application of IFRS 9 until the adoption of IFRS 17, which is effective from January 1, 2023.

As a consequence of deferring the application of IFRS 9, additional disclosures will be provided until the standard is applied for the first time in order to compare the presentation of investments and other financial instruments with those of companies that have already apply IFRS 9.

The following additional disclosures, required by IFRS 4 for eligible insurers, presents the fair value and the amount of change in the fair value of the financial assets for the period from July 13, 2018 to December 31, 2021, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are SPPI on the principal amount outstanding and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (“Non-SPPI”).

	SPPI		Non-SPPI	
As at December 31, 2021	**Fair value**	**Change in fair value**	**Fair value**	**Change in fair value**
Financial assets				
	$	$	$	$
Debt securities	143,652	—	24,438	52
Total	**143,652**	**—**	**24,438**	**52**

(In thousands of United States dollars, except as otherwise noted)

4. Financial instruments (continued)

f) Solely Payments of Principal and Interest ("SPPI") Disclosure (continued)

The following additional disclosures, required by IFRS 4 for eligible insurers, presents the credit risk ratings of SPPI financial assets:

As at December 31, 2021			
	Credit risk	Fair Value	% Of fair value
Debt securities		$	%
AAA	Low	83,724	58
AA	—	—	—
A	Low	10,000	7
BBB	Low	39,490	28
BB	—	—	—
B	Other	10,438	7
Unrated	—	—	—
Total		**143,652**	**100**

5. Deferred revenue

The following table presents the movement in deferred revenue during the period:

For the period ended December 31, 2021	
	$
Deferred revenue, beginning of period	**—**
Addition	**85,000**
Amortization	**(2,630)**
Deferred revenue, end of period	**82,370**

(In thousands of United States dollars, except as otherwise noted)

6. Related party transactions

During the period ended December 31, 2021, the Company entered into the following transactions with related parties. The transactions were all in the normal course of operations, and were recorded at exchange value, which approximates fair value.

On December 15, 2021, the Parent company provided a $1,000 non-interest-bearing promissory note to the Company. The note is payable on demand.

During the period, the Company entered into a service support agreement with Brookfield Asset Management Services (Barbados) Inc. with them providing administrative and other services. For the period ended December 31, 2021, the Company paid $179 for these services.

During the period, the Company entered into an investment management agreement with BAM Re Advisor LLC. For the period ended December 31, 2021, the Company paid $1,502 for management fees.

Investments totaling $9,835 was purchased from BAM Re during the period. Interest earned on the investments is $151, and was recognized in the Statement of Operations. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

As at December 31, 2021	
	$
Due to related party	**2,695**
Accrued liabilities	**393**
Other	**117**
Accounts payable and accrued liabilities	**3,205**

These accounts payable and accrued liabilities are short-term in nature, and their fair values approximate carrying values.

(In thousands of United States dollars, except as otherwise noted)

8. Insurance reserves

The Company's insurance reserves are as follows:

As at December 31, 2021	
	$
Gross	**1,563,456**
Total insurance reserves	**1,563,456**

a) Nature and composition

The Company's reserves represent multi-year guaranteed annuity contracts that provide owners a guaranteed rate of return. Premiums and credited interest are protected from market volatility, which provides long-term financial security and predictability for policyholders.

b) Valuation assumptions

The Company's insurance reserves have no actuarial assumptions as the reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

c) Net change in insurance reserves

The following table summarizes the movement between insurance reserves at the beginning and end of the period by its major components:

For the period ended December 31, 2021	
	$
Beginning of the period	—
Changes during the period	
New business	1,598,780
Normal changes	(89,813)
Management actions & changes in assumptions	54,489
Balance at the end of the period	**1,563,456**

9. Risk management

This note sets out the major risks which the Company is exposed to and describes the Company's approach to managing these risks.

The Company manages risk by applying the principles and guidelines outlined in the Risk Management and Compliance Framework (the "framework"). This framework establishes the overall risk management framework that includes the following:

- Risk inventory – identifies and defines the risks arising from the Company's business strategy and operations using a consistent language that enables an enterprise-wide approach to measurement, reporting and disclosure of risk;
- Risk appetite – determines the nature and amount of risk the Company is prepared to take, the adherence to which is measured and reported through an extensive set of Board-approved risk appetite tolerances;
- Risk governance and organization – establishes clear ownership and accountability for risk management oversight and a risk-aware culture across the Company; and
- Risk management process – codifies a consistent approach to the identification, assessment, measurement, control, monitoring, and reporting of risks faced by the Company.

A Commercial Insurer's Solvency Self-Assessment ("CISSA") is undertaken by the Company at least annually. The primary purpose of the CISSA exercise is to allow the Company to incorporate an analysis of the internal capital needs into the risk management framework. It also ensures that both capital needs and available capital resources are considered in the development of business strategies and decision-making over the near and long term, including factoring in the impact of catastrophic shocks. The CISSA framework provides a perspective of the capital resources necessary to achieve the Company's business strategies and remain solvent given its risk profile, as well as insight into the risk management and governance procedures surrounding these processes.

The principal risk factors that affect the Company's operations and financial condition include financial risks such as market risk, credit risk and liquidity risk.

The following sections describe the primary financial risks and associated risk management strategies in place that affect the Company's operating results and financial condition.

a) Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates.

The Company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates by funding assets with financial liabilities in the same currency and with similar interest rate characteristics to minimize residual exposures. Financial instruments held by the Company that are subject to market risk includes financial assets and borrowings.

The Company's most significant market risk is interest rate risk.

i. <u>Interest rate risk</u>

Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates.

9. Risk management (continued)

Interest rate risk (continued)

The Company is exposed to interest rate risk within the investment portfolio it maintains to meet the obligations and commitments under its insurance contracts, in that the proceeds from the assets may not be sufficient to meet the Company's obligations to policyholders.

For the annuity business, where the timing and amount of the benefit payment obligations can be readily determined, the matching of asset and liability cash flows is effectively controlled through this comprehensive duration management process. This process mitigates the risk that the commitments of the Company are not met.

Asset liability matching significantly reduces the Company's exposure to interest rate risk. Sensitivity to interest rate changes is shown in the table below.

	Impact on profit and loss	Impact on equity
As at December 31, 2021		
Sensitivity test		
	$	**$**
50 bps increase in interest rate	(59,000)	(59,000)
50 bps decrease in interest rate	99,000	99,000

b) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to perform its financial obligations in full when due. The Company is primarily exposed to credit risk through its investments in debt securities and reinsurance funds withheld.

The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis.

The carrying amount of assets included in the Statement of Financial Position represents the maximum credit exposure. No impairment provision has been made.

(In thousands of United States dollars, except as otherwise noted)

9. Risk management (continued)

Credit risk (continued)

i. Asset quality

The credit rating of the financial assets and reinsurance funds withheld exposed to credit risk is shown in the table below:

As at December 31, 2021	AAA	AA	A	BBB	BB	B	Unrated	Total
	$	$	$	$	$	$	$	$
Cash and cash equivalents	—	1,530	186	—	—	—	—	1,716
Bonds	83,724	—	10,000	63,928	—	10,438	—	168,090
Reinsurance funds withheld	371,172	76,073	305,444	665,005	104,685	30,257	93,345	1,645,981
Total exposure to credit risks	**454,896**	**77,603**	**315,630**	**728,933**	**104,685**	**40,695**	**93,345**	**1,815,787**

The credit rating of the financial assets and reinsurance funds withheld are provided by independent rating agencies. Credit rating are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies Standard & Poor's, Moody's, and Fitch.

ii. Concentration

Concentration of credit risk arise from exposures to a single issuer or a group of related issuers or groups of issuers that have similar risk characteristics.

Bonds
The following table provides the fair value of investments by group of issuers of bonds:

As at December 31, 2021	**$**	**%**
Government bond holdings	**83,724**	**50**
Corporate and other bond holdings	**84,366**	**50**
Total bond holdings	**168,090**	**100**

(In thousands of United States dollars, except as otherwise noted)

9. Risk management (continued)

Concentration (continued)

The following table discloses the top 5 holdings of issuers (excluding governments), as well as exposure to the largest single issuer of corporate bonds.

As at December 31, 2021		
Exposure to the top 5 largest issuers of corporate bonds	$	**79,374**
% Total cash and cash equivalents and investments		**47 %**
Exposure to the largest single issuer of corporate bonds	$	**29,490**
% Of total cash and cash equivalents and investments		**18 %**

iii. Reinsurance counterparties

Reinsurance contracts with third-party cedants and related exposure totaled $1,563,456 at December 31, 2021. The credit ratings of these cedants were A- and higher.

The Company has associated reinsurance funds withheld of $1,645,981 as at December 31, 2021 with third-party cedants.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to raise the necessary funds, at the appropriate time, to meets its financial liabilities.

The Company is currently exposed to liquidity risks on its obligations to its creditors and cedants. Exposure to liquidity risk is based on the earliest time that the Company could be contractually required to repay any outstanding amounts.

The following table sets out the expected maturity profile of the Company's financial liabilities:

As at December 31, 2021	Within 1 year	1-3 years	4-5 years	Over 5 years	Total
Financial Liabilities	**$**	**$**	**$**	**$**	**$**
Insurance reserves	89,250	167,653	160,891	1,145,662	1,563,456
Deferred revenue	3,607	6,834	6,552	65,377	82,370
Note payable	1,000	—	—	—	1,000
Accounts payable and accrued liabilities	3,205	—	—	—	3,205
Total financial liabilities	**97,062**	**174,487**	**167,443**	**1,211,039**	**1,650,031**

To manage liquidity risk, the Company purchases assets to support the liabilities under its insurance contracts. The effective and key rate duration of these investments are constructed to match those of the annuity policy liabilities. The Company has established liquidity risk tolerances and operational targets that are closely monitored. Stress testing is conducted to ensure that there are sufficient liquid assets at all times to meet obligations.

10. Equity

During the period ended December 31, 2021, the Company issued 150,050,100 common shares to its Parent company for cash consideration of $150,050.

There were no shares repurchased during the period. The Company's shares have a par value of $1.

Accumulated other comprehensive income/(loss)
Accumulated other comprehensive income/(loss) relates to those items of cash and expenses that are recognized directly in equity rather than profit and loss, as required or permitted by IFRS standards. As at December 31, 2021, the item recognized in accumulated other comprehensive income/(loss) was unrealized income/(loss) on available-for-sale investments.

11. Statutory requirements

The Company is licensed by the BMA as a Class E long term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. Effective January 1, 2016, the BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency and Capital Requirement (BSCR) for commercial insurers which was granted equivalency to the European Union's Directive (2009/138/EC) ("Solvency II") in March 2016. Under this framework a Class E insurer must produce three sets of financial statements:

1. GAAP Financial Statements - financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which the Company has elected to prepare IFRS financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.

2. Statutory Financial Statements ("SFS") - equal to the GAAP financial statements adjusted for:
    i. Prudential filters that include adjustments to eliminate non-admitted assets not considered admissible for solvency purposes, and include certain assets and liabilities that are generally off-balance sheet under general purpose reporting.
    ii. Directions or permitted practices issued by the BMA.

3. Economic Balance Sheet (EBS) - a balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed conditions.

Under the Bermuda Insurance Act, the Company is required to maintain minimum EBS capital and surplus to meet the enhance capital requirement ("ECR") which is equal to a risk-based capital model where risk factor charges are applied to the EBS balance sheet in order to determine the ECR. As at December 31, 2021, the Company met the minimum requirements.

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with a "3-tiered capital system". Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2021, all of the Company's eligible capital used to meet the minimum margin of solvency ("MSM") and ECR was Tier 1 Capital.

(In thousands of United States dollars, except as otherwise noted)

11. Statutory requirements (continued)

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. No dividends were paid out during the period.

As at December 31, 2021	
	$
Total Shareholder's Equity per GAAP's	**167,830**
Non-admitted assets[1]	**(536)**
Statutory capital and surplus	**167,294**

1. Non-admitted assets arose which are not admissible for the statutory capital and surplus.

12. Other reinsurance expenses

Other reinsurance expenses include the following:

For the period ended December 31, 2021	
	$
Federal excise tax	**155**
In-force expense allowance	**1,544**
Other	**438**
Total other reinsurance expenses	**2,137**

Other reinsurance expenses relate to additional costs incurred in obtaining the insurance contracts.

(In thousands of United States dollars, except as otherwise noted)

13. Operating expenses

Operating expenses include the following:

For the period ended December 31, 2021	
	$
Salaries and benefits expenses	805
Professional services	429
Legal fees	383
Software and IT support	144
Credit rating	141
Others	1,029
Total operating expenses	**2,931**

14. Income taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda Minister of Finance that in the event of any such taxes being imposed the Company would be exempted until the year 2035.

15. Subsequent events

The Company has concluded that there are no items requiring adjustment or disclosure in the financial statements. Subsequent events have been evaluated up to and including April 26, 2022.