

Consolidated Financial Statements and Report
of Independent Certified Public Accountants

Oceanview Reinsurance Ltd.

(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)

For the Years Ended December 31, 2024 and
2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Oceanview Reinsurance Ltd.

Opinion

We have audited the consolidated financial statements of Oceanview Reinsurance Ltd. (a Bermuda limited corporation) and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Fort Lauderdale, Florida
April 11, 2025

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
CONSOLIDATED BALANCE SHEETS
December 31,
(U.S. Dollars in Thousands, Except Share and Per Share Data)

	2024	2023
Assets:		
Funds withheld asset, at fair value	\$ 1,806,496	\$ 2,597,647
Trading securities, at fair value (amortized cost of \$28,227 and \$12,156, respectively)	28,524	12,710
Cash and cash equivalents	131,200	111,979
Restricted cash	-	520
Derivative assets, at fair value	131	-
Total cash and invested assets	1,966,351	2,722,856
Interest receivable	319	2,737
Accounts receivable	-	1,256
Income tax receivable	-	2,055
Deferred tax asset, net	2,990	-
Other	-	65
Total assets	<u>\$ 1,969,660</u>	<u>\$ 2,728,969</u>
Liabilities:		
Insurance reserves, at fair value	\$ 1,746,766	\$ 2,410,727
Derivative liabilities, at fair value	-	225
Accounts payable and accrued expenses	14,744	13,040
Income tax payable	4,120	-
Deferred tax liability, net	-	2,663
Due to related parties	81	107
Total liabilities	<u>1,765,711</u>	<u>2,426,762</u>
Stockholder's Equity:		
Common stock, par value \$1.00 per share, 250,000 shares authorized, issued, and outstanding	250	250
Additional paid-in capital	156,762	156,762
Retained earnings (accumulated deficit)	30,960	129,627
Non-controlling interest in subsidiary	15,977	15,568
Total stockholder's equity	<u>203,949</u>	<u>302,207</u>
Total liabilities and stockholder's equity	<u>\$ 1,969,660</u>	<u>\$ 2,728,969</u>

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

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31,
(U.S. Dollars in Thousands)

	2024	2023
Revenues:		
Income (loss) from reinsurance including investment result on funds withheld asset	\$ 22,277	\$ 150,947
Net investment income (loss)	6,870	2,528
Net investment gains (losses)	(190)	448
Net derivative gains (losses)	335	(89)
Total revenues	29,292	153,834
Expenses:		
Interest sensitive contract benefits	75,134	63,308
Commissions on reinsurance	4,283	9,427
General and administrative	4,956	5,194
Professional fees	2,655	2,404
Interest expense	-	696
Total expenses	87,028	81,029
Income (loss) before income taxes	(57,736)	72,805
Income tax provision	522	6,772
Net income (loss)	\$ (58,258)	\$ 66,033
Net income attributable to non-controlling interest in subsidiary	409	6,369
Net income (loss) attributable to Oceanview Reinsurance Ltd.	\$ (58,667)	\$ 59,664

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

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the years ended December 31, 2024 and 2023
(U.S. Dollars in Thousands, Except Share and Per Share Data)

	Number of Shares	Common Stock, \$1.00 par value	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Non-controlling interest in subsidiary	Total
Balance at December 31, 2022	250,000	\$ 250	\$ 101,250	\$ 69,963	\$ 4,549	\$ 176,012
Net income (loss)	-	-	-	59,664	6,369	66,033
Capital contributions	-	-	55,512	-	4,650	60,162
Balance at December 31, 2023	250,000	\$ 250	\$ 156,762	\$ 129,627	\$ 15,568	\$ 302,207
Net income (loss)	-	-	-	(58,667)	409	(58,258)
Capital distributions	-	-	-	(40,000)	-	(40,000)
Balance at December 31, 2024	250,000	\$ 250	\$ 156,762	\$ 30,960	\$ 15,977	\$ 203,949

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

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,
(U.S. Dollars in Thousands)

	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (58,258)	\$ 66,033
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net investment (gains) losses	190	(448)
Deferred taxes, net	(5,653)	6,772
Net derivative (gains) losses	(335)	89
Income (loss) from reinsurance, change in fair value on funds withheld	127,190	11,134
Net change in:		
Accounts receivable	1,256	1,262
Other assets	64	(16)
Interest receivable	2,419	(2,736)
Accounts payable and accrued expenses	1,704	(21,950)
Income tax payable	4,120	-
Due to related parties	(26)	72
Income tax receivable	2,055	(2,055)
Net cash provided by operating activities	74,726	58,157
Cash flows from investing activities:		
Purchases of trading securities	(19,572)	(12,262)
Proceeds from sale and maturity of trading securities	3,568	-
Net payments for derivatives	(21)	379
Net cash used in investing activities	(16,025)	(11,883)
Cash flows from financing activities:		
Capital contribution	-	34,000
Capital distributions	(40,000)	-
Capital contribution from non-controlling interest	-	4,650
Net cash (used in) provided by financing activities	(40,000)	38,650
Net increase (decrease) in cash, cash equivalents and restricted cash	18,701	84,924
Cash, cash equivalents and restricted cash, beginning of year	112,499	27,575
Cash, cash equivalents and restricted cash, end of year	\$ 131,200	\$ 112,499
Supplemental disclosure of cash flow information:		
Non-cash conversion of affiliate payable to equity	\$ -	\$ 21,512
Deposits on investment-type contracts through reinsurance agreement	\$ -	\$ 306,364

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

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

NOTE A - ORGANIZATION

Oceanview Reinsurance Ltd. ("OVRe" and, together with its subsidiaries, the "Company," "we," "our," or "us") is an exempted company incorporated in Bermuda on April 20, 2018, and is a wholly owned subsidiary of Oceanview Holdings, Ltd. ("OVH"), a Bermuda exempted company incorporated on February 22, 2018. The parent of OVH is Bayview Opportunity V Oceanview L.P. (the "Fund"), a Bermuda limited partnership. The general partner of the Fund is a wholly-owned subsidiary of Bayview Asset Management, LLC ("Bayview"). The Company was formed for the purpose of providing traditional reinsurance, which includes individual and group life and annuity reinsurance. On January 17, 2019, the Company obtained its certificate of registration as a Class E insurer under the Insurance Act 1978 from the Bermuda Monetary Authority ("BMA").

OVRe has a subsidiary company, Oceanview Bermuda Reinsurance Ltd. ("OBR"), an exempted company which was incorporated in Bermuda on October 21, 2021 and began operations on December 28, 2022. OBR is 75% directly owned by OVRe and 25% owned by Oceanview U.S. Holdings Parent, LLC ("OVUSHP"), a wholly owned subsidiary of OVH.

Oceanview Asset Management, LLC ("OAM" or the "Management Company" and a wholly-owned subsidiary of Bayview), a Delaware limited liability company, provides investment advice and directs the investments of the Company ("Portfolio Assets"). See Note H - Related Party Transactions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adhered to in the preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Consolidation

The consolidated financial statements include the accounts of OVRe and its subsidiary, OBR, in which it owns a 75% interest. The remaining 25% ownership of OBR is held by OVUSHP. For the purposes of these financial statements, OBR's income and equity attributable to OVUSHP has been shown as income and equity attributable to "non-controlling interest", respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the valuation of funds withheld asset and insurance reserves. Actual results could differ from the estimates.

Cash and Cash Equivalents

The Company considers highly liquid securities and other investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. At December 31, 2024 and 2023, substantially all cash balances were at major financial institutions earning interest. At December 31, 2024 and 2023, certain cash amounts were in bank accounts insured by the FDIC up to \$250,000. The Company is exposed to losses in excess of the FDIC insured amount.

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

Restricted Cash

Restricted cash includes collateral under various derivative agreements. At December 31, 2023, restricted cash is held with various counterparties in interest bearing accounts. The Company did not hold restricted cash at December 31, 2024.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total cash amounts shown in the consolidated statements of cash flows as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 131,200	\$ 111,979
Restricted cash	-	520
Total cash and restricted cash	<u>\$ 131,200</u>	<u>\$ 112,499</u>

Reinsurance

The Company assumes insurance contracts under coinsurance and funds withheld coinsurance agreements. The Company follows reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Assets and liabilities assumed under coinsurance and funds withheld coinsurance are presented gross on the consolidated balance sheets.

Funds Withheld Reinsurance Contracts at Fair Value

In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 825, *Financial Instruments*, the Company has elected to carry assets and liabilities associated with reinsurance contracts at fair value. This election is made on a contract-by-contract basis. For those contracts for which this election is made, assets and liabilities associated with the reinsurance contract are carried at fair value with the change in the fair value of the assets and the liabilities recorded in income from reinsurance on the statements of operations.

The Company's funds withheld asset consists of arrangements with an unaffiliated insurer and an affiliated insurer (refer to Note C - Investments and Note H - Related Party Transactions). Under these arrangements, the Company assumed via reinsurance certain insurance reserves with premiums withheld by the cedants under provisions of the respective reinsurance agreements. Although the assets in funds withheld are legally owned by the cedants, the assets are separated from the general accounts of the cedants and all economic rights and obligations of the assets accrue to the Company. The withheld premium is invested in accordance with the respective reinsurance treaties and the Company's investment guidelines. The Company carries the funds withheld asset at fair value based on the fair value of the underlying assets.

The fair value related to reinsurance liabilities is determined using the income approach allowed under ASC 820. The income approach uses present value techniques to convert future amounts (premiums, policyholder benefits, expense allowances, commissions, and other contractual inflows and outflows) to a single present amount. The objective of the measurement is to arrive at the value of insurance reserves indicated by market

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

expectations on the effective date of the financial statements.

The liability cashflows associated with the insurance reserves are generated using best-estimate assumptions for mortality, surrender, partial withdrawals, and expenses. In these cashflows, policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future economic conditions.

The Company uses market yields on the underlying assets plus risk margins to develop discount rates for the present value technique. The discount rates are composed of:

- Risk-free rate, plus
- Non-performance risk spread, less
- Risk margin to reflect uncertainty

The non-performance risk spread is associated with the risk that the liability obligations will not be fulfilled. This is derived from the spread earned and credit rating on the underlying assets.

The risk margin is reflective of the uncertainty of risks associated with the cashflows and the non-performance risk spread.

Securities, at Fair Value

Investments in securities are classified as trading at the time of purchase and subsequently carried at fair value, with changes to fair value included in net investment gains (losses) on the consolidated statements of operations. Fair value hierarchy and valuation methodologies are discussed in Note F – Fair Value Measurements. Although the securities are classified as trading, the trading activity related to these investments is primarily focused on asset and liability matching activities and is not intended to be an income strategy based on active trading. As such, the activity related to these investments on the consolidated statements of cash flows is classified as investing activities.

The Company regularly evaluates all its investments based on existing economic conditions, credit loss experience, and other specific developments. If there is a decline in an investment's net realizable value that is other-than-temporary, it is considered as a realized loss and the cost basis in the investment is reduced to its estimated fair value.

Income Taxes

The Company, as a Bermuda company, is not subject to U.S. federal or state income tax as a separate entity. Under the laws of Bermuda, there is no income, estate, sales or other Bermudian taxes payable by the Company. On December 27, 2023, the government of Bermuda enacted the Corporate Income Tax Act 2023 ("the Act") which introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational Enterprise Group ("MNE Group"), effective for fiscal years beginning on or after January 1, 2025. Refer to Note G - Federal Income Taxes for further details.

OVRe's subsidiary, OBR, has elected to be taxed as a U.S. taxpayer under section 953(d) of the Internal Revenue Code ("IRC"). OBR accounts for U.S. federal income tax in accordance with ASC 740, *Income Taxes*, which requires that deferred income tax balances be recognized based on the differences between OBR's

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

financial statement and income tax bases of assets and liabilities using the enacted income tax rates. OBR recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements. Deferred income taxes arise from taxable or deductible temporary differences between OBR's financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

OBR records deferred tax assets to the extent that it is more likely than not that future taxable income will be available to utilize these assets. A valuation allowance is established if, after considering all positive and negative evidence, it is determined that the deferred tax assets may not be fully realized. The evaluation of realizability considers historical operating results, projected future taxable income, the reversal of taxable temporary differences, and feasible tax planning strategies. When sufficient evidence indicates realizability, no valuation allowance is recorded.

OBR accounts for uncertain tax positions in accordance with the provisions of ASC 740. The guidance provides an interpretation of how uncertain tax positions should be recognized, measured, presented, and disclosed in financial statements. As required, OBR recognizes the financial statement benefit of a tax position only after determining that the U.S. tax authority, the Internal Revenue Service ("IRS"), would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in OBR's financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the IRS. At December 31, 2024 and 2023, OBR did not record an accrual for any material uncertain tax positions.

OBR's 2022 and 2023 tax returns are open for examination by the IRS. Tax regulations are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. OBR's policy is to classify interest and penalties related to income taxes (if any) as an expense to the income tax provision within its statements of operations.

Recently Issued Accounting Standards

In December 2023, the FASB issued Accounting Standard Update No. 2023-09, Income Taxes (ASC 740) Improvements to Income Tax Disclosures ("ASU 2023-09"). The primary purpose of the amendments within ASU 2023-09 is to enhance the transparency and decision usefulness of income tax disclosures primarily related to the rate reconciliation table and income taxes paid information. The amendments in ASU 2023-09 require that entities other than public business entities, on an annual basis, provide additional qualitative disclosure regarding rate reconciling items and individual jurisdictions that result in significant differences between the statutory tax rate and the effective tax rate. In addition, the amendments in this ASU 2023-09 require that all entities disclose on an annual basis taxes paid disaggregated by; federal, state, foreign, and jurisdiction (when income taxes paid is equal to or greater than five percent of total income taxes paid). The amendments in ASU 2023-09 are effective for entities other than public business entities beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in ASU 2023-09 should be applied on a prospective basis. Retrospective application is permitted. The Company is currently assessing the impact this standard will have on its consolidated financial statements as well as the method by which it will adopt the new standard. The Company does not expect the guidance to have a material impact to its consolidated financial statements.

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

NOTE C - INVESTMENTS

Securities, at Fair Value

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of securities at December 31, 2024 was (U.S. dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Trading securities	\$ 28,227	\$ 367	\$ (70)	\$ 28,524
Total	\$ 28,227	\$ 367	\$ (70)	\$ 28,524

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of securities at December 31, 2023 was (U.S. dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Trading securities	\$ 12,156	\$ 554	\$ -	\$ 12,710
Total	\$ 12,156	\$ 554	\$ -	\$ 12,710

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of securities by type at December 31, 2024 was (U.S. dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Sovereign bonds and corporates	\$ 6,289	\$ 351	\$ -	\$ 6,640
Non-agency residential mortgage-backed securities	6,078	-	(70)	6,008
Preferred stocks	15,860	16	-	15,876
Total	\$ 28,227	\$ 367	\$ (70)	\$ 28,524

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of securities by type at December 31, 2023 was (U.S. dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Sovereign bonds and corporates	\$ 8,515	\$ 513	\$ -	\$ 9,028
Non-agency residential mortgage-backed securities	3,641	41	-	3,682
Total	\$ 12,156	\$ 554	\$ -	\$ 12,710

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

Funds Withheld Asset

At December 31, 2024 and 2023, the Company's funds withheld asset was comprised of seven agreements, six of which relate to reinsurance and retroceded arrangements with an affiliated insurer under common control, Oceanview Life and Annuity Company ("OVLAC"), rated "A" by A.M. Best. See Note H – Related Party Transactions for further details.

At December 31, 2024, the Company's funds withheld asset was comprised of the following underlying assets (U.S. dollars in thousands):

	Total	% of Total
Sovereign bonds and corporates	\$ 717,415	39.7 %
Commercial mortgage loans	275,013	15.2
Other structured securities	243,211	13.5
Non-agency residential mortgage-backed securities	190,793	10.5
Preferred stocks	180,575	10.0
Residential mortgage loans	128,175	7.1
Cash and cash equivalents	61,207	3.4
Derivatives	9,392	0.5
Agency residential mortgage-backed securities	715	0.1
	<u>\$ 1,806,496</u>	<u>100.0 %</u>

At December 31, 2023, the Company's funds withheld asset was comprised of the following underlying assets (U.S. dollars in thousands):

	Total	% of Total
Government and corporate bonds	\$ 895,365	34.4 %
Structured securities	704,037	27.1
Commercial mortgage loans	452,092	17.4
Preferred stocks	323,747	12.5
Residential mortgage loans	145,760	5.6
Other assets	38,117	1.5
Cash	31,501	1.2
Derivatives	7,028	0.3
	<u>\$ 2,597,647</u>	<u>100.0 %</u>

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

NOTE D - NET INVESTMENT INCOME (LOSS) AND NET INVESTMENT GAIN (LOSS)

Net investment income (loss) includes interest and other income from investments and is recorded net of investment expenses. Net investment gain (loss) includes net realized investment gain from the sale and unrealized changes in fair value of investments. Gains and losses on the sale of investments are determined using the specific cost identification method.

The major sources of net investment income (loss) and net investment gain (loss) in the accompanying consolidated statements of operations are as follows (U.S. dollars in thousands):

	For years ended December 31,	
	2024	2023
Net investment income (loss)		
Interest earned on cash and securities	\$ 7,324	\$ 3,823
Gross investment income	7,324	3,823
Investment expenses	(454)	(1,295)
Net investment income	<u>\$ 6,870</u>	<u>\$ 2,528</u>
Net investment gains (losses)		
Realized gains (losses) on securities	\$ (70)	\$ -
Unrealized gains (losses) on securities	(120)	448
Net investment gains (losses)	<u>\$ (190)</u>	<u>\$ 448</u>

NOTE E - FINANCIAL DERIVATIVE INSTRUMENTS

At December 31, 2024 and 2023, the Company had not elected to designate any derivatives for hedge accounting under ASC 815. Derivatives are reported at fair value. Changes in fair value are included in net derivative gains (losses) in the consolidated statements of operations. The Company reports all derivative balances and related cash collateral subject to enforceable master netting arrangements on a gross basis within the consolidated balance sheets.

Forward Contracts

The Company enters into to-be-announced ("TBA") securities as a means of protecting the Company against its risk related to certain assets. Pursuant to TBA contracts, the Company agrees to purchase or sell, for future delivery, agency securities with certain principal and interest terms and certain types of collateral, whereby the particular agency securities to be delivered are not identified until shortly before the TBA settlement date. The Company may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position, net settling the paired off positions for cash, and simultaneously purchasing or selling a similar TBA contract for a later settlement date.

Oceanview Reinsurance Ltd.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

General

The following tables present the notional amount and fair value of derivative instruments at December 31, 2024 (U.S. dollars in thousands):

	Net Notional	Fair Value	
Instrument	Value	Assets	Liabilities
Interest rate contracts			
Forward contracts	\$ (7,000)	\$ 131	\$ -
	\$ (7,000)	\$ 131	\$ -

The following tables present the notional amount and fair value of derivative instruments at December 31, 2023 (U.S. dollars in thousands):

	Net Notional	Fair Value	
Instrument	Value	Assets	Liabilities
Interest rate contracts			
Forward contracts	\$ (10,000)	\$ -	\$ (225)
	\$ (10,000)	\$ -	\$ (225)

The effect of derivative instruments on the consolidated statements of operations for the year ended December 31, 2024 is as follows (U.S. dollars in thousands):

Instrument	December 31, 2024	
	Realized Gain (Loss)	Unrealized Gain (Loss)
Interest rate contracts		
Forward contracts	\$ (21)	\$ 356
	<u>\$ (21)</u>	<u>\$ 356</u>

Oceanview Reinsurance Ltd.
(A Wholly Owned Subsidiary of Oceanview Holdings, Ltd.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024 and 2023

The effect of derivative instruments on the consolidated statements of operations for the year ended December 31, 2023 is as follows (U.S. dollars in thousands):

Instrument	December 31, 2023	
	Realized Gain (Loss)	Unrealized Gain (Loss)
Interest rate contracts		
Forward contracts	\$ 349	\$ (450)
Futures contracts	31	(19)
	<u>\$ 380</u>	<u>\$ (469)</u>

NOTE F - FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement and Disclosures*, provides a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Investments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values as follows:

- Level 1 – Valuation is based on unadjusted quoted prices in active markets for identical assets and liabilities that are accessible at the reporting date.
- Level 2 – Valuation is determined from pricing inputs that are other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. Observable inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 – Valuation is based on unobservable inputs that are significant to the fair value measurement and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value generally require significant management judgment or estimation.

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The balance of assets and liabilities measured at fair value as of December 31, 2024, is as follows (U.S. dollars in thousands):

Assets	Level 1	Level 2	Level 3	Total
Funds withheld asset	\$ 97,151	\$ 1,075,497	\$ 633,848	\$ 1,806,496
Trading securities	-	26,079	2,445	28,524
Forward contracts	131	-	-	131
Total assets at fair value	<u>\$ 97,282</u>	<u>\$ 1,101,576</u>	<u>\$ 636,293</u>	<u>\$ 1,835,151</u>
Liabilities	Level 1	Level 2	Level 3	Total
Insurance reserves	\$ -	\$ -	\$ 1,746,766	\$ 1,746,766
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,746,766</u>	<u>\$ 1,746,766</u>

The balance of assets and liabilities measured at fair value as of December 31, 2023, is as follows (U.S. dollars in thousands):

Assets	Level 1	Level 2	Level 3	Total
Funds withheld asset	\$ 277,854	\$ 1,442,311	\$ 877,482	\$ 2,597,647
Trading securities	2,454	10,256	-	12,710
Total assets at fair value	<u>\$ 280,308</u>	<u>\$ 1,452,567</u>	<u>\$ 877,482</u>	<u>\$ 2,610,357</u>
Liabilities	Level 1	Level 2	Level 3	Total
Insurance reserves	\$ -	\$ -	\$ 2,410,727	\$ 2,410,727
Forward contracts	225	-	-	225
Total liabilities at fair value	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 2,410,727</u>	<u>\$ 2,410,952</u>

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The following summarizes the quantitative inputs and assumptions used for items categorized as Level 3 of the fair value hierarchy as of December 31, 2024 (U.S. dollars in thousands):

Investment Type	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Trading securities				
Sovereign bonds and corporates	\$ 2,445	Discounted cash flows	Discount rate	8.7%
Funds withheld asset				
Large balance commercial mortgage loans	\$ 200,697	Weighted average credit spread	Weighted average spread	4.1%
Small balance commercial mortgage loans	\$ 74,316	Discounted cash flows	Spread	4.9%
			Probability of default	9.0%
			Loss severity	18.0%
Federally insured residential mortgage loans	\$ 11,943	Discounted cash flows	Spread	3.5%
Non-federally insured residential mortgage loans	\$ 116,232	Discounted cash flows	Spread	2.6%
			Probability of default	1.0%
			Loss severity	23.8%
Preferred stocks	\$ 40,804	Discounted cash flows	Discount rate	9.3%
Other structured securities	\$ 59,352	Discounted cash flows	Discount rate	8.2%
Other equities and alternatives	\$ 3,037	Discounted cash flows	Discount rate	24.0%
Sovereign bonds and corporates	\$ 102,781	Discounted cash flows	Discount rate	9.1%
Non-agency residential mortgage-backed securities	\$ 24,686	Discounted cash flows	Spread	2.3%
Insurance reserves, at fair value	\$ 1,746,766	Income approach	Weighted average non-performance risk spread	2.2%
			Risk margin to reflect uncertainty	0.6%

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The following summarizes the quantitative inputs and assumptions used for items categorized as Level 3 of the fair value hierarchy as of December 31, 2023 (U.S. dollars in thousands):

Investment Type	Fair Value	Valuation Technique	Unobservable Input	Weighted Average
Funds withheld asset				
Large balance commercial mortgages	\$ 377,198	Weighted average credit spread	Weighted average spread	4.1%
Small balance commercial mortgages	\$ 74,894	Discounted cash flows	Spread	4.2%
			Probability of default	9.0%
			Loss severity	30.3%
Federally insured residential mortgages	\$ 21,591	Discounted cash flows	Spread	3.5%
Non-federally insured residential mortgages	\$ 124,169	Discounted cash flows	Spread	2.7%
			Probability of default	1.3%
			Loss severity	27.7%
Preferred stock	\$ 14,252	Discounted cash flows	Discount rate	9.7%
Structured securities	\$ 207,415	Discounted cash flows	Discount rate	7.6%
Corporate bonds	\$ 19,847	Discounted cash flows	Discount rate	9.8%
Other equities and alternatives	\$ 38,117	Discounted cash flows	Discount rate	12.5%
Insurance reserves, at fair value	\$ 2,410,727	Income approach	Non-performance risk spread	3.3%
			Risk margin to reflect uncertainty	0.6%

During the year ended December 31, 2024, the Company purchased \$53.5 million in assets classified as Level 3, and there were no additions of liabilities classified as Level 3. For the year ended December 31, 2023, the Company purchased \$70.8 million in assets classified as Level 3, and there were no additions of liabilities classified as Level 3.

During the year ended December 31, 2024, the Company transferred assets of \$87.5 million into the Level 3 classification and assets of \$17.4 million were transferred out of the Level 3 classification. During the year ended December 31, 2023, the Company transferred assets of \$169.5 million into the Level 3 classification and there were no assets transferred out of the Level 3 classification.

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NOTE G - FEDERAL INCOME TAXES

The provision for income tax is as follows (U.S. dollars in thousands):

	December 31,	
	2024	2023
Current		
Federal	\$ 6,175	\$ -
Subtotal	6,175	-
Deferred		
Federal	(5,653)	6,772
Subtotal	(5,653)	6,772
Provision (benefit) for income taxes	\$ 522	\$ 6,772

The reconciliation of the income tax provision is as follows (U.S. dollars in thousands):

	December 31,	
	2024	2023
Tax provision (benefit) at statutory rate	\$ 453	\$ 6,772
Tax effect of:		
Prior year true up	69	-
Provision (benefit) for income taxes	\$ 522	\$ 6,772

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Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of (U.S. dollars in thousands):

	December 31,	
	2024	2023
Deferred income tax assets:		
Discounted reserves	\$ 3,931	\$ 6,616
Net operating loss	618	2,601
Accrued expenses	3	5
Capital loss carryforward	15	-
Total deferred income tax assets	4,567	9,222
Deferred income tax liabilities:		
GAAP-to-Stat adjustments	1,577	11,885
Total deferred income tax liabilities	1,577	11,885
Net deferred income tax asset (liability)	\$ 2,990	\$ (2,663)

Management has concluded that no valuation allowance is required, as it is more likely than not that the deferred tax assets will be realized through future taxable income, based on the weight of all available evidence.

At December 31, 2024 and 2023, OBR had net operating loss carry forwards of \$0.6 million and \$2.6 million, respectively. At December 31, 2024 and 2023, OBR had no carryforwards for general business credit or foreign tax credit. At December 31, 2024 and 2023, OBR had no liability for unrecognized tax benefits and was not under audit by the IRS or any state authority. OBR is filing a stand alone U.S. federal income tax return in accordance with the provisions of the IRC.

On August 16, 2022, the U.S. government signed into law the Inflation Reduction Act (the "Inflation Act"). Effective for tax years beginning after December 31, 2022, the Inflation Act includes a new corporate alternative minimum tax ("CAMT") on certain corporations. OBR files a standalone U.S. Federal tax return and does not meet the average "adjusted financial statement income" threshold for CAMT purposes. As such, OBR is a nonapplicable reporting entity and is not subject to pay CAMT. As of December 31, 2024, OBR is not required to calculate or recognize a payable for CAMT in 2024 and will not have a CAMT credit carryforward.

On December 27, 2023, the government of Bermuda enacted the Corporate Income Tax Act 2023 (the "Act"). The Act introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope MNE Group, effective for fiscal years beginning on or after January 1, 2025, with a five-year deferred effective date for certain MNE groups with a limited international footprint. The Act defines an In Scope MNE Group as an MNE Group if, with respect to any fiscal year beginning on or after the commencement date, the MNE Group

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has annual revenue of EUR 750 million or more in the consolidated financial statements of the ultimate parent entity for at least two of the four fiscal years immediately preceding such fiscal year. The MNE Group's annual revenue on the consolidated financial statements has been under the EUR 750 million requirement. Pursuant to the In Scope MNE Group definition in the legislation, the Company has determined as of the reporting date it will not be in scope for Bermuda Corporate Income Tax.

NOTE H - RELATED PARTY TRANSACTIONS

The Company has various intercompany agreements with affiliates of Bayview for the provision of various services including investment management, executive and administrative oversight, legal, data processing, bookkeeping, service operations, internal audit and other services.

Affiliate Expenses

The Management Company provides investment advice and directs the investments in Portfolio Assets. The Management Company is paid an asset management fee for its services, payable in advance on the first day of each month. The Management Company may, in its sole discretion, reduce or waive the asset management fee for any period. For the years ended December 31, 2024 and 2023, the Company incurred asset management fees of \$0.4 million and \$1.2 million, respectively.

Retrocession and Reinsurance Agreements

The Company has seven funds withheld coinsurance agreements and one coinsurance agreement. Six of the seven funds withheld coinsurance agreements are with OVLAC, an affiliated insurance company domiciled in the State of Alabama. Refer to Note C - Investments for further details.

NOTE I – STOCKHOLDER'S EQUITY

Authorized and issued share capital

The authorized and issued share capital of the Company is \$250,000 divided into 250,000 ordinary shares, par value \$1 each.

Additional paid in capital

During the year ended December 31, 2024, the Company paid \$40.0 million in capital distributions to its stockholder. During the year ended December 31, 2023, the Company received \$55.5 million in additional contributions from its stockholder.

Non-controlling interest

OVUSHP owns a 25% interest in OVRe's subsidiary OBR. During the year ended December 31, 2024 the Company received no additional contributions from its stockholders. During the year ended December 31, 2023, the Company received \$4.7 million in equity contribution from OVUSHP in relation to OBR.

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NOTE J - RISKS AND UNCERTAINTIES

In the normal course of business, the Company encounters economic and regulatory risks which are described below.

Regulatory Risk

Regulatory risk is the risk of loss due to changes in regulations or non-compliance with existing regulations. The Company's business plan requires it to maintain its license as a Class E insurer in Bermuda. Failure to maintain this license in good standing would adversely affect the Company. Similarly, inability to comply with a changing legal and regulatory environment could also subject the Company to penalties, unanticipated costs or interruption to the Company's operations. The Company mitigates this risk through timely production of regulatory compliance deliverables, regular and open communication with the Bermuda regulator, discussions with internal and external counsels and other third parties as and when necessary, annual compliance assessment with the Bermuda Insurance Code of Conduct, and participation in industry trade association to monitor regulatory developments. As a Class E insurer, the Company is subject to Bermuda's Insurance Act 1978 ("Bermuda Insurance Act") as well as other applicable Bermuda law and regulations. Among other requirements, Class E insurers must at all times maintain Minimum Margin of Solvency ("MMS") and Enhanced Capital Requirement ("ECR") in accordance with the Bermuda Insurance Act. Class E insurers must maintain MMS that is the greater of: (1) \$8 million; (2) 2% of the first \$500 million of assets plus 1.5% of applicable assets above \$500 million; or (3) 25% of the ECR. The ECR is based on the Economic Balance Sheet ("EBS") framework and the Bermuda Solvency Capital Requirement ("BSCR") which is Bermuda's risk-based capital requirement. In addition to the MMS requirement, a Class E insurer must maintain available statutory economic capital and surplus that equals or exceeds its ECR. The Company was in compliance with such laws and regulations as of December 31, 2024.

Fixed Income Investment Risk

Fixed income investment risk includes the risk of change in the value of fixed rate securities due to changes in interest rates and credit spreads, and the risk that an issuer of a security or obligation becomes impaired or defaults, resulting in a financial loss.

The Management Company works within the investment policy and guidelines approved by the Company's Board of Directors (the "Board"). Additionally, investment guidelines are agreed with cedants as part of reinsurance contracts. These guidelines provide detailed composition and allocation limits and have been agreed with the Management Company. Any breaches are reported to the Company's management and the Board for their review and commentary. In addition, the Board also monitors overall investment risks. Credit spread risk is managed by having a robust Asset-Liability Management ("ALM") policy and procedures in place. The Company's credit securities are of high credit quality and most of its liabilities are renewable over the short to mid term with adjustable crediting rates and priced-in minimum crediting rate guarantees. Therefore, changes in credit spreads can be passed on to the policyholders upon renewal.

Interest Rate and Liquidity Risk

Interest rate and liquidity risk is the risk that changes in interest rates adversely and disproportionately impact the value of interest-sensitive assets relative to the value of the liabilities. This risk is mitigated by OAM within the contractually agreed and Board-approved investment guidelines and policies.

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The Company has an ALM program that minimizes asset-liability mismatch risk through duration matching and ensures that interest rate sensitivities are maintained within acceptable ranges.

Concentration Risk

Concentration risk is the risk of high concentration of exposure to counterparties and credit risk associated with those counterparties. This risk is mitigated through concentration limits on asset classes and rating categories. Further, concentration limits within each asset class are applied and are set based on the relevant characteristics of the class. The Company's and OBR's investment policy and guidelines specify the concentration limits that the Company abides by.

Lapse and Expense Risk

Lapse risk is the risk of loss because of adverse deviation of actual to expected policyholder surrenders and partial withdrawals. This risk is mitigated through appropriate pricing and analysis (including sensitivity testing) of cedant's lapse experience at the pricing stage. After the treaty has been onboarded, the risk is monitored and mitigated through analysis of actual to expected lapse experience, profit and loss attribution to lapse activity, lapse stress and scenario testing, and industry benchmarking. Lapses are sensitive to crediting rates. Regular monitoring and benchmarking of crediting rates is carried out and crediting rates are set at a competitive level.

Expense risk is the risk of deviation in operational expenses from expected. Actual versus budgeted operational expenses are monitored regularly. A detailed analysis of operational and administrative expenses by category is carried out and variances reviewed to ensure operational expenses are managed within the budget. Inflation is monitored and appropriately allowed for in the budget, pricing process, and reserves.

Mortality Risk

Mortality risk is the risk of adverse fluctuations in or deterioration of mortality experience relative to expectations.

This risk is mitigated through appropriate pricing and analysis (including sensitivity testing) of the cedant's mortality experience at the pricing stage. After the treaty has been onboarded, analysis of actual to expected mortality experience, profit and loss attribution to mortality, and mortality stress and scenario testing, help monitor and mitigate the risk.

Operational Risk

Operational risk is the risk of losses caused by flawed or failed processes, policies, systems, or events that disrupt business operations. The Company also includes reputational, corporate governance, finance, legal, and strategic risks under the operational risk umbrella.

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NOTE K - COMMITMENTS AND CONTINGENCIES

The Company is not involved in any material claims or legal actions as at April 11, 2025. The Company is not aware of any claims or legal actions that would have a material adverse effect on its financial position, results of operations or cashflows.

NOTE L - SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred during the period from the consolidated balance sheet through April 11, 2025, the date the Company's consolidated financial statements were available to be issued.