

SFG BERMUDA LTD.

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

SFG BERMUDA LTD.

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

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Report of Independent Auditors

To the Management and Board of Directors of SFG Bermuda Ltd.

Opinion

We have audited the accompanying financial statements of SFG Bermuda Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of comprehensive income, of stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company changed the manner in which it accounts for long-duration insurance contracts in 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement

when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

Des Moines, Iowa
April 21, 2026

SFG BERMUDA LTD.

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BALANCE SHEETS

(Amounts in thousands, except share amounts)

	December 31,	
	2025	2024
ASSETS		
Investments		
Fixed maturities available-for-sale, at fair value (net of allowance for credit losses of \$491 and \$167, respectively); amortized cost: \$654,294 and \$262,401, respectively	\$ 648,588	\$ 238,088
Equity securities, at fair value	1,948	1,870
Short-term investments	117,949	301,136
Total investments	768,485	541,094
Cash	7,261	12,035
Funds withheld at interest	20,423,193	17,292,570
Accrued investment income	7,089	2,254
Deferred tax asset	—	103,191
Deferred policy acquisition costs	2,162,949	1,845,857
Cost of reinsurance	158,966	178,406
Deferred sales inducements	564,119	360,935
Market risk benefit asset assumed	94,143	42,984
Reinsurance receivables	5,988	31,153
Total assets	\$ 24,192,193	\$ 20,410,479
LIABILITIES		
Policyholder account balances on reinsurance assumed	\$ 20,495,185	\$ 17,881,596
Policy claims on reinsurance assumed	51,949	35,483
Income tax payable	10,521	11,757
Deferred tax liability	85,449	—
Market risk benefit liability assumed	1,452,286	1,215,914
Reinsurance payable	4,782	—
Other liabilities	1,693	523
Total liabilities	22,101,865	19,145,273
STOCKHOLDER'S EQUITY		
Common stock, \$1 par value, 250,000 shares authorized, issued and outstanding	250	250
Additional paid-in capital	1,551,040	1,491,040
Retained earnings	656,937	(91,833)
Accumulated other comprehensive loss	(117,899)	(134,251)
Total stockholder's equity	2,090,328	1,265,206
Total liabilities and stockholder's equity	\$ 24,192,193	\$ 20,410,479

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

SFG BERMUDA LTD.

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STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	Year Ended December 31,	
	2025	2024
REVENUES		
Charges on investment-type products	\$ 99,408	\$ 79,441
Net investment income	984,819	798,190
Net gains (losses) on derivatives and derivative instruments	791,938	(149,619)
Net realized investment gains (losses)	(18,477)	1,192
Total revenue	1,857,688	729,204
BENEFITS AND EXPENSES		
Index credits and interest credited to policyholder account balances	605,249	525,375
Benefits incurred	99,196	91,159
Change in market risk benefits	(137,212)	(128,650)
Amortization of deferred sales inducements	55,781	25,400
Total benefits	623,014	513,284
Operating and other expenses (net of commissions and other expenses deferred)	38,124	28,491
Amortization of deferred policy acquisition costs	229,798	157,612
Amortization of cost of reinsurance	19,440	21,123
Total benefits and expenses	910,376	720,510
Income before income taxes	947,312	8,694
Income tax provision	198,542	1,773
Net income	\$ 748,770	\$ 6,921
OTHER COMPREHENSIVE INCOME		
Net unrealized gain (loss) on available-for-sale investments	\$ 15,063	\$ (3,250)
Change on market risk benefits related to instrument specific credit risk	1,289	(46,225)
Total other comprehensive income (loss), net of tax	16,352	(49,475)
Comprehensive income (loss)	\$ 765,122	\$ (42,554)

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

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STATEMENTS OF STOCKHOLDER'S EQUITY

(Amounts in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
Balance at December 31, 2023	\$ 250	\$ 1,001,040	\$ (103,262)	\$ (15,826)	\$ 882,202
Cumulative effect of adoption of new accounting guidance	—	—	4,508	(68,950)	(64,442)
Total comprehensive income (loss)	—	—	6,921	(49,475)	(42,554)
Capital contribution	—	490,000	—	—	490,000
Balance at December 31, 2024	\$ 250	\$ 1,491,040	\$ (91,833)	\$ (134,251)	\$ 1,265,206
Total comprehensive income (loss)	—	—	748,770	16,352	765,122
Capital contribution	—	60,000	—	—	60,000
Balance at December 31, 2025	\$ 250	\$ 1,551,040	\$ 656,937	\$ (117,899)	\$ 2,090,328

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

SFG BERMUDA LTD.

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STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,	
	2025	2024
OPERATING ACTIVITIES		
Net income	\$ 748,770	\$ 6,921
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization of deferred policy acquisition costs, deferred sales inducements and cost of reinsurance	305,019	204,135
Policy acquisition costs deferred	(546,891)	(804,277)
Sales inducements deferred	(258,964)	(220,300)
Net realized investment (gains) losses and net impairment losses recognized in earnings	18,477	(1,192)
Noncash net investment income	(957,971)	(790,912)
Non-cash derivative activity	(735,628)	198,964
Provision (benefit) for deferred income taxes	184,430	(17,382)
Net index credits, interest credited and product charges on investment-type products	505,841	445,934
Changes in other assets and liabilities		
Accrued investment income	(4,835)	(1,063)
Change in market risk benefits	(137,212)	(128,650)
Net reinsurance receivables/payables	29,948	(48,922)
Net income tax receivable/payable	(1,236)	19,155
Other liabilities	1,170	49
Policy benefits and reserves	16,466	(1,344)
Funds withheld at interest	970,665	1,055,251
Net cash provided by (used in) operating activities	\$ 138,049	\$ (83,633)
INVESTING ACTIVITIES		
Proceeds from investments sold, matured or repaid		
Fixed maturities, available-for-sale	40,692	2,935
Short term investments	23,861,492	10,211,231
Cost of investments acquired		
Fixed maturities, available-for-sale	(432,355)	(99,115)
Short term investments	(23,672,652)	(10,510,309)
Net cash used in investing activities	(202,823)	(395,258)
FINANCING ACTIVITIES		
Capital contributions received	60,000	490,000
Net cash provided by financing activities	60,000	490,000
Net change in cash	(4,774)	11,109
Cash at beginning of year	12,035	926
Cash at end of year	\$ 7,261	\$ 12,035
NON-CASH OPERATING ACTIVITIES		
Premiums on investment-type contracts	\$ 4,283,579	\$ 6,099,974
Outflows on investment-type contracts	2,193,470	1,198,513

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

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

SFG Bermuda Ltd. (the “Company”), a Bermuda exempted company, is a wholly owned subsidiary of Sammons Financial Group, Inc. (“SFG”), which is an indirect wholly owned subsidiary of Sammons Enterprises, Inc. (“SEI”). The Company is affiliated through common ownership with Midland National Life Insurance Company (“MNL”) and North American Company for Life and Health Insurance (“NAC”). The Company was incorporated on May 24, 2021 and is registered as a Class C long-term reinsurer under the Insurance Act 1978 of Bermuda, as amended (“Bermuda Insurance Act”).

The Company is a reinsurer of certain fixed and indexed annuity policies issued by affiliates, MNL and NAC, under funds withheld coinsurance agreements. The agreements are indemnity agreements that cover 100% quota share of certain in-force fixed indexed annuity policies with guaranteed benefits issued by MNL prior to September 30, 2021, 80% quota share of certain new fixed indexed annuity policies including attached riders sold by MNL and NAC on or after October 1, 2021 and 80% quota share of all multi-year guaranteed annuities including attached riders sold by MNL and NAC from July 1, 2022 to December 31, 2022. The treaties were effective October 31, 2021 for the in-force business and effective October 1, 2021 for new business. Under these agreements, MNL and NAC withhold, on behalf of the Company, assets with statutory book values equal to the statutory liabilities associated with the reinsured policies. Effective October 1, 2023, for new policies issued on or after October 1, 2023, the 80% quota share is structured as a combination of 70% funds withheld coinsurance and 10% coinsurance.

Basis of presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

The most significant areas which require the use of management’s estimates relate to the determination of the fair values of financial assets and liabilities, derivatives and derivative instruments, impairment of securities and allowances for expected credit losses, computation of income taxes, and actuarial valuation of cost of reinsurance (“COR”), deferred policy acquisition costs (“DAC”), deferred sales inducements (“DSI”), and market risk benefit assets and liabilities (“MRB”).

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NOTES TO FINANCIAL STATEMENTS

Fair value of financial assets, financial liabilities and financial instruments

The Company can elect an option to record certain financial assets and financial liabilities at fair value. The election is irrevocable and is made on a contract by contract basis. The Company has not elected to utilize the fair value option for any assets or liabilities.

Fair value estimates are significantly affected by the assumptions used, including discount rates and estimates and timing of future cash flows. Although fair value estimates are calculated using assumptions that management believes are appropriate, changes in assumptions could cause these estimates to vary materially. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in some cases, could not be realized in the immediate settlement of the instruments.

The Company uses the following methods and assumptions in estimating the fair value of its financial instruments:

Fixed maturity and equity securities

Fair value for fixed maturity and equity securities is obtained primarily from independent pricing sources, broker quotes and discounted cash flow models. Fair value is based on quoted market prices, where available. For securities not actively traded, fair value is estimated using values obtained from independent pricing services or broker quotes. When values are not available from pricing services or broker quotes, such as private placements including corporate securities, asset-backed securities, commercial mortgage-backed and residential mortgage-backed securities, fair value may be estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments.

Funds withheld at interest – embedded derivatives from reinsurance assumed

The funds withheld under the treaties for indexed annuities include a portfolio of cash, fixed maturity securities, preferred equity securities and loans and a notional hedge portfolio of options used to economically hedge index credits on assumed policies. The funds withheld coinsurance treaties create a total return swap to the Company as all investment related risks on the portfolio of fixed maturity securities, preferred equity securities and loans are assumed by the Company. The notional hedge portfolio portion of the funds withheld treaties is a derivative used to hedge index credits on assumed policies. Fair value for the embedded derivative related to the cash, fixed maturity securities, preferred equity securities and loans is based on the difference between the fair value and the cost basis of the financial instruments applicable to the Company's coinsurance agreements. The fair value of the derivative that results from the notional hedge portfolio is derived using the Company's quota share of the option budget and the market values of the options in the portfolio.

Policyholder account balances

The reported value of the Company's investment-type contracts includes the fair value of indexed annuity embedded derivatives which is calculated as the present value of benefits attributable to the excess of the projected contract values over the projected minimum guarantee values using discounted cash flow

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valuation techniques based on current interest rates adjusted to reflect the Company's own credit risk and a risk margin.

Market risk benefits

MRBs are measured at fair value at the contract level and reported as either an asset or liability on the balance sheets. The fair value is determined as the present value of projected future benefit payments less the present value of expected future fees attributable to the MRB based on assumptions a market participant would use. Fair value measurement relies on both observable and unobservable inputs. Economic assumptions include interest rates, equity returns, implied volatilities, and discount spreads reflective of market participant pricing. Actuarial assumptions—such as mortality, lapse, withdrawal, and utilization—are unobservable and reviewed regularly against emerging experience. These assumptions are applied using stochastic, risk-neutral scenario modeling through a range of potential market outcomes. A risk margin is incorporated to capture uncertainty in non-capital market inputs, and adjustments are made for the Company's nonperformance risk based on current credit spreads and observable debt market information.

Investments and investment income

Fixed maturity securities

The Company is required to classify its fixed maturity securities (bonds) into three categories: securities that the Company has the positive intent and the ability to hold to maturity are classified as "held-to-maturity;" securities that are held for current resale are classified as "trading securities;" and securities not classified as held-to-maturity or as trading securities are classified as "available-for-sale." Investments classified as trading or available-for-sale are required to be reported at fair value in the balance sheets. The Company currently has no securities classified as trading or held-to-maturity.

Available-for-sale fixed maturity securities are carried at fair value with the unrealized holding gains (losses), net of allowances for expected credit losses, included as a component of other comprehensive income ("OCI") in the statements of comprehensive income. OCI is reported net of deferred income taxes and the accumulated unrealized holding gains (losses) on securities sold which are released into income as realized investment gains (losses).

Equity securities

Equity securities include common stock and non-redeemable preferred stock. Equity securities are carried at fair value with subsequent changes in fair value recognized in net realized investment gains (losses) in the statements of comprehensive income.

Short-term investments

Short-term investments primarily consist of money market funds, certain interest bearing deposits held by various commercial banks, and certificates of deposit, carried at principal plus accrued interest, and agency discount notes and fixed maturity securities acquired with less than one year to maturity, carried at fair value.

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Credit losses - available-for-sale securities

The Company reviews its investments to determine whether the amortized cost basis of the securities is recoverable. If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the amortized cost basis of the security is written down to fair value through net realized investment gains (losses). If the Company does not intend to sell the security and it is not more likely than not it will be required to sell the security before recovery of its amortized cost basis, management evaluates whether the decline in fair value has resulted from credit losses or other factors. This evaluation is based on the credit rating of the issuer, the extent to which fair value is below amortized cost considering rate changes since acquisition, and the price at which a security is trading relative to other similarly rated securities. If analysis of these qualitative factors results in the security needing to be impaired, a credit impairment is recognized as an allowance for credit losses against the carrying value of the investment with the change in the credit allowance recognized in net realized investment gains (losses) to the extent the amortized cost of the security exceeds the net present value of its projected future cash flows (the “net present value”). The net present value used to measure a credit impairment is calculated by discounting the Company’s best estimate of projected future cash flows at the effective interest rate implicit in the available-for-sale debt security at the date of acquisition or at the current yield in the case of beneficial interest. The allowance is limited by the amount that the fair value is less than the amortized cost. If the estimated fair value is greater than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to other-than-credit factors is recorded in OCI as an unrealized loss.

Net investment income

Net investment income is recorded when earned and includes interest and dividends received and accrued, amortization of purchased premium and discounts on securities, and certain proceeds from derivatives on both assets within the funds withheld portfolio and held directly. Dividends are recorded on the ex-dividend date. Investment expenses are reported as a reduction in investment income.

Net realized investment gains (losses)

Net realized investment gains (losses) are determined on the basis of specific identification of the investments on both assets within the funds withheld portfolio and held directly.

See Note 3 for further discussion of the Company’s investments and investment income.

Cash

Cash consists of deposits held by a custodial bank and represents short term, highly liquid investments, which are readily convertible to cash. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of material loss.

Funds withheld at interest

Funds withheld at interest represents a receivable for amounts contractually withheld by the ceding companies in accordance with funds withheld components of coinsurance agreements in which the

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Company acts as reinsurer. Generally, assets equal to the statutory reserves reinsured with funds withheld coinsurance are withheld and legally owned by the ceding company, and any excess or shortfall is settled periodically. The underlying agreements contain embedded derivatives.

See Note 4 for further discussion of the Company's funds withheld at interest.

Accrued investment income

Accrued investment income consists of amounts due on invested assets. The Company does not hold an allowance for credit losses on accrued investment income. Instead, accrued investment income is written off when deemed uncollectible, which is when it is 90 days past due. Accrued investment income is written off through net investment income in the statements of comprehensive income.

Deferred policy acquisition costs and deferred sales inducements

Policy acquisition costs that vary with, and are related to, the successful acquisition of new and renewal insurance contracts assumed via reinsurance are deferred to the extent that such costs are deemed recoverable from future profits. The costs result directly from and are essential to the contract acquisition and would not have been incurred by the Company had the contract acquisition not occurred. Such costs include commissions and ceding allowances assessed by the ceding companies, as well as sales inducements credited to policyholder account balances. For fixed and indexed annuities, these deferred costs are grouped into cohorts based on the product type and issue year and amortized on a constant level basis over the expected term of the contract. The constant level basis is policy counts which are projected based on policyholder behavior assumptions over the expected contract term. Changes to projected experience are recognized as amortization prospectively over the remaining contract term. The Company presents capitalized acquisition costs and sales inducements net of related amortization separately in the balance sheets and the amortization of the capitalized acquisition costs and sales inducements as a separate component of expenses in the statements of comprehensive income in accordance with authoritative guidance.

See Note 6 for further discussion of the Company's DAC and DSI.

Cost of Reinsurance

As of the effective date of the treaties with MNL and NAC, the Company recorded liabilities in excess of assets. As there cannot be a gain or loss at inception of a reinsurance treaty, a COR asset was recorded to defer the initial loss. The COR asset is primarily due to the ceding allowance the Company paid MNL for assumption of a block of in-force policies. These costs are amortized on a constant level basis over the expected term of the contract. The constant level basis is policy counts which are projected based on policyholder behavior assumptions over the expected contract term. Changes to projected experience are recognized as amortization prospectively over the remaining contract term. Recoverability of COR is evaluated on an annual basis by comparing the current estimate of future profits to the unamortized asset balance.

See Note 6 for further discussion of the Company's COR.

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Reinsurance receivables and reinsurance payable

Reinsurance receivables and reinsurance payable reported in the balance sheets represent amounts due from or due to MNL and NAC in connection with the reinsurance agreements.

Policyholder liabilities

Policyholder account balances on reinsurance assumed

Policyholder account balances on reinsurance assumed reported in the balance sheets are determined using the retrospective deposit method. Policyholder account balances consist of the net policyholder deposits and credited interest and fixed index credits less charges for mortality and policy administrative expenses. Interest crediting rates ranged primarily from 1.00% to 5.55% in 2025 and 2024. For certain contracts, these crediting rates extend for periods in excess of one year. For annuity contracts with returns linked to the performance of an underlying market index policyholder reserves equal the combined fair value of the embedded derivative and the guaranteed component of the contract. Changes in the fair value of the embedded derivative as well as the accretion of the guaranteed component are included in benefits incurred on the statements of comprehensive income.

See Note 8 for further discussion of the Company's policyholder account balances on reinsurance assumed.

Policy claims on reinsurance assumed

The liability for policy claims on reinsurance assumed includes provisions for reported death claims based on the terms of the related contracts.

Market risk benefits assumed

MRBs represent contract features that provide protection to policyholders from other-than-nominal capital market risks such as equity and interest rates while exposing the Company to those same risks. For the Company, MRBs are primarily associated with deferred annuities that include guaranteed minimum withdrawal benefits and guaranteed minimum death benefits. Multiple MRB features on a single contract are aggregated and measured as one combined MRB.

All identified MRBs are measured at fair value at the contract level and reported as either an asset or liability on the balance sheets. The fair value is determined as the present value of projected future benefit payments less the present value of expected future fees attributable to the MRB, based on assumptions a market participant would use. Changes in MRB fair value are recorded in net income, excluding changes due to the Company's nonperformance risk, which are recorded in OCI. MRBs in an asset position are presented separately from those in a liability position, as no legal right of offset exists.

The Company generally uses an attributed fee approach at contract inception to value MRBs, estimating the portion of expected future fees required to fund all expected MRB benefits, resulting in an initial fair value near zero. This fee percentage remains fixed over the contract's life, and all excess fees are recognized as product policy fees. At contract inception, when fees are insufficient to cover expected benefits, an offsetting adjustment is established to ensure no gain or loss is recognized at issue. This

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adjustment is subsequently amortized over time in relation to the host contract of the same policy and is reported within benefits incurred on the statements of comprehensive income.

Upon extinguishment of the account balance, the MRB is derecognized and used as the initial premium in the calculation of a liability for future policy benefits.

See Note 9 for further discussion of the Company's MRBs.

Income taxes

The Company made an election under Internal Revenue Code 953(d) to be treated as a domestic corporation for U.S. tax purposes and files a separate tax return.

The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return bases of assets and liabilities. Deferred tax assets and liabilities are measured based on enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets ("DTAs") are reduced by a valuation allowance if it is more likely than not that all or some portion of the DTAs will not be realized.

If applicable, the Company's liability for income taxes would include a liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the IRS or other taxing jurisdictions. The Company recognizes tax benefits only on tax positions where it is more likely than not to prevail if reviewed by the IRS or another taxing authority.

See Note 11 for further discussion of the Company's income taxes.

Recognition of revenue and policy benefits for investment contracts on reinsurance assumed

Investment contracts are issued on a periodic and single premium basis. Amounts collected are credited to policyholder account balances on reinsurance assumed. Revenues from investment contracts consist of charges assessed against policyholder account balances for various guaranteed withdrawal benefits and surrender charges. Policy benefits and claims that are charged to expense include benefits incurred in the period in excess of related policyholder account balances.

Comprehensive income

Comprehensive income for the Company includes net income and OCI, which includes changes in MRBs related to credit risk and the non-credit portion of net unrealized investment gains (losses) on available-for-sale investments. Components of OCI are presented net of taxes.

Adoption of ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts

Effective January 1, 2025, the Company adopted Accounting Standards Update ("ASU") 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts ("LDTI"), as amended by various subsequent ASUs with a transition date of January 1, 2024

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(the “Transition Date”). The Company adopted the guidance on MRBs retrospectively to the date of contract issuance, as required. Adoption of guidance for all other balances, transactions, and disclosures was on a retrospective basis.

Adoption of LDTI impacted the Company’s accounting and presentation related to long-duration insurance contracts and certain related balances as of and for the year ended December 31, 2024. Amounts within the financial statements which were previously presented, have been revised to conform with the current year accounting and presentation under LDTI.

The following table represents the effects of the adoption on the applicable financial statement lines of the balance sheet:

<i>(In thousands)</i>	December 31, 2024		
	Pre-Adoption of LDTI	Adjustments	Post-Adoption of LDTI
ASSETS			
Deferred tax asset	\$ 55,972	\$ 47,219	\$ 103,191
Deferred policy acquisition costs	1,888,529	(42,672)	1,845,857
Cost of reinsurance	518,220	(339,814)	178,406
Deferred sales inducements	367,607	(6,672)	360,935
Market risk benefit asset assumed	—	42,984	42,984
Total assets	<u>\$ 20,709,434</u>	<u>\$ (298,955)</u>	<u>\$ 20,410,479</u>
LIABILITIES			
Policyholder account balances on reinsurance assumed	\$ 19,218,424	\$ (1,336,828)	\$ 17,881,596
Market risk benefit liability assumed	—	1,215,914	1,215,914
Total liabilities	<u>19,266,187</u>	<u>(120,914)</u>	<u>19,145,273</u>
STOCKHOLDER'S EQUITY			
Retained earnings	(28,967)	(62,866)	(91,833)
Accumulated other comprehensive loss	(19,076)	(115,175)	(134,251)
Total stockholder’s equity	<u>1,443,247</u>	<u>(178,041)</u>	<u>1,265,206</u>
Total liabilities and stockholder's equity	<u>\$ 20,709,434</u>	<u>\$ (298,955)</u>	<u>\$ 20,410,479</u>

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NOTES TO FINANCIAL STATEMENTS

The following table represents the effects of the adoption on the applicable financial statement lines of the statement of comprehensive income:

<i>(In thousands)</i>	Year Ended December 31, 2024		
	Pre-Adoption of LDTI	Adjustments	Post-Adoption of LDTI
REVENUES			
Charges on investment-type products	\$ 126,773	\$ (47,332)	\$ 79,441
Net gains (losses) on derivatives and derivative instruments	(37,242)	(112,377)	(149,619)
Total revenue	888,913	(159,709)	729,204
BENEFITS AND EXPENSES			
Benefits incurred	81,096	10,063	91,159
Change in market risk benefits	—	(128,650)	(128,650)
Amortization of deferred sales inducements	14,375	11,025	25,400
Total benefits	620,846	(107,562)	513,284
Operating and other expenses (net of commissions and other expenses deferred)	28,472	19	28,491
Amortization of deferred policy acquisition costs	102,362	55,250	157,612
Amortization of cost of reinsurance	43,226	(22,103)	21,123
Total benefits and expenses	794,906	(74,396)	720,510
Income before income taxes	94,007	(85,313)	8,694
Income tax provision	19,712	(17,939)	1,773
Net income	\$ 74,295	\$ (67,374)	\$ 6,921
OTHER COMPREHENSIVE INCOME			
Change in market risk benefits related to instrument specific credit risk	\$ —	\$ (46,225)	\$ (46,225)
Total other comprehensive income (loss), net of tax	\$ (3,250)	\$ (46,225)	\$ (49,475)
Comprehensive income (loss)	\$ 71,045	\$ (113,599)	\$ (42,554)

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The following table represents the effects of the adoption on the Company's retained earnings:

	<u>January 1, 2024</u>
<i>(In thousands)</i>	<u>Retained Earnings</u>
Retrospective adoption of DAC and DAC-like balances	(344,969)
Change in measurement of net liabilities on annuity contracts	350,676
Total pre-tax adjustments	5,707
Tax impacts	(1,199)
Total after-tax adjustments	<u>\$ 4,508</u>

The following table represents the effects of the adoption on the Company's accumulated other comprehensive income:

	<u>January 1, 2024</u>
<i>(In thousands)</i>	<u>Accumulated Other Comprehensive Income</u>
Non-performance risk remeasurement of MRBs	(87,278)
Total pre-tax adjustments	(87,278)
Tax impacts	18,328
Total after-tax adjustments	<u>\$ (68,950)</u>

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NOTES TO FINANCIAL STATEMENTS

The following table represents the effects of the adoption on the applicable financial statement lines of the statement of cash flows:

<i>(In thousands)</i>	Year Ended December 31, 2024		
	Pre-Adoption of LDTI	Adjustments	Post-Adoption of LDTI
OPERATING ACTIVITIES			
Net income	\$ 74,295	\$ (67,374)	\$ 6,921
Adjustments to reconcile net income to net cash used in operating activities			
Amortization of deferred policy acquisition costs, deferred sales inducements and cost of reinsurance	159,962	44,173	204,135
Policy acquisition costs deferred	(804,296)	19	(804,277)
Non-cash derivative activity	37,242	161,722	198,964
Provision (benefit) for deferred income taxes	557	(17,939)	(17,382)
Net index credits, interest credited and product charges on investment-type products	398,602	47,332	445,934
Changes in other assets and liabilities			
Change in market risk benefits	—	(128,650)	(128,650)
Policy benefits and reserves	79,648	(80,992)	(1,344)
Funds withheld at interest	1,013,542	41,709	1,055,251
Net cash used in operating activities	(83,633)	—	(83,633)
Net cash used in investing activities	(395,258)	—	(395,258)
Net cash provided by financing activities	490,000	—	490,000
Net change in cash	11,109	—	11,109
Cash at beginning of year	926	—	926
Cash at end of year	\$ 12,035	\$ —	\$ 12,035

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

The following table summarizes the change in DAC:

<i>(In thousands)</i>	Fixed Indexed Annuity	Deferred Annuity	Total
Balance prior to transition	\$ 1,125,711	\$ 60,884	\$ 1,186,595
Cumulative impact of retrospective adoption	21,229	(8,633)	12,596
Balance after transition	\$ 1,146,940	\$ 52,251	\$ 1,199,191

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The following table summarizes the change in DSI:

<i>(In thousands)</i>	Fixed Indexed Annuity
Balance prior to transition	\$ 161,682
Cumulative impact of retrospective adoption	4,354
Balance after transition	<u>\$ 166,036</u>

The following table summarizes the change in COR:

<i>(In thousands)</i>	Fixed Indexed Annuity
Balance prior to transition	\$ 561,446
Cumulative impact of retrospective adoption	(361,917)
Balance after transition	<u>\$ 199,529</u>

The following table summarizes the change in MRB:

<i>(In thousands)</i>	Fixed Indexed Annuity
Liability for guaranteed benefits, prior to transition	\$ 618,939
Adjustment for the difference between carrying amount and estimated fair value, except for the difference due to nonperformance risk	(340,786)
Adjustment for cumulative effect of changes in nonperformance risk since issuance	85,700
Adjustment to the host contract for differences between prior carrying amount and fair value measurement under the option based approach	316,223
Balance after transition	<u>\$ 680,076</u>

2. EFFECTS OF NEW AUTHORITATIVE GUIDANCE

Recently adopted authoritative guidance

New and proposed tax laws

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (the “Act”). The Act contained various tax-related provisions, including the establishment of a new 15 percent corporate alternative minimum tax (“CAMT”) on adjusted financial statement income for certain large corporations, effective for the years beginning on or after January 1, 2023. The CAMT may apply in any given year when tentative minimum tax then exceeds the regular tax liability, which generates a corresponding alternative minimum tax credit (“AMTC”) carryforward. The AMTC is accounted for as a DTA with an indefinite carryover life, recoverable in years when the regular tax liability exceeds tentative minimum tax. The Company has determined that it is an applicable corporation subject to the new CAMT for 2023 and future years. In 2025, the IRS issued interim guidance that was adopted by the Company, and additional guidance is expected during 2026.

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The tax accounting consequences of a change in tax law are required to be recognized in the period legislation is enacted. Generally, a company is also required to consider the impact of new tax law on realizability of its DTAs, including determination of whether a change to their valuation allowance amount is necessary. The Company made an accounting policy election to disregard CAMT status when evaluating the need for a valuation allowance for its non-CAMT DTAs.

The Company is currently monitoring the Pillar Two model rules proposed by the Organization for Economic Cooperation and Development (“OECD”), including the side-by-side safe harbor agreement released in January 2026. The rules require a 15% global minimum tax but are expected to exempt U.S. multinationals from other countries’ top-up taxes once enacted. While the Company is still evaluating the potential consequences of Pillar Two, the Company does not expect it will have a material impact on either the effective tax rate or cash tax liabilities.

On December 27, 2023, Bermuda enacted legislation implementing a Corporate Income Tax (“CIT”) system with a statutory rate of 15%. The CIT applies to certain Bermuda tax resident entities and Bermuda permanent establishments that are constituent entities of a multinational group with consolidated annual revenue of at least €750 million in at least two of the four preceding fiscal years, subject to certain exemptions. The CIT will apply to the Company and is generally effective for fiscal years beginning on or after January 1, 2025. The new CIT rules provide significant flexibility and allow taxpayers to make various elections, including choosing among various acceptable accounting standards and establishing an opening loss carryforward. The rules also provide relief from double taxation, including a foreign tax credit (“FTC”) based on accrued current and deferred taxes in a foreign jurisdiction. For a Bermuda entity for which a U.S. federal section 953(d) election is in place, a FTC is available for U.S. federal tax. The Company expects to generate excess future FTCs in Bermuda for U.S. taxes incurred and, therefore, does not expect the CIT will have a material impact, if any.

On July 4, 2025, the United States enacted Public Law 119-21, commonly referred to as the “One Big Beautiful Bill Act.” The provisions of Public Law 119-21 did not have a material impact to the Company’s financial statements for the year ended December 31, 2025 and, based on current guidance, the Company does not expect to record any material impacts in the future.

Targeted improvements to the accounting for long-duration contracts

Effective January 1, 2025, the Company adopted ASU 2018-12, Financial Services—Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts. Adoption of this ASU impacted, at least to some extent, the accounting and disclosure requirements for all long-duration insurance and investment contracts assumed by the Company and had a significant financial impact on the financial statements and disclosures. See Note 1 for additional information regarding the adoption and impacts.

Recently issued authoritative guidance

Improvements to income tax disclosures

On December 14, 2023, the FASB issued an ASU to address improvements to income tax disclosures. The standard requires disaggregated information about a company’s effective tax rate reconciliation, as well as information on income taxes paid. The standard is effective for non-public business entities for annual periods beginning after December 15, 2025, with early adoption permitted. The standard will be

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applied on a prospective basis with the option to apply the standard retrospectively. The adoption of the standard is not expected to have an impact on the Company's results of operations and financial condition as the standard is disclosure-related only.

Disclosure improvements

In October 2023, the FASB issued an ASU that adds disclosure requirements to the codification that currently exists only in SEC guidance. The guidance added to the codification will become effective for non-public business entities two years after it is removed from the SEC guidance. The Company is assessing the impact of the new guidance on its financial statements.

3. INVESTMENTS AND NET INVESTMENT INCOME

Fixed maturity securities

The amortized cost, allowance for credit losses, gross unrealized gains, gross unrealized losses and estimated fair value of fixed maturity securities classified as available-for-sale are as follows:

<i>(In thousands)</i>	Year Ended December 31, 2025				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Fair Value
U.S. government and agencies	\$ 16,958	\$ —	\$ —	\$ 2,470	\$ 14,488
Municipal securities	45,297	—	477	1,281	44,493
Corporate securities	446,534	179	10,814	8,152	449,017
Residential mortgage-backed securities	71,081	50	417	3,838	67,610
Commercial mortgage-backed securities	3,917	—	—	681	3,236
Asset-backed securities	70,507	262	406	907	69,744
Total available-for-sale	<u>\$ 654,294</u>	<u>\$ 491</u>	<u>\$ 12,114</u>	<u>\$ 17,329</u>	<u>\$ 648,588</u>

⁽¹⁾ Gross unrealized losses are net of allowance for credit losses.

<i>(In thousands)</i>	Year Ended December 31, 2024				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Fair Value
U.S. government and agencies	\$ 16,951	\$ —	\$ —	\$ 3,219	\$ 13,732
Municipal securities	21,519	—	—	2,018	19,501
Corporate securities	154,537	17	3	11,505	143,018
Residential mortgage-backed securities	33,325	123	—	4,754	28,448
Commercial mortgage-backed securities	3,922	—	—	933	2,989
Asset-backed securities	32,147	27	14	1,734	30,400
Total available-for-sale	<u>\$ 262,401</u>	<u>\$ 167</u>	<u>\$ 17</u>	<u>\$ 24,163</u>	<u>\$ 238,088</u>

⁽¹⁾ Gross unrealized losses are net of allowance for credit losses.

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The following table summarizes the amortized cost and fair value of available-for-sale fixed maturity securities, by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

<i>(In thousands)</i>	December 31, 2025	
	Amortized Cost	Fair Value
Due after one year through five years	\$ 13,001	\$ 13,068
Due after five years through ten years	141,268	142,542
Due after ten years	354,520	352,388
Securities not due at a single maturity date	145,505	140,590
Total fixed maturity securities	<u>\$ 654,294</u>	<u>\$ 648,588</u>

Gross unrealized losses

The Company's gross unrealized losses and fair value on its available-for-sale fixed maturity securities, for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

<i>(In thousands)</i>	December 31, 2025					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government and agencies	\$ 1,622	\$ 341	\$ 12,866	\$ 2,129	\$ 14,488	\$ 2,470
Municipal securities	3,744	26	16,291	1,255	20,035	1,281
Corporate securities	67,326	1,155	47,852	4,220	115,178	5,375
Residential mortgage-backed securities	6,397	32	15,650	3,760	22,047	3,792
Commercial mortgage-backed securities	838	151	2,398	530	3,236	681
Asset-backed securities	5,518	75	15,146	794	20,664	869
Total available-for-sale	<u>\$ 85,445</u>	<u>\$ 1,780</u>	<u>\$ 110,203</u>	<u>\$ 12,688</u>	<u>\$ 195,648</u>	<u>\$ 14,468</u>

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<i>(In thousands)</i>	December 31, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government and agencies	\$ —	\$ —	\$ 13,731	\$ 3,219	\$ 13,731	\$ 3,219
Municipal securities	7,483	324	12,017	1,694	19,500	2,018
Corporate securities	90,999	2,587	50,423	8,476	141,422	11,063
Residential mortgage-backed securities	7,240	42	15,809	4,528	23,049	4,570
Commercial mortgage-backed securities	—	—	2,990	933	2,990	933
Asset-backed securities	3,869	109	17,728	1,514	21,597	1,623
Total available-for-sale	\$ 109,591	\$ 3,062	\$ 112,698	\$ 20,364	\$ 222,289	\$ 23,426

At December 31, 2025, the Company held 337 positions in fixed maturity securities. The Company held 139 positions of 123 issuers as of December 31, 2025 that had unrealized losses. At December 31, 2025, 98% of the unrealized losses on fixed maturity securities were securities rated investment grade. Investment grade securities are defined as those securities rated with a National Association of Insurance Commissioners (“NAIC”) designation category of 1 or 2 (inclusive of all designation modifiers). At December 31, 2025, 2% of the unrealized losses on fixed maturity securities were on securities rated below investment grade. At December 31, 2025, fixed maturity securities in an unrealized loss position had fair value equal to approximately 93% of amortized cost.

The following table provides a rollforward of the allowance for credit losses:

<i>(In thousands)</i>	Corporate Securities	Residential Mortgage-Backed Securities	Asset-Backed Securities	Total Available-For-Sale
Balance at December 31, 2023	\$ 35	\$ —	\$ 5	\$ 40
Additions for credit losses not previously recorded	—	123	27	150
Reductions for securities sold during the period	(10)	—	—	(10)
Increases (decreases) for credit losses on securities with an allowance recorded in the previous period	(8)	—	(5)	(13)
Balance at December 31, 2024	\$ 17	\$ 123	\$ 27	\$ 167
Additions for credit losses not previously recorded	163	—	—	163
Reductions for securities sold during the period	—	(91)	—	(91)
Increases (decreases) for credit losses on securities with an allowance recorded in the previous period	(1)	18	235	252
Balance at December 31, 2025	\$ 179	\$ 50	\$ 262	\$ 491

For the year ended December 31, 2025, the allowance for credit losses on available-for-sale securities increased primarily related to net additions in corporate securities, and by net increases in previously impaired securities.

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The Company did not have any fixed maturity securities purchased with credit deterioration as of December 31, 2025 or 2024.

Net investment income and investment gains (losses)

The major categories of net investment income reflected in the statements of comprehensive income are summarized as follows:

<i>(In thousands)</i>	Year Ended December 31,	
	2025	2024
Gross investment income		
Fixed maturity securities	\$ 27,869	\$ 7,768
Equity securities	101	101
Funds withheld at interest	974,845	806,423
Cash and short-term investments	5,658	2,057
Total gross investment income	1,008,473	816,349
Less: Investment expenses	23,654	18,159
Net investment income	\$ 984,819	\$ 798,190

Investment expenses primarily consist of investment advisor fees and other expenses related to the administration of investments.

The major categories of net realized investment gains (losses) reflected in the statements of comprehensive income are summarized as follows:

<i>(In thousands)</i>	Year Ended December 31,	
	2025	2024
Fixed maturity securities, available for sale	\$ (296)	\$ 1
Equity securities	79	78
Funds withheld at interest	(17,936)	1,240
Provision for credit losses	(324)	(127)
Net realized investment gains (losses)	\$ (18,477)	\$ 1,192

Proceeds from the sale of securities and the gross realized gains and (losses) on these sales (excluding allowance for credit losses, maturities, calls, exchanges and prepayments) were as follows:

<i>(In thousands)</i>	Year Ended December 31,			
	2025		2024	
	Fixed Maturity Securities	Equity Securities	Fixed Maturity Securities	Equity Securities
Proceeds from sales	\$ 12,814	—	\$ —	—
Gross realized gains	195	—	—	—
Gross realized losses	(492)	—	—	—

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Credit risk concentration

The Company generally strives to maintain a diversified invested assets portfolio. Credit risk concentrations to any single issuer or groups of issuers with similar credit profiles are closely monitored. Other than investments in U.S. government or U.S. government agencies, the Company had no significant concentration of credit risk at December 31, 2025.

4. FUNDS WITHHELD AT INTEREST

Funds withheld at interest represents the receivable for assets supporting coinsurance. These assets are held in trusts or custodial accounts that are legally segregated from the ceding companies' general accounts. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting the reserve liabilities. However, the Company has the ability to offset amounts owed to the ceding company, which reduces the risk of loss. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Company. The funds withheld under the treaties include a portfolio of cash, fixed maturity securities, preferred equity securities, loans and a notional hedge portfolio of options used to economically hedge index credits on assumed policies. The funds withheld coinsurance treaties create a total return swap to the Company as all investment related risks on the portfolio of fixed maturity securities, preferred equity securities and loans is assumed by the Company. The notional hedge portfolio portion of the funds withheld treaties is a derivative used to hedge index credits on assumed policies. The embedded derivative is discussed in Note 5.

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The fair value of the underlying assets within the funds withheld at interest is presented below.

<i>(In thousands)</i>	December 31,	
	2025	2024
Cash	\$ 342,637	\$ 85,108
U.S. government and agencies	864,010	1,047,750
Municipal securities	730,928	707,608
Corporate securities	12,419,573	10,852,443
Residential mortgage-backed securities	777,961	917,597
Commercial mortgage-backed securities	216,014	261,509
Asset-backed securities	3,298,412	2,666,240
Equity securities	95,151	91,875
Short-term securities	251,764	46,979
Residential mortgage loans	227,928	—
Commercial mortgage loans	467,696	390,822
Swaps and swap collateral	—	4,068
Interest due and accrued	209,500	176,565
Repurchase agreements	(453,776)	(453,776)
Notional hedge portfolio	1,001,689	629,666
Receivable from (payable to) broker	12,041	(97,112)
Payable to cedants	(36,602)	(34,691)
Suspense	(1,733)	(81)
Funds withheld at interest	<u>\$ 20,423,193</u>	<u>\$ 17,292,570</u>

5. DERIVATIVES AND DERIVATIVE INSTRUMENTS

The following table presents the fair value of derivatives and derivative instruments:

<i>(In thousands)</i>	December 31,	
	2025	2024
	Fair Value	Fair Value
Derivatives not designated as hedges		
Embedded derivatives		
Assets:		
Funds withheld at interest	299,133	(492,805)
Annuity funds withheld	<u>\$ 299,133</u>	<u>(492,805)</u>
Liabilities:		
Investment-type insurance contracts embedded derivatives	2,480,433	1,893,895
Index annuity products assumed	<u>\$ 2,480,433</u>	<u>\$ 1,893,895</u>

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Embedded derivatives related to indexed annuity products

The Company's indexed annuity products assumed contain embedded derivatives. The fair value of the embedded options related to these assumed policyholder obligations are based upon current and expected index levels and returns as well as assumptions regarding general policyholder behavior, primarily lapses and withdrawals. These projected benefit values are discounted to the current date using an assumed interest rate consistent with the duration of the liability adjusted to reflect the Company's credit risk and a risk margin. This value is then compared to the carrying value of the liability to calculate any gain or loss that is reflected in the statements of comprehensive income as benefits incurred.

The Company is the assuming party under two coinsurance with funds withheld reinsurance agreements with affiliated companies. The value of the derivative embedded in the funds withheld coinsurance agreements is equal to the difference between the fair value and cost basis of the cash, fixed maturity securities, preferred equity securities and loans in the funds withheld portfolio and the total fair value of the notional hedge portfolio. The value of the embedded derivative is reported in the balance sheets in funds withheld at interest. The net change in the reported value of the embedded derivatives is reported in net gains (losses) on derivatives and derivative instruments in the statements of comprehensive income.

See Note 4 for further discussion related to the Company's funds withheld reinsurance agreements.

6. DAC, DSI and COR

The following table is a rollforward of DAC by product:

<i>(In thousands)</i>	Fixed Indexed Annuity	Deferred Annuity	Total
Balance at January 1, 2024	\$ 1,146,940	\$ 52,251	\$ 1,199,191
Capitalizations	804,277	1	\$ 804,278
Amortization Expense	(145,297)	(12,315)	\$ (157,612)
Balance at December 31, 2024	\$ 1,805,920	\$ 39,937	\$ 1,845,857
Capitalizations	546,890	—	\$ 546,890
Amortization Expense	(219,514)	(10,284)	\$ (229,798)
Balance at December 31, 2025	\$ 2,133,296	\$ 29,653	\$ 2,162,949

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The following table is a rollforward of DSI by product:

<i>(In thousands)</i>	Fixed Indexed Annuity
Balance at January 1, 2024	\$ 166,036
Sales inducement costs deferred	220,299
Amortization Expense	(25,400)
Balance at December 31, 2024	\$ 360,935
Sales inducement costs deferred	258,965
Amortization Expense	(55,781)
Balance at December 31, 2025	\$ 564,119

The following table is a rollforward of COR by product:

<i>(In thousands)</i>	Fixed Indexed Annuity
Balance at January 1, 2024	\$ 199,529
Amortization Expense	(21,123)
Balance at December 31, 2024	\$ 178,406
Amortization Expense	(19,440)
Balance at December 31, 2025	\$ 158,966

7. REINSURANCE

The Company is party to funds withheld coinsurance agreements with MNL and NAC. The agreements are indemnity agreements that cover 100% quota share of certain in-force fixed indexed annuity policies with guaranteed benefits issued by MNL prior to September 30, 2021, 80% quota share of certain new fixed indexed annuity policies including attached riders sold by MNL and NAC on or after October 1, 2021 and 80% quota share of all multi-year guaranteed annuities including attached riders sold by MNL and NAC from July 1, 2022 to December 31, 2022. Under these agreements, MNL and NAC withhold, on behalf of the Company, assets with statutory book values equal to the statutory liabilities associated with these policies. Effective October 1, 2023, for new policies issued on or after October 1, 2023, the 80% quota share is structured as a combination of 70% funds withheld coinsurance and 10% coinsurance. The Company reports the funds withheld assets with statutory book values of \$20.1 billion and \$17.8 billion in funds withheld at interest in the balance sheets for 2025 and 2024, respectively. The funds withheld at interest contains embedded derivatives as discussed in Note 4. The Company reports liabilities assumed under these treaties in policyholder account balances on reinsurance assumed and policy claims on reinsurance assumed in the balance sheets.

All charges on investment-type products and benefits incurred on the statements of comprehensive income result from reinsurance assumed.

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8. POLICYHOLDER ACCOUNT BALANCES

The following table summarizes the balance of and changes in the carrying amount of policyholder account balances on reinsurance assumed included in the balance sheets:

<i>(In thousands)</i>	Fixed Indexed Annuity	Deferred Annuity	Total
Balance at December 31, 2023	\$ 10,943,746	\$ 2,123,438	\$ 13,067,184
Premiums received	6,320,242	32	6,320,274
Policy charges	(71,450)	—	(71,450)
Surrenders and withdrawals	(1,091,563)	(37,208)	(1,128,771)
Benefit payments	(82,988)	(40,390)	(123,378)
Interest credited	433,173	91,963	525,136
Balance at December 31, 2024	\$ 16,451,160	\$ 2,137,835	\$ 18,588,995
Premiums received	4,542,543	—	4,542,543
Policy charges	(136,187)	—	(136,187)
Surrenders and withdrawals	(1,338,712)	(742,038)	(2,080,750)
Benefit payments	(143,314)	(40,851)	(184,165)
Interest credited	520,335	84,679	605,014
Balance at December 31, 2025	\$ 19,895,825	\$ 1,439,625	\$ 21,335,450

The following table provides additional detail on policyholder account balances on reinsurance assumed:

<i>(In thousands, except for percentages)</i>	Year Ended December 31, 2025		
	Fixed Indexed Annuity	Deferred Annuity	Total
Weighted-average crediting rate ⁽¹⁾	2.8 %	4.7 %	2.9 %
Net amount at risk ⁽²⁾	\$ 1,853,579	\$ —	\$ 1,853,579
Cash surrender value	\$ 18,044,761	\$ 1,367,826	\$ 19,412,587

<i>(In thousands, except for percentages)</i>	Year Ended December 31, 2024		
	Fixed Indexed Annuity	Deferred Annuity	Total
Weighted-average crediting rate ⁽¹⁾	2.7 %	4.4 %	2.9 %
Net amount at risk ⁽²⁾	\$ 1,620,984	\$ —	\$ 1,620,984
Cash surrender value	\$ 14,701,271	\$ 1,989,326	\$ 16,690,597

⁽¹⁾ Excludes policies where crediting rates do not apply.

⁽²⁾ Net amount at risk is defined as the greater of the current Guaranteed Minimum Death Benefit and Guaranteed Minimum Withdrawal Benefit amounts, where applicable, in excess of the current account balance.

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The following is a reconciliation of the policyholder account balance rollforward that ties to the policyholder account balances on reinsurance assumed on the balance sheets:

<i>(In thousands)</i>	Year Ended December 31,	
	2025	2024
Policyholder account balances rolled forward above	\$ 21,335,450	\$ 18,588,995
Embedded derivative in indexed products and related host adjustments	(840,265)	(707,399)
Total policyholder account balances	<u>\$ 20,495,185</u>	<u>\$ 17,881,596</u>

The following table represents policyholder account balances on reinsurance assumed by range of guaranteed minimum crediting rates, as well as the range of the difference between rates credited to policyholders and the respective guaranteed minimums:

<i>(In thousands)</i>	December 31, 2025					Total
	At Guaranteed Minimum	1 to 50 Basis Points Above	51 to 150 Basis Points Above	Greater than 150 Basis Points Above		
Annuities						
Less than 2.00%	\$ 626,425	\$ 505,728	\$ 1,081,169	\$ 19,050,071		\$ 21,263,393
2.00% to 3.99%	72,057	—	—	—		72,057
Total	<u>\$ 698,482</u>	<u>\$ 505,728</u>	<u>\$ 1,081,169</u>	<u>\$ 19,050,071</u>		<u>\$ 21,335,450</u>

<i>(In thousands)</i>	December 31, 2024					Total
	At Guaranteed Minimum	1 to 50 Basis Points Above	51 to 150 Basis Points Above	Greater than 150 Basis Points Above		
Annuities						
Less than 2.00%	\$ 600,184	\$ 631,867	\$ 1,320,515	\$ 15,954,236		\$ 18,506,802
2.00% to 3.99%	82,193	—	—	—		82,193
Total	<u>\$ 682,377</u>	<u>\$ 631,867</u>	<u>\$ 1,320,515</u>	<u>\$ 15,954,236</u>		<u>\$ 18,588,995</u>

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9. MARKET RISK BENEFITS

The following table summarizes the Company's assumed fixed indexed annuity products that meet the criteria to be classified as MRBs:

<i>(In thousands)</i>	Fixed Indexed Annuity
Balance at January 1, 2024	\$ 680,076
Balance, beginning of 2024, before effect of changes in instrument-specific credit risk	592,798
Issuances	683,715
Interest accrual	45,294
Attributed fees collected	47,332
Benefit payments	(70)
Effect of changes in interest rates	(353,358)
Effect of changes in equity markets	1,882
Actual policyholder behavior different from expected behavior	10,003
Effect of changes in future expected policyholder behavior	(321)
Balance, end of 2024, before effect of changes in instrument-specific credit risk	1,027,275
Effect of changes in the instrument-specific credit risk	145,655
Balance at December 31, 2024	\$ 1,172,930
Balance, beginning of 2025, before effect of changes in instrument-specific credit risk	1,027,275
Issuances	243,368
Interest accrual	68,681
Attributed fees collected	92,122
Benefit payments	(110)
Effect of changes in interest rates	(224,007)
Effect of changes in equity markets	(10,152)
Actual policyholder behavior different from expected behavior	14,401
Effect of changes in future expected policyholder behavior	2,541
Balance, end of 2025, before effect of changes in instrument-specific credit risk	1,214,119
Effect of changes in the instrument-specific credit risk	144,024
Balance at December 31, 2025	\$ 1,358,143

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The following table provides supplemental information related to MRBs:

	Year Ended December 31, 2025	
	Fixed Indexed Annuity	
Net amount at risk ⁽¹⁾ (in thousands)	\$	1,853,579
Weighted-average attained age of contract holders (in years)		66

	Year Ended December 31, 2024	
	Fixed Indexed Annuity	
Net amount at risk ⁽¹⁾ (in thousands)	\$	1,620,984
Weighted-average attained age of contract holders (in years)		65

⁽¹⁾ Net amount at risk is defined as the greater of the current Guaranteed Minimum Death Benefit and Guaranteed Minimum Withdrawal Benefit amounts, where applicable, in excess of the current account balance.

The following table presents the market risk benefit assets and liabilities which are netted in the rollforward above:

<i>(In thousands)</i>	As of December 31, 2025			As of December 31, 2024		
	Asset	Liability	Net	Asset	Liability	Net
Fixed indexed annuity	\$ 94,143	\$ 1,452,286	\$ 1,358,143	\$ 42,984	\$ 1,215,914	\$ 1,172,930

The following table summarizes the impacts to the MRBs from updating actuarial assumptions:

<i>(In thousands)</i>	Year ended December 31,	
	2025	2024
GMWB elections	\$ (49,072)	\$ 4,155
Surrender rates	51,613	(4,476)
Total	\$ 2,541	\$ (321)

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10. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated OCI are as follows:

<i>(In thousands)</i>	Net Unrealized Gain (Loss) on Available-For-Sale Securities	MRB	Deferred Income Taxes	Total
Balance at December 31, 2023	\$ (20,032)	\$ —	\$ 4,206	\$ (15,826)
Transition adjustment	—	(87,278)	18,328	(68,950)
Other comprehensive income (loss) before reclassifications	(4,114)	(58,513)	13,152	(49,475)
Balance at December 31, 2024	\$ (24,146)	\$ (145,791)	\$ 35,686	\$ (134,251)
Other comprehensive income (loss) before reclassifications	18,931	1,632	(4,211)	16,352
Balance at December 31, 2025	\$ (5,215)	\$ (144,159)	\$ 31,475	\$ (117,899)

There were no reclassification adjustments in accumulated OCI in the statements of comprehensive income for 2025 or 2024.

11. INCOME TAXES

The significant components of income tax expense are as follows:

<i>(In thousands)</i>	December 31,	
	2025	2024
Current	\$ 14,112	\$ 19,155
Deferred	184,430	(17,382)
Total income tax provision	\$ 198,542	\$ 1,773

Total income tax expense attributable to income before taxes differed from the amount that results from applying the U.S. federal statutory rate of 21%. The significant differences in 2025 and 2024 were the change in the valuation allowance against the DTA for capital loss carryforwards and the increase in the Bermuda CIT deferred tax asset, offset by a valuation allowance.

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The tax effects of temporary differences that give rise to significant portions of DTAs and deferred income tax liabilities are as follows:

<i>(In thousands)</i>	December 31,	
	2025	2024
Deferred income tax assets		
Policy liabilities and reserves	\$ 139,704	\$ 341,869
U.S. capital, NOL and CAMT carry forwards	403,356	269,953
Bermuda operating loss carry forward	368,518	298,095
Investments	968	4,990
Total gross deferred income tax assets	912,546	914,907
Less valuation allowance	(372,180)	(301,733)
Total deferred income tax assets	\$ 540,366	\$ 613,174
Deferred income tax liabilities		
Deferred policy acquisition costs, cost of reinsurance and deferred sales inducements	(606,067)	(500,892)
Other, net	(19,748)	(9,091)
Total deferred income tax liabilities	(625,815)	(509,983)
Net deferred income tax asset (liability)	\$ (85,449)	\$ 103,191

If the Company determines that any of its DTAs will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that more-likely-than-not will not be realized. With the enactment of the Bermuda CIT in 2023, the Company is a dual resident taxpayer and will establish separate deferred tax balances for Bermuda and the U.S. jurisdictions and consider the need for a valuation allowance in each jurisdiction based upon applicable tax laws.

As of December 31, 2025 and 2024, the Company has established valuation allowances of \$372 million and \$302 million, respectively. The valuation allowance at December 31, 2025 includes \$368 million for the DTA related to the \$2,457 million NOL carryforward for Bermuda tax purposes. The valuation allowance at December 31, 2024 includes \$298 million for the DTA related to the \$1,987 million NOL carryforward for Bermuda tax purposes. While this NOL does not expire, the Company expects to generate future FTCs which would displace the DTA related to the NOL and thus no net benefit will be realized. The remaining valuation allowances in both years were established against certain capital DTAs including a \$4 million valuation allowance against the DTA attributable to the Company's U.S. capital loss carryforward of \$17 million at December 31, 2024 and 2025, which will expire on December 31, 2027 through 2030, if not utilized. Adjustments to the valuation allowance will be made if there is a change in management's assessment of the amount of the DTAs that are more-likely-than-not to be realized. Based upon a review of the Company's anticipated future taxable income and after considering all other available evidence, both positive and negative, the Company's management believes no additional valuation allowance is necessary.

The Company has a DTA of \$366 million related to its \$1,745 million NOL carryforward for U.S. tax purposes. The NOL may be carried forward indefinitely. The Company has a DTA of \$33 million for CAMT credit carryforwards. This can be carried forward indefinitely and utilized against regular income tax.

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The Company has not established a liability for unrecognized tax benefits and does not expect this to change during the next twelve months. The Company recognizes interest and/or penalties as a component of tax expense. The Company did not have any accrued interest and penalties at December 31, 2025 and 2024.

The Company is not currently under examination. Tax years prior to 2022 are closed.

12. FAIR VALUE

Fair value is based on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value guidance also establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The Company determines the fair value of its investments, in the absence of observable market prices, using the valuation methodologies described below applied on a consistent basis. For some investments, market activity may be minimal or nonexistent and management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions, which involves a significant degree of judgment.

Investments for which market prices are not observable are generally private investments, securities valued using non-binding broker quotes or securities with very little trading activity. Fair values of private investments are determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. If these are not available, a discounted cash flow analysis using interest spreads adjusted for the maturity/average life differences may be used. Spread adjustments are intended to reflect an illiquidity premium and take into account a variety of factors including but not limited to senior unsecured versus secured, par amount outstanding, number of holders, maturity, average life, composition of lending group, fixed maturity rating, credit default spreads, default rates and credit spreads applicable to the security sector. These valuation methodologies involve a significant degree of judgment.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 – Quoted prices are available in active markets that the Company has the ability to access for identical financial instruments as of the reporting date. The types of financial instruments included in Level 1 are listed equities, mutual funds, money market funds, non-interest bearing cash, exchange traded futures and options, and separate account assets. As required by the fair value measurements guidance, the Company does not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Fair values are based on quoted prices for identical assets or liabilities in active and inactive markets. Inactive markets involve few transactions for identical assets or liabilities and the prices are not

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current or price quotations vary substantially over time or among market makers, which would include some broker quotes. Level 2 inputs also include corroborated market data such as interest rate spreads, yield curves, volatilities, prepayment speeds, credit risks and default rates. Financial instruments that are generally included in this category include corporate bonds, asset-backed securities, CMOs, less liquid and restricted equity securities and over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing the financial instruments. Financial instruments that are included in this category generally include private corporate securities, collateralized fixed maturity obligations and indexed annuity embedded derivatives.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. From time to time there may be movements between levels as inputs become more or less observable, which may depend on several factors including the activity of the market for the specific security, the activity of the market for similar securities, the level of risk spreads and the source of the information from which the Company obtains the information.

The Company relies on third party pricing services and independent broker quotes to value fixed maturity and equity securities. The third party pricing services use discounted cash flow models or the market approach to value the securities when the securities are not traded on an exchange. The following characteristics are considered in the valuation process: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark and comparable securities, estimated cash flows and prepayment speeds.

The Company performs both quantitative and qualitative analysis of the prices. The review includes initial and ongoing review of the third party pricing methodologies, back testing of recent trades, and review of pricing trends and statistics.

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The following tables summarize the valuation of the Company's financial instruments carried at fair value in the balance sheets by the fair value hierarchy levels defined in the fair value measurements guidance. Methods and assumptions used to determine the fair values are described in Note 1:

<i>(In thousands)</i>	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities:				
Fixed maturity securities:				
U.S. government and agencies	\$ —	\$ 14,488	\$ —	\$ 14,488
Municipal securities	—	44,493	—	44,493
Corporate securities	—	448,641	376	449,017
Residential mortgage-backed securities	—	67,610	—	67,610
Commercial mortgage-backed securities	—	3,236	—	3,236
Asset-backed securities	—	68,789	955	69,744
Total available-for-sale securities	—	647,257	1,331	648,588
Equity securities:				
Financial services	—	1,948	—	1,948
Total equity securities	—	1,948	—	1,948
Short-term investments:				
U.S. government and agencies	—	117,949	—	117,949
Total short-term investments	—	117,949	—	117,949
Funds withheld at interest:				
Annuity funds withheld	—	—	299,133	299,133
Market risk benefit asset assumed	—	—	94,143	94,143
Total financial assets	\$ —	\$ 767,154	\$ 394,607	\$ 1,161,761
Financial liabilities:				
Policyholder account balances:				
Annuity embedded derivatives assumed	\$ —	\$ —	\$ 2,480,433	\$ 2,480,433
Market risk benefit liability assumed	—	—	1,452,286	1,452,286
Total financial liabilities	\$ —	\$ —	\$ 3,932,719	\$ 3,932,719

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	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale securities:				
Fixed maturity securities:				
U.S. government and agencies	\$ —	13,732	\$ —	\$ 13,732
Municipal securities	—	19,501	—	19,501
Corporate securities	—	142,653	365	143,018
Residential mortgage-backed securities	—	28,448	—	28,448
Commercial mortgage-backed securities	—	2,989	—	2,989
Asset-backed securities	—	29,605	795	30,400
Total available-for-sale securities	—	236,928	1,160	238,088
Equity securities:				
Financial services	—	1,870	—	\$ 1,870
Total equity securities	—	1,870	—	1,870
Short-term investments:				
U.S. government and agencies	—	301,151	—	\$ 301,151
Total short-term investments	—	301,151	—	301,151
Funds withheld at interest:				
Annuity funds withheld	—	—	(492,805)	(492,805)
Market risk benefit asset assumed	—	—	42,984	42,984
Total financial assets	\$ —	\$ 539,949	\$ (448,661)	\$ 91,288
Financial liabilities:				
Policyholder account balances:				
Annuity embedded derivatives assumed	\$ —	\$ —	\$ 1,893,895	\$ 1,893,895
Market risk benefit liability assumed	—	—	1,215,914	1,215,914
Total financial liabilities	\$ —	\$ —	\$ 3,109,809	\$ 3,109,809

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The following tables summarize the changes in financial instruments measured at fair value, excluding accrued interest income and the changes in MRBs (see Note 9), for which Level 3 inputs were used to determine fair value:

<i>(In thousands)</i>	Year Ended December 31, 2025		
	Purchases	Issuances	Transfers in and/or out of Level 3 ^(A)
Financial assets:			
Available for sale securities			
Fixed maturity securities:			
Asset-backed securities	136	—	—
Total fixed maturity securities	136	—	—
Market risk benefit asset assumed	—	7,939	—
Total financial assets	<u>\$ 136</u>	<u>\$ 7,939</u>	<u>\$ —</u>
Financial liabilities:			
Policyholder account balances			
Annuity embedded derivatives assumed ^(B)	—	494,732	—
Market risk benefit liability assumed	—	251,307	—
Total financial liabilities	<u>\$ —</u>	<u>\$ 746,039</u>	<u>\$ —</u>

<i>(In thousands)</i>	Year Ended December 31, 2024		
	Purchases	Issuances	Transfers in and/or out of Level 3 ^(A)
Financial assets:			
Available for sale securities			
Fixed maturity securities:			
Asset-backed securities	\$ 307	\$ —	\$ —
Total fixed maturity securities	307	—	—
Market risk benefit asset assumed	—	(7,350)	—
Total financial assets	<u>\$ 307</u>	<u>\$ (7,350)</u>	<u>\$ —</u>
Financial liabilities:			
Policyholder account balances			
Annuity embedded derivatives assumed ^(B)	—	455,892	—
Market risk benefit liability assumed	—	676,365	—
Total financial liabilities	<u>\$ —</u>	<u>\$ 1,132,257</u>	<u>\$ —</u>

^(A) There were no transfers in and/or out of Level 3 in the years ended December 31, 2025 or 2024.

^(B) Excludes host accretion and the timing of crediting index credits to policyholder, which are included in interest credited to policyholder account balances in the statements of comprehensive income.

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NOTES TO FINANCIAL STATEMENTS

13. STATUTORY FINANCIAL DATA AND DIVIDEND RESTRICTIONS

The Company is licensed by the Bermuda Monetary Authority (“BMA”) as a long-term insurer and is subject to the Bermuda Insurance Act and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (“EBS”) framework into the Bermuda Solvency Capital Requirement (“BSCR”), which was granted equivalency to the European Union’s Directive (2009/138/EC) (Solvency II). Under this framework a Class C insurer must produce three sets of financial statements:

1. GAAP Financial Statements - Financial statements prepared in accordance with an internationally recognized comprehensive basis of accounting, and for which the Company has elected to prepare GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements (“SFS”) and the EBS.
2. Statutory Financial Statements - Equal to the GAAP financial statements adjusted for permitted practices issued by the BMA.
3. Economic Balance Sheet - A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum 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 stress scenarios.

Under the Bermuda Insurance Act, long-term reinsurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (“MSM”) which is equal to the greater of \$500,000 or 1.5% of the total statutory assets, with a floor of 25% of the Enhanced Capital Ratio (“ECR”). Under the Bermuda Insurance Act, the Company is also required to maintain minimum EBS capital and surplus to meet the 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 of December 31, 2025 and December 31, 2024, the Company was in excess of the minimum levels required.

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The following table presents the actual and required GAAP and SFS capital and surplus and net income (loss) amounts as of and for the years ended December 31, 2025 and 2024:

<i>(In thousands)</i>	Year Ended December 31, 2025	
	GAAP	SFS
Actual Capital and Surplus	2,090,328	1,838,731
Required Capital and Surplus ^(A)	N/A	364,802
Net Income (Loss)	748,770	(58,071)

<i>(In thousands)</i>	Year Ended December 31, 2024	
	GAAP	SFS
Actual Capital and Surplus	1,265,206	1,835,513
Required Capital and Surplus ^(A)	N/A	319,465
Net Income (Loss)	6,921	(157,867)

^(A) Represents the MSM for the SFS. There is not a required capital and surplus amount for the GAAP financial statements.

As discussed in Note 1, effective January 1, 2025, the Company adopted LDTI with a transition date of January 1, 2024. Adoption of LDTI impacted the Company's accounting and presentation related to long-duration insurance contracts and certain related balances as of and for the year ended December 31, 2024. Amounts within the financial statements which were previously presented, have been revised to conform with the current year accounting and presentation under LDTI. The following table represents the effects of the adoption on the SFS capital and surplus and net income (loss):

<i>(In thousands)</i>	As of and for the Year Ended December 31, 2024		
	Pre-Adoption of LDTI	Adjustments	Post-Adoption of LDTI
Capital and Surplus	\$ 1,748,694	\$ 86,819	\$ 1,835,513
Net Income (Loss)	26,560	(184,427)	(157,867)

Under the EBS framework, SFS are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. The Company has permission in the SFS to not recognize the embedded derivatives on indexed annuity products assumed and funds withheld at interest, to remove balance sheet recognition of unrealized gains or losses for assets held directly at the Company, and to remove capital market impacts of MRBs. The following represents the effect of the permitted practices to the SFS:

<i>(In thousands)</i>	December 31,	
	2025	2024
Increase (decrease) to capital and surplus due to permitted practices	(251,597)	570,307
Decrease to statutory net income due to permitted practices	(806,841)	(164,788)

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To enable the BMA to better assess the quality of the insurer's capital resources, a Class C insurer is required to disclose the makeup of its capital in accordance with the "3-tiered capital system." Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 Capital or Tier 3 Capital. The Bermuda Insurance Act requires that Class C insurers have Tier 1 Capital equal to or greater than 50% of the value of its ECR and Tier 3 Capital of not more than 17.65% of the aggregate of its Tier 1 Capital and Tier 2 Capital. As of December 31, 2025 and 2024, all of the eligible capital used by the Company to meet the MSM and ECR was Tier 1 Capital. The Company monitors its capital tiers and any encumbrances on capital when determining capital tiers, including assessing any capital restricted in trusts and coinsurance arrangements.

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 companies' respective 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 subsidiary to fail to meet its relevant margins. In certain instances, the Company would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MSM and ECR requirements, the Company is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. As of December 31, 2025, the Company is not permitted to remit a dividend to its parent without prior approval from the BMA.

14. OTHER RELATED PARTY TRANSACTIONS

The Company is party to funds withheld coinsurance agreements with MNL and NAC. The agreements are indemnity agreements that cover 100% quota share of certain in-force fixed indexed annuity policies with guaranteed benefits issued by MNL prior to September 30, 2021, 80% quota share of certain new fixed indexed annuity policies including attached riders sold by MNL and NAC on or after October 1, 2021, and 80% quota share of all multi-year guaranteed annuities including attached riders sold by MNL and NAC from July 1, 2022 to December 31, 2022. The treaties were effective October 31, 2021 for the in-force business and effective October 1, 2021 for new business. Effective October 1, 2023, for new policies issued on or after October 1, 2023, the 80% quota share is structured as a combination of funds withheld and coinsurance. With the exception of investment income on assets held directly by the Company and operational expenses, all of the Company's revenues and expenses result from transactions with related parties.

The Company pays fees to MNL under an administrative services agreement that covers certain investment, accounting, legal and management services. The Company incurred \$2.9 million and \$2.8 million in 2025 and 2024, respectively for these services.

The Company receives investment management services from SFG Asset Management, LLC, an affiliate registered investment advisor. The Company incurred \$574 thousand and \$76 thousand in 2025 and 2024, respectively for these investment management services. The fee is calculated based on the average fair value of invested assets under management multiplied by a contractual rate.

During the years ended December 31, 2025 and December 31, 2024, the Company received \$60 million and \$490 million, respectively in capital contributions from its parent, SFG.

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15. COMMITMENTS AND CONTINGENCIES

The Company has, in the normal course of business, claims and lawsuits filed against it. In some cases the damages sought are substantially in excess of contractual policy benefits. The Company believes these claims and lawsuits, either individually or in aggregate, will not materially affect the Company's financial position or results of operations.

16. SUBSEQUENT EVENTS

The Company evaluated subsequent events through April 21, 2026, which is the date the financial statements were available to be issued. There were no subsequent event transactions that required disclosure in the financial statements.