



Independent auditor's report

To the Board of Directors of Kubera Insurance (SAC) Ltd.

Our opinion

In our opinion, the condensed financial statements of Kubera Insurance (SAC) Ltd. (the Company) are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation').

What we have audited

The Company's condensed financial statements comprise:

- the condensed balance sheet as at December 31, 2020;
- the condensed statement of income for the year then ended;
- the condensed statement of capital and surplus as at December 31, 2020; and
- the notes to the condensed financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Emphasis of matter – basis of accounting

Without modifying our opinion, we note that the condensed financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of International Financial Reporting Standards.



Responsibilities of management for the condensed financial statements

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

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

Auditor's responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed financial statements.

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

- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton, Bermuda
April 28, 2021

CONDENSED BALANCE SHEET

Kubera Insurance (SAC) Ltd.

As at **December 31, 2020**

expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	19,398	554
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	380	737
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	380	737
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		

CONDENSED BALANCE SHEET

Kubera Insurance (SAC) Ltd.

As at **December 31, 2020**

expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other	1,429,427	873,773
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Other Sundry Assets (taxes)	30	
(i)	Other Sundry Assets (other assets)	21	
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	1,429,478	873,773
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	1,449,256	875,064
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		

CONDENSED BALANCE SHEET

Kubera Insurance (SAC) Ltd.

As at **December 31, 2020**

expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Total Net Long-Term Business Insurance Reserves	-	-
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE		
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		501
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies	1,429,427	873,773
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)	287	167
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	1,429,714	873,940
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	1,429,714	874,441
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	1,429,714	874,441
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	19,542	623
41.	TOTAL	1,449,256	875,064

CONDENSED STATEMENT OF INCOME

Kubera Insurance (SAC) Ltd.

As at **December 31, 2020**
expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS	19	
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	19	-

CONDENSED STATEMENT OF INCOME

Kubera Insurance (SAC) Ltd.

As at **December 31, 2020**
expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	19	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	<u>(19)</u>	<u>-</u>
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	<u>(19)</u>	<u>-</u>
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	498	422
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	498	422
31.	COMBINED INVESTMENT INCOME - NET	6,486	
32.	COMBINED OTHER INCOME (DEDUCTIONS)	451	186
33.	COMBINED INCOME BEFORE TAXES	6,420	(236)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	6,420	(236)
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES	6,500	1
38.	NET INCOME	<u>(80)</u>	<u>(237)</u>

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Kubera Insurance (SAC) Ltd.

As at **December 31, 2020**
expressed in ['000s] **United States Dollars**

LINE No.		2020	2019
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares	1,000	1,000
	authorized 1,000,000 shares of par		
	value \$ 1,000 each issued and		
	fully paid 1,000,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2020 _____		
	2019 _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2020 _____		
	2019 _____		
	(iii) Treasury Shares		
	repurchased _____ shares of par		
	value _____ each issued		
(b)	Contributed surplus	19,000	
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	20,000	1,000
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	(378)	(140)
(b)	Add: Income for the year	(80)	(237)
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	(458)	(377)
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	19,542	623

Kubera Insurance (SAC) Ltd.

Condensed Financial Statements

For the period from 1st January 2020 to 31st December 2020

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Matters to be set forth in a General Note to the Financial Statements

1. Kubera Insurance (SAC) Ltd (the “Company”) was incorporated on 5th October 2018, under the laws of Bermuda and licensed as a long-term insurer (Class C), effective 14th December 2018, under the Insurance Act 1978 of Bermuda and related regulations, to carry out business as an insurance company. The Company was also registered as a Segregated Accounts Company under the Segregated Accounts Companies Act 2000 effective 11th December 2018. To date, the Company has only written reinsurance business with this license. That license restricts the Company to long-term insurance business.

The Company and its general account is a wholly-owned subsidiary of Hannover Finance Inc., a Delaware based holding company that is itself 100% wholly-owned by Hannover Rück SE (“HR SE”), a German reinsurance company founded in 1966 and the parent company of the Hannover Re Group. HR SE is majority owned through the Talanx AG holding company by HDI Haftpflichtverband der Deutschen Industrie V.a.G, a German mutual insurance company.

2. On 31st December 2018, the Company established a segregated account, Annuity Reinsurance Cell A1 (“ARCA1”), to reinsure a US-based life insurance company domiciled in Iowa. The risk assumed by ARCA1 consist of fixed deferred annuities, multi-year guaranteed annuities (“MYGAs”), fixed indexed annuities, and traditional fixed annuities with guaranteed minimum withdrawal benefit.

The fixed deferred annuities and MYGAs (“DA Business”) is ceded to ARCA1 on a coinsurance and modified coinsurance basis. The entirety of the DA Business is then retroceded to a Bermuda domiciled reinsurer.

The fixed indexed annuities and traditional fixed annuities with a guaranteed minimum withdrawal benefit (“FIA Business”) is ceded to ARCA1 on a coinsurance fundswithheld basis.

An affiliated company also provides a stop loss cover for the FIA Business reinsured by ARCA1.

The Company’s general account assets are not available to satisfy liabilities arising from the activities of ARCA1. ARCA1’s assets and liabilities are legally segregated from the general account assets and liabilities of the Company.

On 21st September 2020, the Company established a second segregated account, Life Insurance Linked Security Cell L1 “LILSL1”, to facilitate a new insurance linked security (“ILS”) funding facility between Greenstone Financial Services Pty Ltd. (“Greenstone”) and three third party ILS investors, including HR SE, (collectively the “Noteholders”). Greenstone entered into an ISDA long-form confirmation agreement (“Swap”) with LILSL1 who will in turn issue ILS bonds (“Notes”) to the Investors. The targeted volume of the initial funding tranche was 700 million Australian dollars which was the overall principal amount of the issued Notes and correspondingly the notional amount paid under the Swap from LILSL1 to Greenstone (“Notional Amount”). Greenstone utilized the proceeds received on the initial funding tranche to finance a stream of commission cash flows on insurance policies it sold under its Distribution Agreement (“Subject Business”) with Hannover Life Re of Australasia (“HLR Aus”). It also utilized a portion of the proceeds to repay existing debts owed to HR SE.

3. The Company’s condensed financial statements have been prepared on the going concern basis and in accordance with the financial reporting provisions of Insurance Account Rules 2016. The recognition and measurement principles applied are in line with International Financial Reporting Standards (“IFRS”). Full IFRS reporting has not been adopted however, and therefore the presentation and disclosures requirements of IFRS are not required.
4. The significant accounting policies of the Company are as set out below:

Premium revenue recognition

Premiums written are recorded on an accrual basis. Premiums written are recognised on a pro-rata basis over the periods covered by the insurance policies to which they relate. The portion of the

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in a General Note to the Financial Statements – Continued

premiums written applicable to the unexpired terms of the underlying contracts and policies are recorded as unearned premiums.

Contracts that do not transfer significant insurance risk are accounted for on a deposit basis and do not recognise insurance premium.

Commissions

Commissions are recorded on an accrual basis and relate to expenses incurred to acquire new and renewal insurance business.

Contracts that do not transfer significant insurance risk are accounted for on a deposit basis and do not recognise commission expense.

Reinsurance

ARCA1 entered into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Cash and cash equivalents

Cash and cash equivalents include money market accounts and highly liquid short term deposits and securities with maturities of 90 days or less at the time of purchase. Bank deposits are not considered to be at fair value and as such are not subject to the authoritative guidance on fair value measurement disclosures. Money market funds are classified as Level 1 as these instruments are considered actively traded; however, certificates of deposit are classified as Level 2.

Segregated Account

Segregated account assets and liabilities recorded in line 13 (c) and 36 (b) of the condensed consolidated balance sheet represent balances arising from transactions entered on ARCA1 and LILSL1. The insurance risks or obligations of ARCA1 and LILSL1 are isolated, and ring fenced from the Company's general account.

Contracts deposits

Contract deposits are receivables and liabilities under insurance contracts that satisfy the test of a significant risk transfer to the reinsurer as required by IFRS 4 "Insurance Contracts" but fail to meet the risk transfer required by US GAAP. IFRS 4 in conjunction with FASB ASC 944-20-15 requires insurance contracts that transfer a significant technical risk from the ceding company to the reinsurer to be differentiated from those under which the risk transfer is of merely subordinate importance. Since the risk transfer under the affected transactions is of subordinate importance, these contracts are recognised using the "deposit accounting" method and hence eliminated from the technical account. The compensation for risk assumption booked to income under these contracts is netted under other income and expenses. The contract deposits are included in the segregated account assets and liabilities.

Funds Held by Ceding Reinsurers

Funds withheld are receivables due to reinsurers from their clients in the amount of the cash deposit contractually withheld by such clients; they are recognized at acquisition cost (notional amount). Appropriate allowance is made for credit risks. This is included in the segregated account assets.

Funds Held Under Reinsurance Contracts

Funds held liabilities represent amounts withheld under ceded reinsurance contracts for collateral purposes. This is included in the segregated account liabilities.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in a General Note to the Financial Statements – Continued

Investment income

Investment income comprises income from financial assets, including interest income on funds held and policy loans and cash and bank deposits.

Tax

The Company is not subject to Bermuda income or capital gains tax under current Bermuda law. In the event that there is a change in current law such that taxes on income or capital gains are imposed, the Company would be exempt from such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966.

ARCA 1 has filed an application with the Internal Revenue Service (IRS) under section 953 (d) of the Internal Revenue Code to be treated as a U.S. domestic insurance company for the U.S. federal income tax purposes. The Company is awaiting final approval of its 953 (d) application with the IRS. As such, deferred tax assets and liabilities are recorded to recognize the tax effect of temporary differences between the financial reporting and income tax bases of assets and liabilities, which arise because of differences between IFRS and income tax accounting rules. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Deferred tax assets are recognized when it is probable that the Company will be able to realize its benefits. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that in the opinion of management, is more likely than not to be realized. The Company has considered all available evidence, both positive and negative, and weighted such evidence in the assessment of the recognition of its DTAs. Based on its analysis, the company has concluded that it is not probable that the benefit of its deferred tax assets will be realized and has recorded a valuation allowance.

The Company's general account has made an election to be treated as a disregarded entity for U.S. federal income tax purposes.

The Company evaluates uncertain tax positions taken or expected to be taken in the course of preparing the Company's financial statements to determine whether the tax positions are more likely than not to be realized as a tax benefit or expense in the current period.

5. The bases for premium, investment income and commissions recognition are set out in Note 4 above.
6. The Company's segregated account assets and liabilities on the LILSL1 transaction are denominated in Australian Dollars. Due to the ring-fenced treatment and offsetting nature of LILSL1's segregated account assets and liabilities, the Company is not exposed to any foreign exchange fluctuations associated with its foreign denominated assets and liabilities.

The Company does not have any other foreign denominated transactions of assets, liabilities, income or charges for the period ended 31st December 2020.

7. There are no foreign exchange control restrictions affecting the assets of the Company.
8. There are no material contingencies or commitments at the balance sheet date.
9. The Company did not issue any securities or enter any credit agreements during the financial period.
10. The Company does not have any preferred cumulative shares.
11. There was no loan made by the Company to any director or officer of the Company outside the ordinary course of business during the financial period.
12. The Company has no employees.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in a General Note to the Financial Statements – Continued

13. Fair value amounts for all quoted and unquoted investment lines- Not Applicable
14. The contractual maturity profile of the insurers' fixed maturity and short-term investments – Not Applicable.
15. As of 31st December 2020, included in the segregated accounts companies liability is a deposit liability of \$6,787,359 relating to ARCA1 premiums accruals and loss carryforward payments on the stop loss cover provided to the segregated account by an affiliated Company. The segregated accounts companies liability also contains \$264,803,217 due to HR SE relating to LILSL1 notes payable on the Greenstone transaction.
16. No transactions or events occurring outside the ordinary course of business between 31st December 2020 and the date of approval of the financial statements by the Board of Directors which would materially affect the financial statements.

In March 2020, the World Health Organization declared the COVID-19 strain of the coronavirus to be a pandemic, and national governments have implemented a range of policies and actions to combat it. The extent to which the COVID-19 pandemic impacts the Company, net income, and surplus, as well as the Company's capital and liquidity position, will depend on future developments, which are highly uncertain and cannot be estimated, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Management will continue to monitor developments and their impact on the Company's operations.
17. Any other information which in the opinion of the Board of Directors is required to be disclosed if the financial statements are not to be misleading. – Not applicable

Matters to be set forth in Notes to the Consolidated Statement of Capital and Surplus

1(a) Capital stock

At 31st December 2020 the Company had 1,000,000 authorised, issued and fully paid common shares at a par value of US\$1 each.

1(b) Contributed surplus

The Company had contributed surplus of \$19,000,000 as of 31st December 2020.

2(c) Dividends paid and payable

There are no dividends paid or payable during the period ended 31st December 2020.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Matters to be set forth in Notes to the Consolidated Balance Sheet

1. As of 31st December 2020 there are no encumbrances on cash or cash equivalents.
2. Quoted investments represent transferable securities admitted to an official stock exchange listing or traded on another regulated market and are valued on the basis of the last available market price. If such securities are listed on several markets, the last known price on the principal market is applied. The Company had no quoted investments as of 31st December 2020.
3. Unquoted investments represent transferable securities not admitted to an official stock exchange listing or not traded on another regulated market, and transferable securities admitted to an official stock exchange listing or traded on another regulated market, but for which the last available price is not representative, are valued on the basis of their reasonably foreseeable price determined based on available information provided by the custodian banks, other price providers or in the financial statements of these investments. The Company had no unquoted securities as of 31st December 2020.
- 4- 9. Not applicable.
10. The Accounts and premium receivable in course of collections for the year ended 31st December 2020 amounted to \$379,853 and relates to expense allowances that are payable to the Company on the ARCA1 and LILSL1 transactions.
- 11-12. Not applicable.
13. As of 31st December 2020, sundry assets of \$1,429,426,806 consists primarily of the assets held in the ARCA1 and LILSL1 segregated cell.

The ARCA1 sundry assets consist of \$819,446,380 relating to funds withheld by ceding reinsurer in respect of the DA contract, \$6,847,359 of receivables of the net cash flows generated under the FIA contract and \$73,547,725 of trade receivables. The Company elected net presentation of the FIA contract on the balance sheet as the contract met the required criteria for off-set. This contract consists of \$4.1bn of funds withheld assets and corresponding deposit contract liabilities, netting to the \$6,847,359.

The LILSL1 sundry assets consist of \$529,585,342 relating to the unquoted ISDA swap asset on the Greenstone transaction. The swap assets is supported by a stream of future commission cash flows on the Subject Business associated with the transaction.

The Company received approval from the BMA to present the assets of ARCA1 and LILSL1 under sundry assets, segregated accounts companies – long-term business - other, for the period ended December 31, 2020.
14. Not applicable
- 16–17. Not applicable.
- 20- 27. Not applicable
28. The insurance and reinsurance balance payables for the year ended 31st December 2020 amounted to \$287,466.
- 29-30. Not applicable
31. Income Taxes payable and deferred income taxes

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

Matters to be set forth in a General Note to the Financial Statements – Continued

Refer to Note 4 in the General Note to the financial statements. As of 31st December 2020, the Company's general and segregated account recorded nil deferred and current income tax as of 31st December 2020.

32-35. Not applicable

36. As of 31st December 2020, sundry liabilities of \$1,429,426,806 consists primarily of the liabilities on the ARCA1 and LILSL1 segregated cell. ARCA1 sundry liabilities consist of \$819,446,380 relating to funds held under reinsurance contracts, \$6,787,359 of payables to a related party for the stop loss cover and \$73,607,725 on trade liabilities. LILS11 sundry liabilities consist of \$529,585,342 relating to the notes payable on the Greenstone transaction.

37. Not applicable

Matters to be set forth in Notes to the Balance Sheet

- 6. Not applicable.
- 15. Not applicable
- 32. Not applicable.
- 36. Not applicable

Kubera Insurance (SAC) Ltd.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

Matters to be set forth in Notes to the Statement of Income

None