

FIRST BRITISH BERMUDA REINSURANCE COMPANY III, LTD.
(an ultimate wholly-owned subsidiary of Legal & General Group Plc)
REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

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(an ultimate wholly-owned subsidiary of Legal & General Group Plc)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of First British Bermuda Reinsurance Company III, Ltd.

Our opinion

In our opinion, the condensed financial statements of First British Bermuda Reinsurance Company III, 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, 2021
- the condensed statement of income for the year then ended
- the condensed statement of capital and surplus as at December 31, 2021, 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 Accountant's International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the condensed financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 ("IFRS").



Responsibilities of management and those charged with governance 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.

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

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 skepticism 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2022

Schedule IX
CONDENSED CONSOLIDATED BALANCE SHEET
 FIRST BRITISH BERMUDA REINSURANCE COMPANY III, LTD.
 (an ultimate wholly-owned subsidiary of Legal & General Group Plc)
 AS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020
 EXPRESSED IN THOUSANDS OF US DOLLARS

| STMT. ASSETS | | <u>2021</u> | <u>2020</u> |
|---------------------|---|---------------|---------------|
| LINE No. | | | |
| 1. | CASH AND CASH EQUIVALENTS | 45,078 | 39,844 |
| 2. | QUOTED INVESTMENTS | | |
| | (a) Bonds and debentures | | |
| | i Held to maturity | - | - |
| | ii Other | 16,912 | 1,839 |
| | (b) Total Bonds and Debentures | <u>16,912</u> | <u>1,839</u> |
| | (c) Equities | | |
| | i Common Stocks | - | - |
| | ii Preferred Stocks | - | - |
| | iii Mutual Funds | - | - |
| | (d) Total Equity Investments | <u>-</u> | <u>-</u> |
| | (e) Other Quoted Investments | - | - |
| | (f) Total Quoted Investments | <u>16,912</u> | <u>1,839</u> |
| 3. | UNQUOTED INVESTMENTS: | | |
| | (a) Bonds and debentures | | |
| | i Held to maturity | - | - |
| | ii Other | 54,081 | 59,116 |
| | (b) Bonds and debentures | <u>54,081</u> | <u>59,116</u> |
| | (c) Equities | | |
| | i Common Stocks | - | - |
| | ii Preferred Stocks | - | - |
| | iii Mutual Funds | - | - |
| | (d) Total Equity Investments | <u>-</u> | <u>-</u> |
| | (e) Other Unquoted Investments | - | - |
| | (f) Total Unquoted Investments | <u>54,081</u> | <u>59,116</u> |
| 4. | INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD): | | |
| | (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 (equity method) | - | - |
| | (g) Advances to affiliates | - | 32 |
| | (h) Total investments in and advances to affiliates (equity method) | <u>-</u> | <u>32</u> |
| 5. | INVESTMENT IN MORTGAGE LOANS ON REAL ESTATE: | | |
| | (a) First Liens | - | - |
| | (b) Other than First Liens | - | - |
| | (c) Total Investments in Mortgage Loans on Real Estate | <u>-</u> | <u>-</u> |
| 6. | POLICY LOANS | - | - |
| 7. | REAL ESTATE: | | |
| | (a) Occupied by the company (less encumbrances) | - | - |
| | (b) Other properties (less encumbrances) | - | - |
| | (c) Total real estate | <u>-</u> | <u>-</u> |
| 8. | COLLATERAL LOANS | - | - |
| 9. | INVESTMENT INCOME DUE AND ACCRUED | 594 | 516 |
| 10. | ACCOUNTS AND PREMIUMS RECEIVABLE: | | |
| | (a) In course of collection | - | - |
| | (b) Deferred - not yet due | - | - |
| | (c) Receivables from retrocessional contracts | - | - |
| | (d) Total accounts and premiums receivable | <u>-</u> | <u>-</u> |

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

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| STMT. ASSETS | | <u>2021</u> | <u>2020</u> |
|---------------------|---|----------------|----------------|
| LINE No. | | | |
| 11. | REINSURANCE BALANCE RECEIVABLE: | | |
| | (a) Foreign affiliates | - | 1,882 |
| | (b) Domestic affiliates | 29,767 | - |
| | (c) Pools & associations | - | - |
| | (d) All other insurers | - | - |
| | (e) Total reinsurance balances receivable | <u>29,767</u> | <u>1,882</u> |
| 12. | FUNDS HELD BY CEDING REINSURERS | <u>-</u> | <u>-</u> |
| 13. | SUNDRY ASSETS: | | |
| | (a) Derivative instruments | - | - |
| | (b) Segregated accounts companies - long-term business - variable annuities | - | - |
| | (c) Segregated accounts companies - long-term business - others | - | - |
| | (d) Segregated accounts companies - general business | - | - |
| | (e) Deposit assets | - | - |
| | (f) Deferred acquisition costs | - | - |
| | (g) Net receivables for investments sold | 149 | 141 |
| | (h) Other Sundry Assets (Deferred Tax Assets) | 917 | 812 |
| | (i) Other Sundry Assets (Intangible Assets) | 573 | - |
| | (j) Other Sundry Assets (Specify) | - | - |
| | (k) Total sundry assets | <u>1,639</u> | <u>953</u> |
| 14. | 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 | <u>-</u> | <u>-</u> |
| 15. | TOTAL | <u>148,071</u> | <u>104,182</u> |

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AS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020
EXPRESSED IN THOUSANDS OF US DOLLARS

| STMT. TOTAL INSURANCE RESERVES, OTHER LIABILITIES LINE No. AND CAPITAL AND SURPLUS | 2021 | 2020 |
|---|-------------|-------------|
| INSURANCE RESERVES | | |
| 16. UNEARNED PREMIUMS RESERVES: | | |
| (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 reserves | - | - |
| 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 insurers | - | - |
| (c) Total reinsurance recoverable balance | - | - |
| (d) Net loss and loss expenses provisions | - | - |
| 18. OTHER GENERAL BUSINESS INSURANCE RESERVES | - | - |
| 19. TOTAL GENERAL BUSINESS INSURANCE RESERVES | - | - |
| LONG-TERM BUSINESS INSURANCE RESERVES | | |
| 20. RESERVES FOR REPORTED CLAIMS | - | - |
| 21. RESERVES FOR UNREPORTED CLAIMS | - | - |
| 22. POLICY RESERVES - LIFE | - | - |
| 23. POLICY RESERVES - ACCIDENT AND HEALTH | - | - |
| 24. POLICYHOLDERS' FUNDS ON DEPOSIT | - | - |
| 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 | (316,945) | (419,923) |
| (b) Less: Reinsurance Recoverable Balance: | | |
| (i) Foreign Affiliates | - | - |
| (ii) Domestic Affiliates | (316,945) | (419,923) |
| (iii) Pools & Associations | - | - |
| (iv) All other Insurers | - | - |
| (c) Total Reinsurance Recoverable Balance | (316,945) | (419,923) |
| (d) Net Long-Term Business Insurance Reserves | - | - |
| OTHER LIABILITIES | | |
| 28. INSURANCE AND REINSURANCE BALANCES PAYABLE | 29,767 | 1,882 |
| 29. COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE | 102 | 98 |
| 30. LOANS AND NOTES PAYABLE | - | - |
| 31. (a) INCOME TAXES PAYABLE | 8,136 | 3,528 |
| (b) DEFERRED INCOME TAXES | - | - |
| 32. AMOUNTS DUE TO AFFILIATES | 124 | - |

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 EXPRESSED IN THOUSANDS OF US DOLLARS

| STMT. LINE No. | TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND CAPITAL AND SURPLUS | <u>2021</u> | <u>2020</u> |
|-----------------------|--|-----------------------|-----------------------|
| 33. | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | - | - |
| 34. | FUNDS HELD UNDER REINSURANCE CONTRACTS | - | - |
| 35. | DIVIDENDS PAYABLE | - | - |
| 36. | SUNDRY LIABILITIES: | | |
| | (a) Derivative instruments | - | - |
| | (b) Segregated accounts | - | - |
| | (c) Deposit liabilities | - | - |
| | (d) Net payable for investments purchased | - | - |
| | (e) Other sundry liabilities (specify) | - | - |
| | (f) Other sundry liabilities (specify) | - | - |
| | (g) Other sundry liabilities (specify) | - | - |
| | (h) Total sundry liabilities | <u>-</u> | <u>-</u> |
| 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 | <u>-</u> | <u>-</u> |
| 38. | TOTAL OTHER LIABILITIES | <u>38,129</u> | <u>5,508</u> |
| 39. | TOTAL INSURANCE RESERVES AND OTHER LIABILITIES | <u>38,129</u> | <u>5,508</u> |
| | CAPITAL AND SURPLUS | | |
| 40. | TOTAL CAPITAL AND SURPLUS | <u>109,942</u> | <u>98,674</u> |
| 41. | TOTAL | <u><u>148,071</u></u> | <u><u>104,182</u></u> |

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

Schedule IX
CONDENSED CONSOLIDATED STATEMENT OF INCOME
 FIRST BRITISH BERMUDA REINSURANCE COMPANY III, LTD.
 (an ultimate wholly-owned subsidiary of Legal & General Group Plc)
 AS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020
 EXPRESSED IN THOUSANDS OF US DOLLARS

| STMT. LINE No. | 2021 | 2020 |
|--|----------|----------|
| 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 LOSS 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 UNDERWRITING INCOME | | |
| 12. GROSS PREMIUMS AND OTHER CONSIDERATIONS: | | |
| (a) Direct gross premiums and other considerations | - | - |
| (b) Assumed gross premiums and other considerations | 279,343 | 214,151 |
| (c) Total gross premiums and other considerations | 279,343 | 214,151 |
| 13. PREMIUMS CEDED | (44,246) | (45,122) |
| 14. NET PREMIUMS AND OTHER CONSIDERATIONS: | | |
| (a) Life | 235,097 | 169,029 |
| (b) Annuities | - | - |
| (c) Accident and Health | - | - |
| (d) Total net premiums and other considerations | 235,097 | 169,029 |
| 15. OTHER INSURANCE INCOME | - | - |
| 16. TOTAL LONG-TERM BUSINESS INCOME | 235,097 | 169,029 |
| LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | | |
| 17. CLAIMS - LIFE | 235,097 | 169,028 |
| 18. POLICYHOLDERS' DIVIDENDS | - | - |
| 19. SURRENDERS | - | - |
| 20. MATURITIES | - | - |
| 21. ANNUITIES | - | - |

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CONDENSED CONSOLIDATED STATEMENT OF INCOME
 FIRST BRITISH BERMUDA REINSURANCE COMPANY III, LTD.
 (an ultimate wholly-owned subsidiary of Legal & General Group Plc)
 AS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020
 EXPRESSED IN THOUSANDS OF US DOLLARS

| STMT. | | <u>2021</u> | <u>2020</u> |
|-----------------|--|----------------|----------------|
| LINE No. | | | |
| 22. | ACCIDENT AND HEALTH BENEFITS | - | - |
| 23. | COMMISSIONS | - | - |
| 24. | OTHER | <u>-</u> | <u>-</u> |
| 25. | TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | <u>235,097</u> | <u>169,028</u> |
| 26. | INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES): | | |
| | (a) Life | - | - |
| | (b) Annuities | - | - |
| | (c) Accident and Health | - | - |
| | (d) Total increase (decrease) in policy reserves | <u>-</u> | <u>-</u> |
| 27. | TOTAL LONG-TERM BUSINESS EXPENSES | <u>235,097</u> | <u>169,028</u> |
| 28. | NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS | <u>-</u> | <u>-</u> |
| 29. | COMBINED NET UNDERWRITING PROFIT (LOSS) BEFORE THE UNDERNOTED ITEMS | <u>-</u> | <u>-</u> |
| | UNDERNOTED ITEMS | | |
| 30. | COMBINED OPERATING EXPENSES: | | |
| | (a) General and administrative | 842 | 728 |
| | (b) Personnel Costs | - | - |
| | (c) Other | <u>-</u> | <u>-</u> |
| | (d) Total combined operating expenses | <u>842</u> | <u>728</u> |
| 31. | COMBINED INVESTMENT INCOME - NET | 1,703 | 1,791 |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS) | <u>-</u> | <u>-</u> |
| 33. | COMBINED INCOME BEFORE TAXES | <u>861</u> | <u>1,063</u> |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE): | | |
| | (a) Current | 4,097 | 1,987 |
| | (b) Deferred | 180 | (553) |
| | (c) Total | <u>4,277</u> | <u>1,434</u> |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES) | (3,416) | (371) |
| 36. | COMBINED REALIZED GAINS (LOSSES) | - | 5,688 |
| 37. | COMBINED INTEREST CHARGES | <u>-</u> | <u>-</u> |
| 38. | NET INCOME (LOSS) | <u>(3,416)</u> | <u>5,317</u> |

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

Schedule IX
CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS
 FIRST BRITISH BERMUDA REINSURANCE COMPANY III, LTD.
 (an ultimate wholly-owned subsidiary of Legal & General Group Plc)
 AS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020
 EXPRESSED IN THOUSANDS OF US DOLLARS

| STMT. | <u>2021</u> | <u>2020</u> |
|--|----------------|---------------|
| LINE No. | | |
| 1. CAPITAL: | | |
| UNEARNED PREMIUM RESERVE: | | |
| (a) Capital Stock | | |
| (i) Common Shares: authorized 500,000 shares of par value \$1.00 each issued and fully paid 500,000 shares | 500 | 500 |
| (ii) Preferred Shares: authorized 0 shares of par value \$0.00 each issued and fully paid 0 shares | - | - |
| (B) Preferred shares issued by a subsidiary: authorized 0 shares of par value each \$0.00 issued and fully paid 0 shares | - | - |
| (iii) Treasury shares: Repurchased 0 shares of par value \$0.00 each issued | - | - |
| (b) Contributed surplus | 110,739 | 95,000 |
| (c) Any other fixed capital | | |
| (i) Hybrid capital instruments | - | - |
| (ii) Guarantees and others | - | - |
| (iii) Total any other fixed capital | <u>-</u> | <u>-</u> |
| (d) Total Capital | <u>111,239</u> | <u>95,500</u> |
| 2. SURPLUS: | | |
| (a) Surplus - Beginning of Year | 3,174 | (4,481) |
| (b) Less: Income (Loss) for the Year | (3,416) | 5,317 |
| (c) Less: Dividends paid and payable | - | - |
| (d) Add (Deduct) change in unrealized appreciation (depreciation) of investments | (1,055) | 2,338 |
| (e) Add (Deduct) change in non-admitted assets | - | - |
| (f) Add (Deduct) change in appraisal of real estate | - | - |
| (g) Add (Deduct) change in any other statutory capital | <u>-</u> | <u>-</u> |
| (h) Surplus - End of Year | <u>(1,297)</u> | <u>3,174</u> |
| 3. MINORITY INTEREST | <u>-</u> | <u>-</u> |
| 4. TOTAL CAPITAL AND SURPLUS | <u>109,942</u> | <u>98,674</u> |

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

FIRST BRITISH BERMUDA REINSURANCE COMPANY III, LTD.
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NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED
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PART I – Matters to be set forth in a General Note to the Financial Statements

1. Control of Insurer

First British Bermuda Reinsurance Company III, LTD. (the Company) was incorporated in Bermuda on December 3, 2018 and was registered as a Class C long-term special-purpose captive reinsurance company on December 14, 2018. The Company is a wholly-owned subsidiary of Banner Life Insurance Company (Banner Life), a company incorporated in the United States, which is a wholly-owned subsidiary of Legal & General America, Inc. (LGA), a company incorporated in the United States. Full control of LGA ultimately resides with Legal & General Group Plc, a company incorporated in England and Wales.

LGA owns all outstanding shares of Banner Life Class A common stock, Class B common stock, and preferred stock. William Penn Life Insurance Company of New York (William Penn), First British Vermont Reinsurance Company II (FBVRC II) and First British Vermont Reinsurance Company III (FBVRC III), affiliates of the Company, incorporated in the United States, are also wholly-owned subsidiaries of Banner Life.

The general purpose financial statements have been prepared in accordance with 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).

2. Risks Underwritten by Insurer

The Company is a long-term reinsurer of term life products. The Company's operations are limited primarily to: (1) assuming risks from Banner Life via reinsurance to provide statutory surplus relief on guaranteed non-participating level term business; and (2) ceding 100% of those risks to Legal & General Reinsurance Company Limited (LGRc), an affiliate insurance company domiciled in Bermuda.

Risks Assumed from Banner Life

Effective December 31, 2018, the Company entered into a yearly renewable term reinsurance agreement (YRT) with Banner Life whereby the Company reinsures the net amount at risk on individual level premium term life insurance policies issued by Banner Life. The agreement includes 90% of the net amount at risk on individual level premium term life insurance policies issued by Banner Life during 2005 and 2006. This agreement also includes 100% of the net amount at risk on individual level premium term life insurance policies issued by Banner Life during 2013, 2017, and 2018.

Effective December 31, 2019 the Company amended and restated the YRT treaty with Banner Life to include 100% of the net amount at risk on individual level premium term life insurance policies issued by Banner Life during in the period from January 1, 2015 to April 30, 2015 and during 2016 and 2019.

Effective December 31, 2020 the Company amended and restated the YRT treaty with Banner Life to include 100% of the net amount at risk on individual level premium term life insurance policies issued by Banner Life during 2020. This agreement also includes 100% of the

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net amount at risk on individual level premium term life insurance policies issued by Banner Life during in the period from January 1, 2014 to February 28, 2014.

Effective December 31, 2021 the Company amended and restated the YRT treaty with Banner Life to include 100% of the net amount at risk on individual level premium term life insurance policies issued by Banner Life during 2021.

Risks Ceded to LGR

Effective December 31, 2018, the Company entered into an excess of loss mortality retrocession agreement (XOL) with LGR, whereby the Company cedes 100% of the liability assumed under the YRT to LGR. The XOL was amended and restated December 31, 2019, December 31, 2020 and December 31, 2021 to cede 100% of the risks assumed from Banner Life under the YRT amendments referenced above.

Credit risk

Exposure to loss if another party fails to perform its financial obligations to the Company.

As of the dates indicated, the Company had no exposure to concentrations of credit risk of single issuers greater than 10% of the Company's equity.

Liquidity risk

The risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due.

A limited level of contingent liquidity risk is an accepted element of writing insurance contracts. It is furthermore a consequence of the markets in which the Company operates and the executions of investment management strategies. The Company's insurance business reinsures all reserves through LGR.

3. Accounting standards and principles

These condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). The recognition and measurement principles applied are in line with International Financial Reporting Standards ("IFRS"). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from IFRS in certain respects as follows:

- The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016.
- Statement of Cash Flows or equivalent is not included; and
- Certain disclosures required by IFRS are not included

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- Comprehensive income and its components are not presented in the condensed statement of income.
- Policy reserves-life are to be reported net of reinsured amounts.

The effects of the foregoing variances from IFRS on the accompanying condensed general purpose financial statements have not been determined, but are presumed to be material.

4. Accounting policies of the insurer

A. Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of investments classified as available-for-sale, which is measured at fair value with unrealized gains (losses) going through statutory surplus.

B. Functional currency

The financial statements are presented in US Dollars (USD), which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand.

C. Significant accounting policies

The Company has selected accounting policies which state fairly its financial position, financial performance and cash flows for a reporting period. The accounting policies have been applied consistently to all periods presented in these financial statements.

D. Critical accounting policies and the use of estimates

The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Balance Sheet, Statement of Income and related supporting notes and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, material adjustments could be made to the carrying amounts of assets and liabilities within the next financial year.

The major areas of critical accounting judgement on policy application are considered below:

Cash and cash equivalents

Cash and cash equivalents include cash and other short term highly liquid investments with maturities of three months or less from the date of acquisition.

Quoted investments

The Company holds a total of \$16,912 and \$1,839 in quoted bonds and debentures at December 31, 2021 and 2020 respectively. The entirety of these balances consist of investment grade corporate and government bonds, which support the liquidity and capital position of the Company.

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Quoted investments are carried at fair value through Other Comprehensive Income (OCI), based on quoted bid prices. The Company determines the fair value of financial assets utilizing prices obtained from third party pricing services. Typical inputs used to determine fair value include, but are not limited to, reported trades, broker/dealer quotes, benchmark yields and issuer spreads. Based on typical trading volumes and the lack of quoted market prices on fixed maturities, the third party pricing services normally derive the prices through recent trades for identical or similar securities making adjustments based upon available market observable information. If there are no reported trades, the third party pricing services may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at estimated market rates.

Purchases and sales of securities are recorded on a trade-date basis. Unrealized holding gains and losses for bonds and debentures are reported as a component of statutory surplus. Realized gains and losses are reported as a component of income based upon specific identification of the investments sold.

Unquoted investments

The Company holds a total of \$54,081 and \$59,116 in unquoted bonds and debentures at December 31, 2021 and 2020 respectively. The entirety of this balance consists of investment grade corporate bonds, which support the liquidity and capital position of the Company.

Unquoted bonds and debentures are held at fair value through OCI, valued by a third party investment manager on a monthly basis using a discounted cash flow analysis.

Purchases and sales of securities are recorded on a trade-date basis. Unrealized holding gains and losses for bonds and debentures are reported as a component of statutory surplus. Realized gains and losses are reported as a component of income based upon specific identification of the investments sold.

Policy reserves – life

Contracts which transfer significant insurance risk to the Company are classified as insurance contracts. Contracts that transfer financial risk (e.g. change in interest rate or security price) to the Company but not significant insurance risk are classified as investment contracts.

Judgement is required in order to assess the significance of the transfer of insurance risk within a contract. This assessment is based on whether the occurrence of an insured event could cause the Company to make significant additional payments, i.e. if the occurrence of the event causes significantly higher cash out flows for the Company than its non-occurrence.

The Company's products are classified for accounting purposes as non-participating insurance contracts. The Company has no investment contracts.

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Valuation of policy reserves – life

Determination of longevity and mortality assumptions is used in the calculation of the insurance contract liabilities. The assumptions for the rate of future longevity and mortality are based on the Company's internal experience and judgements about how experience may vary in the future. This assessment takes into account market benchmarking, internal experience studies and independent industry data.

Determination of valuation interest rates used to discount the liabilities are sensitive to the assumptions made, for example, on credit default of the backing assets. These assumptions take into account consideration of market experience and historic internal data.

Reinsurance recoverable

The Company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses and to provide financing. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured. Reinsurance assets include balances due from reinsurers for paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded as a contra-liability in the Balance Sheet with the associated liabilities reduced commensurately.

5. Premium and Investment Income

(a) Premium

Assumed and ceded premiums were recognized on an accrual basis.

(b) Investment Income

Interest income includes the amortization of premiums and accretion of discounts and is recorded in investment income. Purchase premium or discount on bonds is amortized over the life of the investment utilizing the effective interest method.

6 – 12. N/A

13. Fair Value

Fair value hierarchy

The Company measures fair value using the following hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to fair values derived from unobservable inputs (Level 3).

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The levels of fair value measurement bases are defined as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities within active markets.

Level 2: Quoted prices for similar assets or liabilities in active markets or inputs that are significant that are observable either directly or indirectly, such as benchmark yields, reported trades, broker-dealer quotes and reference data; fair value can be determined through the use of a model or other valuation methodologies whose inputs are observable or whose significant value drivers are observable. Valuations are generally obtained from third-party pricing services, and tested for reasonableness by the Company's management through comparisons to alternate pricing sources.

Level 3: Prices or valuations that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect assumptions and best estimates made by management regarding the assumptions a potential market participant would use when pricing the asset or liability. The fair value of Level 3 assets are determined by management after considering third party pricing services and/or non-binding independent broker quotations as appropriate.

| | <u>As of December 31, 2021</u> | | | |
|----------------------|--------------------------------|-----------------|-----------------|-----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Corporate bonds | \$ - | \$15,043 | \$54,081 | \$69,124 |
| Municipal securities | - | 1,869 | - | 1,869 |
| Total | <u>\$ -</u> | <u>\$16,912</u> | <u>\$54,081</u> | <u>\$70,993</u> |

| | <u>As of December 31, 2020</u> | | | |
|----------------------|--------------------------------|-----------------|-----------------|-----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Corporate bonds | \$ - | \$ - | \$59,116 | \$59,116 |
| Municipal securities | - | 1,839 | - | 1,839 |
| Total | <u>\$ -</u> | <u>\$ 1,839</u> | <u>\$59,116</u> | <u>\$60,955</u> |

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. These changes are recorded as transfers in and or out of Level 3 at the beginning fair value for the reporting period in which the changes occurred.

For the years ended December 31, 2021 and 2020, there were no transfers between levels 1 and 2, and there were no transfers into or out of level 3.

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14. Contractual maturity profile

The Company's contractual maturity profile of debt securities at December 31, 2021, is shown below.

| | Amortized Cost | Estimated Fair Value |
|--|-------------------|-------------------------|
| Due in one year or less | \$ - | \$ - |
| Due after one year through five years | 39,398 | 41,822 |
| Due after five years through ten years | 10,066 | 11,092 |
| Due after ten years | 17,284 | 18,079 |
| | <u>\$ 66,748</u> | <u>\$ 70,993</u> |

15. Related Party Transactions

The Company is party to the following shared services agreements (Shared Services Agreements) with affiliates:

- an expense sharing agreement with LGA whereby LGA provides accounting, actuarial, administrative, internal audit, tax and legal advisory services to the Company. General and administrative expenses incurred under this agreement were \$779 and \$591 for the years ended December 31, 2021 and 2020, respectively;
- an expense sharing agreement with Banner Life whereby Banner Life provides accounting services, general administrative services and facilities to the Company. General and administrative expenses incurred under this agreement were \$3 and \$31 for the years ended December 31, 2021 and 2020, respectively.

The Company had a net payable to LGA and Banner, collectively, of \$124 for the year ended December 31, 2021. The Company had a net receivable from LGA and Banner, collectively, of \$32 for the year ended December 31, 2020.

The Company is also party to an investment management agreement with Legal & General Investment Management America, Inc. (LGIMA), an affiliated entity, whereby LGIMA provides investment management services to the Company. Management fees incurred under this agreements were \$58 and \$13 at December 31 2021 and 2020, respectively. The Company had net payables to LGIMA of \$10 and \$3, at December 31, 2021 and 2020, respectively.

Amounts under the Shared Services Agreements and LGIMA investment management agreement are interest free, unsecured, and have no fixed terms of repayment.

The Company's related party assumed and ceded reinsurance transactions are described in Part I Note 4, Part III Notes 11, 27 and 28.

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16. Subsequent events

The Company has performed an evaluation of subsequent events through April 28, 2022, which is the date that these financial statements were available to be issued.

On February 24, 2022, Russia invaded Ukraine intensifying the geopolitical situation in Eastern Europe. The Russian-Ukraine war continues to evolve with military activity and imposed sanctions. The war is affecting economic and global financial markets. Companies with investments, contractual agreements, joint ventures, significant vendors or customers in Ukraine or Russia may experience accounting challenges.

The Company has considered, in aggregate, the impact of the war on its financial statements, and have concluded that there is no material impact to the financial statements.

17. N/A

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

1a. Capital Stock

At December 31, 2021 and 2020 the authorized share capital comprised of 500,000 common shares with a par value of \$1.

1b. Contributed surplus

During 2021, the Company received contributed surplus of \$15,739. During 2020, the Company received contributed surplus of \$30,000.

2c. The Company has no dividends paid nor any dividends payable as at December 31, 2021 and 2020.

PART III – Matters to be set forth in Notes to the Consolidated Balance Sheet

1. Cash and cash equivalents

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|------------------|------------------|
| Cash at bank and in hand | \$ 546 | \$ 552 |
| Cash equivalents | 44,532 | 39,292 |
| Total cash and cash equivalents | <u>\$ 45,078</u> | <u>\$ 39,844</u> |

The Company had encumbrances on Cash Equivalents in trust of \$32,867 and \$31,738 at December 31, 2021 and 2020, respectively.

See Part I Note 4.

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2. Quoted investments

The Company had encumbrances on quoted investments in trust of \$16,912 and \$0 at December 31, 2021 and 2020, respectively.

See Part I Note 4.

3. Unquoted investments

The Company had encumbrances on unquoted investments in trust of \$54,081 and \$59,116 at December 31, 2021 and 2020, respectively.

See Part I Note 4.

4 - 8. N/A

9. Investment income due and accrued

The Company has investment income due and accrued of \$594 and \$516 at December 31, 2021 and 2020, respectively.

10. N/A

11. Reinsurance balances receivable

The Company has reinsurance balances receivable from LGR of \$29,767 and from Banner Life of \$1,882 at December 31, 2021 and 2020, respectively, as described in Note 1 Part 4.

12. N/A

13. Sundry assets

13 (g) The Company has receivables for investments sold of \$149 and \$141 at December 31, 2021 and 2020, respectively that was received in 2022 and 2021, respectively.

13 (h) Deferred tax asset

The Company has admitted deferred tax assets of \$917 and \$812 at December 31, 2021 and 2020, respectively. See Part III Note 31 (b).

13 (i) Intangible assets

The Company has an intangible asset balance of \$573 and \$0 at December 31, 2021 and 2020, respectively. See Part III Note 31 (b).

14. N/A

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16. N/A

17. N/A

20 - 26. N/A

27. Total long-term business insurance reserves

The Company has total long-term business insurance reserves assumed from Banner Life and equal and offsetting reinsurance recoverables from LGRé described in Part 1 Note 4 as follows:

| Line 27 | Insurance Contract | | | |
|--|----------------------------|------------------|--------------------|-------------|
| | Current Year - 2021 | Gross | Reinsurance | Net |
| Balance - Beginning of Year | \$ | (419,923) | \$ 419,923 | \$ - |
| Impact of Terminations | | 199,131 | (199,131) | - |
| Impact of New Business | | (97,926) | 97,926 | - |
| Normal Change in Force | | (6,911) | 6,911 | - |
| Management Actions and Change in Assumptions | | 8,684 | (8,684) | - |
| Impact of Foreign Exchange Rate Changes | | - | - | - |
| Balance - End of Year | \$ | (316,945) | \$ 316,945 | \$ - |

| Line 27 | Insurance Contract | | | |
|--|---------------------------|------------------|--------------------|-------------|
| | Prior Year - 2020 | Gross | Reinsurance | Net |
| Balance - Beginning of Year | \$ | (430,532) | \$ 430,532 | \$ - |
| Impact of Terminations | | (2,232) | 2,232 | - |
| Impact of New Business | | (83,946) | 83,946 | - |
| Normal Change in Force | | 17,909 | (17,909) | - |
| Management Actions and Change in Assumptions | | 78,878 | (78,878) | - |
| Impact of Foreign Exchange Rate Changes | | - | - | - |
| Balance - End of Year | \$ | (419,923) | \$ 419,923 | \$ - |

28. Insurance and reinsurance balances payable

The Company has an insurance and reinsurance balance payable to Banner Life of \$29,767 and a payable to LGRé of \$1,882 at December 31, 2021 and 2020, respectively as described in Part I Note 4.

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29. Commissions, expenses, fees and taxes payable

The Company has expenses and taxes payable of \$103 and \$98 at December 31, 2021 and 2020, respectively.

30. N/A

31 (a) Income taxes payable

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on income, withholding and capital gains taxes until the year 2035.

The Company elected to be treated as a U.S. domestic insurance company for U.S. federal tax purposes and is therefore subject to income taxation in the United States. The Company will file a 2021 consolidated life insurance company U.S. Federal Income Tax Return with Banner Life, William Penn, FBVRCII, and FBVRCIII with Banner Life as the parent during 2022. The Company filed a 2020 consolidated life insurance company U.S. Federal Income Tax Return with Banner Life, William Penn, FBVRCII, and FBVRCIII with Banner Life as the parent during 2021.

The Company is party to a tax sharing agreement with Banner Life and its subsidiaries William Penn, FBVRC II, and FBVRC III, whereby tax liabilities are allocated on a separate company basis. The Company is also party to a special tax sharing agreement with Banner Life and its subsidiaries FBVRC II and FBVRC III whereby the tax benefit of current net operating losses (NOL) are allocated. Banner Life is only obligated to repay such tax benefit if the subsidiary is able to recognize such NOL as carryover deduction on a standalone basis.

The Company has income taxes payable of \$8,136 and \$3,528 at December 31, 2021 and 2020, respectively. The Company had no interest and penalties related to unrecognized tax benefits as components of its tax expense to report for the years ended December 31, 2021 and 2020, respectively.

The statute of limitations has not expired for tax years ended December 31, 2021 and 2020.

31 (b) Deferred income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates and laws.

Tax balances include the use of estimates and assumptions which affect items reported in the Balance Sheet and Statement of Income. Although these estimates are based on management's

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best knowledge of current circumstances and future events and actions, actual results may differ from those estimates.

For tax, this includes the determination of liabilities/recoverables for uncertain tax positions and estimation of future taxable income supporting deferred tax asset recognition.

| | <u>2021</u> | <u>2020</u> |
|--|---------------|---------------|
| Deferred tax assets: | | |
| NOL | \$ 687 | \$ - |
| Policy acquisition costs deferred | 543 | 1,416 |
| Other, net | <u>24</u> | <u>18</u> |
| Gross deferred tax asset | <u>1,254</u> | <u>1,434</u> |
| | | |
| Net deferred tax asset before deferred tax on unrealized investment gains | 1,254 | 1,430 |
| Deferred tax on unrealized investment gains | <u>(337)</u> | <u>(618)</u> |
| Net deferred tax asset | <u>\$ 917</u> | <u>\$ 812</u> |

The Company has net operating loss carryforwards of \$3,273 and \$0 as of December 31, 2021 and 2020, respectively. Post 2017 losses have no expiration date and can offset only 80% of taxable income of each subsequent year to which the NOL is carried. The Company had no capital loss carryforwards at either December 31, 2021 or 2020.

Management believes on the weight of evidence, no valuation is required for deferred tax assets as there is sufficient positive evidence of past and future sources of income.

The Company does not have any unrecognized tax benefits and does not reasonably expect to incur any unrecognized tax benefits by the end of 2022.

32. Amounts due to affiliates

See Part I Note 15.

33 - 35. N/A

36. Sundry liabilities

(d) Net payable for investments purchased

There was no payable for investments purchased at December 31, 2021 and 2020, respectively.

37. N/A

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Part IV – Matters to be set forth in Notes to the Consolidated Statement of Income

6. N/A

15. N/A

32. N/A

36. The Company had realized gains of \$0 and \$5,688 at December 31, 2021 and 2020, respectively. See Part I Note 4 of the footnotes.