



**LOMBARD INTERNATIONAL LIFE ASSURANCE
COMPANY (BERMUDA) LTD.**

Condensed General Purpose Financial Statements

For the Year Ended December 31, 2021

Lombard International Life Assurance Company (Bermuda) Ltd.

Condensed General Purpose Financial Statements

December 31, 2021

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Independent Auditor's Report

The Board of Directors
Lombard International Life Assurance Company (Bermuda) Ltd.

Our Opinion

In our opinion, the condensed financial statements of Lombard International Life Assurance Company (Bermuda) 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 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.

Reference: Independent Auditor's Report on the Condensed Financial Statements of Lombard International Life Assurance Company (Bermuda) Ltd. as at December 31, 2021 and for the year then ended.

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.

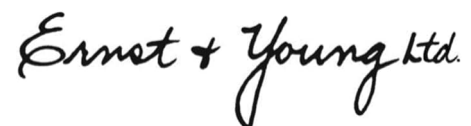
Auditor’s Responsibilities for the Audit of the Condensed Financial Statements

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 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.



April 29, 2022

Chartered Professional Accountant

Reference: Independent Auditor's Report on the Condensed Financial Statements of Lombard International Life Assurance Company (Bermuda) Ltd. as at December 31, 2021 and for the year then ended.

CONDENSED GENERAL PURPOSE BALANCE SHEET

Lombard International Life Assurance Company (Bermuda) Ltd.

As at

December 31, 2021

United States Dollars

| LINE No. | | 2021 | 2020 |
|----------|--|-----------|-----------|
| 1. | CASH AND CASH EQUIVALENTS | 693,259 | 647,312 |
| 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 | - | 5,280 |
| (h) | Total investments in and advances to affiliates | - | 5,280 |
| 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 | 2,531,025 | 1,936,614 |
| 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 | - | - |
| (b) | Deferred - not yet due | - | - |
| (c) | Receivables from retrocessional contracts | - | - |
| (d) | Total accounts and premiums receivable | - | - |
| 11. | REINSURANCE BALANCES RECEIVABLE: | | |
| (a) | Foreign affiliates | - | - |
| (b) | Domestic affiliates | - | - |
| (c) | Pools & associations | - | - |
| (d) | All other insurers | - | - |

CONDENSED GENERAL PURPOSE BALANCE SHEET

Lombard International Life Assurance Company (Bermuda) Ltd.

As at December 31, 2021

United States Dollars

| LINE No. | | 2021 | 2020 |
|--|---|------------|-------------|
| (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 | 33,408,652 | 66,956,939 |
| (c) | Segregated accounts companies - long-term business - other | 45,295,478 | 40,093,074 |
| (d) | Segregated accounts companies - general business | - | - |
| (e) | Deposit assets | - | - |
| (f) | Deferred acquisition costs | - | - |
| (g) | Net receivables for investments sold | - | - |
| (h) | Prepaid expenses | 22,196 | 6,094 |
| (i) | Other Sundry Assets - Miscellaneous receivable | 39 | 39 |
| (j) | Other Sundry Assets (Specify) | - | - |
| (k) | Total sundry assets | 78,726,365 | 107,056,146 |
| 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 | 81,950,649 | 109,645,352 |
| 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 | 420 | 401 |
| 22. | POLICY RESERVES - LIFE | 210 | 201 |
| 23. | POLICY RESERVES - ACCIDENT AND HEALTH | - | - |
| 24. | POLICYHOLDERS' FUNDS ON DEPOSIT | - | - |
| 25. | LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS | - | - |
| 26. | OTHER LONG-TERM BUSINESS INSURANCE RESERVES | - | - |

CONDENSED GENERAL PURPOSE BALANCE SHEET

Lombard International Life Assurance Company (Bermuda) Ltd.

As at **December 31, 2021**

United States Dollars

| LINE No. | 2021 | 2020 |
|----------|---|--------------------|
| 27. | TOTAL LONG-TERM BUSINESS INSURANCE RESERVES | |
| (a) | 61,252 | 55,218 |
| (b) | Less: Reinsurance recoverable balance on long-term business | |
| (i) | - | - |
| (ii) | - | - |
| (iii) | - | - |
| (iv) | 60,622 | 54,616 |
| (c) | 60,622 | 54,616 |
| (d) | 630 | 602 |
| | OTHER LIABILITIES | |
| 28. | 38,884 | 56,081 |
| 29. | 13,726 | 17,732 |
| 30. | - | - |
| 31. | (a) INCOME TAXES PAYABLE | |
| | (5,000) | (5,000) |
| | (b) DEFERRED INCOME TAXES | |
| | - | - |
| 32. | 66,169 | - |
| 33. | 62,814 | 39,783 |
| 34. | - | - |
| 35. | - | - |
| 36. | SUNDRY LIABILITIES: | |
| (a) | - | - |
| (b) | 78,594,326 | 106,934,525 |
| (c) | - | - |
| (d) | - | - |
| (e) | 2,531,025 | 1,936,614 |
| (f) | - | - |
| (g) | - | - |
| (h) | 81,125,351 | 108,871,139 |
| 37. | LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS: | |
| (a) | - | - |
| (b) | - | - |
| (c) | - | - |
| (d) | - | - |
| 38. | 81,301,944 | 108,979,735 |
| 39. | 81,302,574 | 108,980,337 |
| | CAPITAL AND SURPLUS | |
| 40. | 648,075 | 665,015 |
| 41. | 81,950,649 | 109,645,352 |

CONDENSED GENERAL PURPOSE STATEMENT OF INCOME

Lombard International Life Assurance Company (Bermuda) Ltd.
 As at December 31, 2021
 United States Dollars

| 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 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 | (419,260) | (358,715) |
| 14. | NET PREMIUMS AND OTHER CONSIDERATIONS: | | |
| | (a) Life | (419,041) | (358,567) |
| | (b) Annuities | (219) | (149) |
| | (c) Accident and health | - | - |
| | (d) Total net premiums and other considerations | (419,260) | (358,715) |
| 15. | OTHER INSURANCE INCOME | 949,607 | 793,425 |
| 16. | TOTAL LONG-TERM BUSINESS INCOME | 530,347 | 434,710 |
| | LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | | |
| 17. | CLAIMS - LIFE | - | - |
| 18. | POLICYHOLDERS' DIVIDENDS | - | - |
| 19. | SURRENDERS | - | - |
| 20. | MATURITIES | - | - |
| 21. | ANNUITIES | - | - |

CONDENSED GENERAL PURPOSE STATEMENT OF INCOME

Lombard International Life Assurance Company (Bermuda) Ltd.
 As at December 31, 2021
 United States Dollars

| LINE No. | | 2021 | 2020 |
|----------|--|------------------|------------------|
| 22. | ACCIDENT AND HEALTH BENEFITS | - | - |
| 23. | COMMISSIONS | 89,950 | 83,222 |
| 24. | OTHER | - | - |
| 25. | TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | 89,950 | 83,222 |
| 26. | INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES): | | |
| | (a) Life | 54 | 50 |
| | (b) Annuities | (24) | (5) |
| | (c) Accident and health | - | - |
| | (d) Total increase (decrease) in policy reserves | 30 | 45 |
| 27. | TOTAL LONG-TERM BUSINESS EXPENSES | 89,980 | 83,268 |
| 28. | NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS | 440,367 | 351,443 |
| 29. | COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS | 440,367 | 351,443 |
| | UNDERNOTED ITEMS | | |
| 30. | COMBINED OPERATING EXPENSE | | |
| | (a) General and administration | 247,857 | 201,188 |
| | (b) Personnel cost | 319,449 | 414,574 |
| | (c) Other | - | - |
| | (d) Total combined operating expenses | 567,306 | 615,762 |
| 31. | COMBINED INVESTMENT INCOME - NET | 200,318 | 43,068 |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS) | (200,318) | (43,068) |
| 33. | COMBINED INCOME BEFORE TAXES | (126,939) | (264,320) |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE): | | |
| | (a) Current | - | (475) |
| | (b) Deferred | - | - |
| | (c) Total | - | (475) |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES) | (126,939) | (263,845) |
| 36. | COMBINED REALIZED GAINS (LOSSES) | - | - |
| 37. | COMBINED INTEREST CHARGES | - | - |
| 38. | NET INCOME | (126,939) | (263,845) |

CONDENSED GENERAL PURPOSE STATEMENT OF CAPITAL AND SURPLUS

Lombard International Life Assurance Company (Bermuda) Ltd.

As at

December 31, 2021
United States Dollars

| LINE No. | | 2021 | 2020 |
|----------|--|---------------|-----------------|
| 1. | CAPITAL: | | |
| (a) | Capital Stock | | |
| | (i) Common Shares | | |
| | authorized | 250,000 | 250,000 |
| | value | \$ 1,000 | |
| | fully paid | 250,000 | |
| | | shares of par | each issued and |
| | | | shares |
| | (ii) | | |
| | (A) Preferred shares: | | |
| | authorized | - | - |
| | value | \$ - | - |
| | fully paid | - | - |
| | | shares of par | each issued and |
| | | | shares |
| | aggregate liquidation value for — | | |
| | 2021 | - | - |
| | 2020 | - | - |
| | (B) Preferred shares issued by a subsidiary: | | |
| | authorized | - | - |
| | value | \$ - | - |
| | fully paid | - | - |
| | | shares of par | each issued and |
| | | | shares |
| | aggregate liquidation value for — | | |
| | 2021 | - | - |
| | 2020 | - | - |
| | (iii) Treasury Shares | | |
| | repurchased | - | - |
| | value | \$ - | - |
| | | shares of par | each issued |
| (b) | Contributed surplus | 5,660,083 | 5,550,083 |
| (c) | Any other fixed capital | | |
| | (i) Hybrid capital instruments | - | - |
| | (ii) Guarantees and others | - | - |
| | (iii) Total any other fixed capital | - | - |
| (d) | Total Capital | 5,910,083 | 5,800,083 |
| 2. | SURPLUS: | | |
| (a) | Surplus - Beginning of Year | (5,135,069) | (4,871,224) |
| (b) | Add: Income for the year | (126,939) | (263,845) |
| (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 | (5,262,008) | (5,135,069) |
| 3. | MINORITY INTEREST | - | - |
| 4. | TOTAL CAPITAL AND SURPLUS | 648,075 | 665,015 |

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements

1. Shareholder Controllers of the Insurer and Insurer's Affiliates Consolidated with the Insurer

Lombard International Life Assurance Company (Bermuda) Ltd. (the "Company") (formerly Philadelphia Financial Life Assurance Company (Bermuda) Ltd.) was incorporated on March 5, 2012 under the laws of Bermuda and is licensed as a Class C insurer under the Bermuda Insurance Act of 1978 and related regulations. The Company is a wholly owned subsidiary of Lombard International US Holdings, Inc., a Delaware holding company, which is a wholly owned subsidiary of LIA Holdings Ltd. a United Kingdom company. There have been no changes to the ownership structure during the years ended December 31, 2021 and 2020.

2. General Nature of the Risks Underwritten by the Insurer

The Company is in the business of issuing life insurance and annuity products to High Net Worth Individuals (HNWIs). The Company has registered under the Segregated Accounts Companies Act 2000. A separate segregated account of the Company is linked to each life insurance and annuity product issued to each policyholder who requires US compliant private placement life insurance and annuity products.

3. Accounting Standards and Principles on which the Condensed General Purpose Financial Statements are based

Basis of Presentation

The condensed general purpose financial statements have been prepared in conformity 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"). The condensed general purpose financial statements are based on International Financial Reporting Standards ("IFRS") but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from IFRS. The more significant variances are as follows:

- A statement of cash flow is not included in the condensed general purpose financial statements but is required for financial statements prepared under IFRS;
- A statement of comprehensive income is not included in the condensed general purpose financial statements but is required for financial statements prepared under IFRS;
- The presentation and classification of financial statement line items are in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under IFRS; and
- The notes in the condensed general purpose financial statements are in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain disclosures required under IFRS.

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

4. Accounting Policies

a) Product classification

The Company's products are classified for accounting purposes as either insurance contracts or investment contracts.

Investment Contracts

The Company defines individual and group variable annuity products which do not transfer significant insurance risk as investment contracts. The majority of the business written by the Company is unit-linked investment business and is classified as investment contracts.

Unit-linked investment contract premiums

Investment contract premiums and policyholder contributions received in respect of the investment contracts are treated as policyholder deposits and are not recorded as revenue in the condensed general purpose statement of income. Premiums received for investment contracts are accounted for as deposits and recorded on the condensed general purpose balance sheet within Line 13(b): Segregated Accounts Companies - Long-Term Business - Variable Annuities, with a corresponding liability in Line 36(b) - Segregated Accounts Companies.

Annuity Benefits and Withdrawals

Annuity benefits on investment contracts are recognized when payment is due and are reflected in the condensed general purpose statement of income within Line 21: Long-Term Business Deductions and Expenses – Annuities, net of any applicable reinsurance recoveries.

Policyholder withdrawals from investment contracts are accounted for when payment is due and are deducted from the policyholder account balances reflected in Line 13(b) and on the condensed general purpose balance sheet.

Insurance Contracts

Insurance Contracts are recognized and measured in accordance with US GAAP (Generally Accepted Accounting Principles in the United States of America) which is acceptable in accordance with IFRS 4. The Company adopted IFRS 4, *Insurance Contracts* on June 30, 2015. IFRS 4, Phase 1 allows for a temporary exemption which allows the Company to use legacy accounting policies. The Company's core insurance products are unit-linked life insurance contracts and are valued in accordance with ASC 944, as permitted in accordance with IFRS 4.

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, when at least one scenario with commercial substance can be identified in which the Company has to pay significant additional benefits to the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime.

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

Unit-linked insurance premiums

Premiums received on unit-linked insurance contracts are treated as policyholder deposits and are not recorded as revenue in the condensed general purpose statement of income. Premiums received for insurance contracts are accounted for as deposits on the condensed general purpose balance sheet within Line 13(c): Segregated Accounts Companies - Long-Term Business - Other, with a corresponding liability in Line 36(b) - Segregated Accounts Companies.

Policy claims and benefits

Death claims related to insurance contracts are presented net of reinsurance recoveries in the condensed general purpose statement of income within Line 17: Long-Term Deductions and Expenses – Claims – Life. Death claims are accounted for on notification of death.

Surrenders are accounted for when payment is due and are deducted from the policyholder account balances reflected in Line 13(c) on the condensed general purpose balance sheet, net of any applicable surrender charges.

Insurance reserves

The Company's policy reserves reflected in Line 22 of the condensed general purpose balance sheet are actuarially calculated reserves representing the present value of expected future benefit payments under the terms of the unit-linked insurance contracts, net of expected reinsurance recoveries.

A reserve for an estimated amount of incurred but not reported death claims is reflected in Line 21 of the condensed general purpose balance sheet.

Policyholder loans

Loans to policyholders are carried at the unpaid principal balance plus any accrued interest. Policyholder loans are fully secured by the policyholder account values on which the loans are made. Policyholder loans are reflected in the condensed general purpose balance sheet within Line 6 - Policy Loans. An offsetting liability is reflected in Line 36(e) – Other Sundry Liabilities – Policy loans collateral, representing the policyholders' account value taken as collateral for the loans to policyholders.

Investment income earned by the Company on outstanding policyholder loans is reflected on the condensed general purpose income statement within Line 31 - Combined Investment Income – Net. Investment income earned by the Company on outstanding policyholder loans is credited back to the benefit of the policyholders, which is reflected on the condensed general purpose income statement in Line 32 – Combined Other Income/Deductions.

b) Revenue Recognition

Investment contract policyholders are charged fees for policy administration and other contract services. The fees may be for fixed amounts, vary with the amount of assets being managed, or vary with the amount of investment contract premiums or contributions received by the policyholder. Such fees are charged as an adjustment to the policyholders' balance. These fees are recognized as revenue in the

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

condensed general purpose statement of income within Line 15 - Long-Term Business Income - Other Insurance Income, in the period in which the services are performed.

Unit-linked life insurance policyholders are charged fees for policy administration and other contract services. Such fees are recognized as revenue in the condensed general purpose statement of income within Line 15: Long-Term Business Income, Other Insurance Income. These fees generally include the following:

- (i). Asset based fees, representing charges to policyholders' accounts for the administration of the assets under administration ("AUA"). Services related to the administration of unit-linked contracts are recognized as revenue as the services are provided.
- (ii). Cost of insurance charges, which represent risk charges to policy holder accounts on a monthly basis and recognized as revenue over the associated risk period.
- (iii). Other contract fees, representing front-end load charges to policyholder accounts primarily resulting from premiums deposited into policyholder accounts.

(c) Reinsurance

Reinsurance contracts are contracts entered into by the Company in order to receive compensation for claims/benefits incurred on contracts written by the Company. For contracts transferring sufficient insurance risk, the actuarial reserves related to unit-linked insurance contracts are reduced by anticipated reinsurance recoverable amounts.

Reinsurance premiums are recognized on the condensed general purpose statement of income within Line 13 - Long-Term Business Income – Premiums Ceded, when payment is due.

Amounts payable in respect of future reinsurance premiums are reported on the condensed general purpose balance sheet within Line 28 - Other Liabilities – Insurance and Reinsurance Balances Payable.

Reinsurance recoveries, in respect of claims on unit-linked insurance contract, are accounted for in the same period as the related claim. Amounts recoverable from reinsurers in respect of claims are reported on the condensed general purpose balance sheet within Line 11 - Reinsurance Balances Receivable.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(e) Investments

The policyholder investments held by the Company are initially and subsequently recognized at fair value. Policyholder investments are presented on the condensed general purpose balance sheet within in Line 13(b) - Segregated Accounts Companies - Long-Term Business - Variable Annuities and Line 13(c) - Segregated Accounts Companies - Long-Term Business - Other, with a corresponding liability in Line 36(b) - Segregated Accounts Companies.

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

(f) Investment Return

Gains and losses and investment income due to unit-linked contracts are credited to the individual policy holder account; as unit-linked contracts bear the investment risk. Such balances are not presented in the condensed general purpose statements of income on a gross basis for the years ended December 31, 2021 and 2020.

Investment income on cash and cash equivalents and investments of the Company may include dividends and interest. Investments related to cash and cash equivalents and investments of the Company are reported on the condensed general purpose income statement within Line 31 - Combined Investment Income – Net. Realized and unrealized investment gains losses pertaining to cash and cash equivalents and investments of the Company are reported on the condensed general purpose statement of income within Line 36 - Combined Realized Gains (Losses). For the years ended December 31, 2021 and 2020, there was no investment income or realized and unrealized gains (losses) pertaining to cash and cash equivalents and investments of the Company.

(g) Advances to Affiliates and Amounts Due to Affiliates

Advances to affiliates and amounts due to affiliates primarily represent amounts receivable and payable between the Company and either Lombard International Life Ltd. (“LILL”), a sister company and affiliate of the Company, or Lombard International Life Assurance Company (“LILAC”), an affiliate.

The Company is allocated certain employee compensation and benefits costs from LILL and LILAC. The Company recognizes these costs in the condensed general purpose statement of income within Line 30(a) - Combined Operating Expense- General and Administration and Line 30(b) - Combined Operating Expense - Personnel Cost, as appropriate, in the period in which the Company receives such services.

(h) Amounts due from Segregated Accounts to General Account

Amounts due from segregated companies represent asset based fees and other contract fees due to the Company from policyholder balances that have been earned by the Company but not yet transferred to the general account. Such balances are netted against Line 36(b) -Segregated Accounts Companies on the condensed general purpose balance sheet.

(i) Income 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 and its Bermuda domiciled subsidiaries would be exempt from such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966.

The Company has made an election under section 953(d) of the Internal Revenue Code to be treated as a U.S. domestic insurance company for U.S. federal income tax purposes.

(j) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities generally include incurred and unpaid expenses related to independent audit, actuarial and other services received from outside service providers. The Company

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

recognizes these expenses on the condensed general purpose statement of income within Line 30(a) - Combined Operating Expense – General and Administration in relation to the period in which the services are performed.

5. Basis of Recognition of Premium, Investment, and Commission Income

The basis of recognition of investment income and commission income are described in Item 4 – Accounting Policies. The Company does not recognize premium income from its unit-linked investment contracts and unit-linked insurance contracts.

6. Currency Translation Method

Not applicable.

7. Foreign Exchange Control Restrictions

Not applicable.

8. Nature and Amount of Material Contingencies or Commitments

There are no material contingencies or commitments to be recognized in the condensed general purpose financial statements.

9. Defaults by the Insurer

Not applicable

10. Arrears of Dividends on Preferred Cumulative Shares

Not applicable.

11. Loans to Directors and Officers

Not applicable.

12. Retirement Benefits

Not applicable.

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

13. Fair Value of Investments

Investments of the Company and policyholder investments measured at fair value in the accompanying general purpose financial statements are classified into a fair value measurement hierarchy by level based on the following criteria:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables present the investments of the Company and policyholder investments by level of the fair value hierarchy:

December 31, 2021

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-----------------------------|----------------------------|-----------------------------|-----------------------------|
| Company investments: | | | | |
| Cash and cash equivalents | \$ 693,259 | \$ - | \$ - | \$ 693,259 |
| Policy loans | - | - | 2,531,025 | 2,531,025 |
| | <u>693,259</u> | <u>-</u> | <u>2,531,025</u> | <u>3,224,284</u> |
| Policyholders' investments: | | | | |
| Fixed income securities | - | 7,298,741 | - | 7,298,741 |
| Equities (common stocks and mutual funds) | 12,181,760 | 1,546,347 | - | 13,728,107 |
| Investment in collective investment schemes | - | 25,575 | 53,119,816 | 53,145,391 |
| Cash | 4,531,891 | - | - | 4,531,891 |
| | <u>16,713,651</u> | <u>8,870,663</u> | <u>53,119,816</u> | <u>78,704,130</u> |
| Total Company and Policyholders' Investments | \$ <u>17,406,910</u> | \$ <u>8,870,663</u> | \$ <u>55,650,841</u> | \$ <u>81,928,414</u> |

December 31, 2020

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-----------------------------|----------------------------|-----------------------------|------------------------------|
| Company investments: | | | | |
| Cash and cash equivalents | \$ 647,312 | \$ - | \$ - | \$ 647,312 |
| Policy loans | - | - | 1,936,614 | 1,936,614 |
| | <u>647,312</u> | <u>-</u> | <u>1,936,614</u> | <u>2,583,926</u> |
| Policyholders' investments: | | | | |
| Fixed income securities | - | 7,655,422 | - | 7,655,422 |
| Equities (common stocks and mutual funds) | 47,958,368 | 950,265 | - | 48,908,633 |
| Investment in collective investment schemes | - | 699,338 | 46,854,417 | 47,553,755 |
| Cash and cash equivalents | 2,932,203 | - | - | 2,932,203 |
| | <u>50,890,571</u> | <u>9,305,025</u> | <u>46,854,417</u> | <u>107,050,013</u> |
| Total Company and Policyholders' Investments | \$ <u>51,537,883</u> | \$ <u>9,305,025</u> | \$ <u>48,791,031</u> | \$ <u>109,633,939</u> |

Lombard International Life Assurance Company (Bermuda) Ltd.
General Note to the Condensed General Purpose Financial Statements (Continued)

14. Contractual Maturity Profile of Insurer's Fixed Maturity and Short-Term Investments

Not applicable.

15. Related-Party Transactions

The Company's related-party transactions primarily relate to employee compensation and benefit costs allocated from its affiliates, LILL and LILAC. For the years ended December 31, 2021 and 2020 the Company recorded expense in the amount \$341,837 and \$421,373, respectively, pertaining to such related-party transactions.

As December 31, 2021 the Company reported \$66,169 of amounts due to affiliates on the condensed general purpose balance sheet within Line 32 – Amounts Due to Affiliates. At December 31, 2020 the Company reported \$5,280 of amounts due from affiliates on the condensed general purpose balance sheet within Line 4(g) – Advances to Affiliates.

16. Subsequent Events

There were no material transactions or events that occurred between December 31, 2021 and the date that these condensed general purpose financial statements were approved that materially affect these financial statements.

17. Other Information

Not Applicable

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Balance Sheet

1. Cash and Cash Equivalents

There are no encumbrances on cash or cash equivalents at December 31, 2021 and 2020.

2. Quoted Investments

The Company has no quoted investments recorded on the condensed general purpose balance sheet at December 31, 2021 and 2020.

3. Unquoted Investments

The Company has no unquoted investments recorded on the condensed general purpose balance sheet at December 31, 2021 and 2020.

4. Investment in and Advances to Affiliates

The Company has no investments in affiliates.

Amounts due to or from affiliates pertaining to the related party transactions described in Item 15 in the General Note to the Condensed General Purpose Financial Statements are generally due within 30 days following the end of the period in which the related services are provided.

5. Investment in Mortgage Loans on Real Estate

The Company has no investments in mortgage loans on real estate at December 31, 2021 and 2020.

6. Policy loans

Refer to Item 4(a) in the General Note to the Condensed General Purpose Financial Statements for disclosures regarding policyholder loans.

7. Real Estate

Not applicable.

8. Collateral Loans

Not applicable.

9. Investment Income Due and Accrued

Not applicable.

10. Accounts and Premiums Receivable

Not applicable.

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Balance Sheet (Continued)

11. Reinsurance Balances Receivable

The Company has no reinsurance receivable balances on paid losses or collateralized reinsurance receivable balances at December 31, 2021 and 2020.

12. Funds Held by Ceding Reinsurers

Not applicable.

13. Sundry Assets

The Company does not hold any derivatives or embedded derivatives.

Sundry assets consist of the following:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Segregated account companies - long-term business – variable annuities | \$ 33,408,652 | \$ 66,956,938 |
| Segregated account companies - long-term business – variable life insurance | 45,295,478 | 40,093,074 |
| Prepaid expenses | 22,196 | 6,094 |
| Miscellaneous receivable | <u>39</u> | <u>39</u> |
| Total | \$ <u>78,726,365</u> | \$ <u>107,056,145</u> |

Refer to Item 4(a) and Item 13 of the General Note to the Condensed General Purpose Financial Statements for additional information regarding the nature of these balances.

14. Letters of Credit, Guarantees, and Other Instruments

Not applicable.

16. Unearned Premium Reserve

Not applicable

17. Loss and Loss Expense Provisions

Not applicable

20. Reserve for Reported Claims

Not applicable.

21. Reserve for Unreported Claims

Refer to the Item 4(a) of the General Note to the Condensed General Purpose Financial Statements for information related to reserves for unreported claims.

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Balance Sheet (Continued)

22. Policy Reserves – Life

Refer to the Item 4(a) of the General Note to the Condensed General Purpose Financial Statements for information related to reserves for unreported claims.

23. Policy Reserves – Accident and Health

Not applicable.

24. Policyholders' Funds on Deposit

The Company held no policyholders' funds on deposit at December 31, 2021 and 2020.

25. Liability for Future Policyholder's Dividends

Not applicable.

26. Other Long-Term Business Insurance Reserves

Not applicable.

27. Total Long-Term Business Insurance Reserves

There are no restricted assets held for security against liabilities or contingent liabilities, or unsecured policyholder obligations at December 31, 2021 and 2020.

28. Insurance and Reinsurance Balances Payable

There are no insurance or reinsurance balances payable to affiliates at December 31, 2021 and 2020. Reinsurance premiums payable of \$38,884 and \$56,081 at December 31, 2021 and 2020, respectively, were payable to various unaffiliated reinsurers.

29. Commissions, Expenses, Fees, and Taxes Payable

Not applicable.

30. Loans and Notes Payable

Not applicable.

31. Income Taxes Payable and Deferred Income Taxes

Refer to Item 4(i) in the General Note to the Condensed General Purpose Financial Statements for information regarding income taxes.

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Balance Sheet (Continued)

Current income tax balances recognized by the Company during the years ended December 31, 2021 and 2020 are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|-----------------|
| Income tax receivable (payable) – beginning of year | \$ 5,000 | \$ 4,525 |
| Income tax (expense) benefit | - | 475 |
| Payments | - | - |
| Income tax receivable (payable) – end of year | <u>\$ 5,000</u> | <u>\$ 5,000</u> |

The income tax receivable balance is reported on Line 31(a) – Income Taxes Payable on the condensed general purpose balance sheet.

The Company generated deferred tax assets of \$1,117,830 and \$1,090,475 at December 31, 2021 and 2020, all of which have been offset by a full valuation allowance, resulting in \$0 being reported on Line 31(b) – Deferred Income Taxes, on the condensed general purpose balance sheet.

32. Amounts Due to Affiliates

Amounts due to or from affiliates pertaining to the related party transactions described in Item 15 in the General Note to the Condensed General Purpose Financial Statement are generally due within 30 days following the end of the period in which the related services are provided.

33. Accounts Payable and Accrued Liabilities

Refer to Item 4(j) in the General Note to the Condensed General Purpose Financial Statement for information regarding accounts payable and accrued liabilities.

34. Funds Held Under Reinsurance Contracts

The Company has not recorded any balances related to funds held under reinsurance contracts at December 31, 2021 and 2020.

35. Dividends Payable

Not applicable.

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Balance Sheet (Continued)

36. Sundry Liabilities

The Company does not hold any derivatives or embedded derivatives.

Sundry liabilities consist of the following:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Segregated account companies - variable annuity account values | \$ 33,408,652 | \$ 66,956,938 |
| Segregated account variable life insurance account values | 45,295,478 | 40,093,074 |
| Amounts due to the general account from the segregated accounts for policy fees to be settled in the short term | (109,804) | (115,487) |
| Policy loan collateral | <u>2,531,025</u> | <u>1,936,614</u> |
| Total | \$ <u>81,125,351</u> | \$ <u>108,871,139</u> |

Refer to Item 4(a) of the General Note to the Condensed General Purpose Financial Statement for additional information regarding the nature of these balances.

37. Letters of Credit, Guarantees, and Other Instruments

The Company does not hold any liabilities meeting these classifications at December 31, 2021 and 2020.

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Income Statement

6. Other Insurance Income (General Business)

Not applicable.

15. Other Insurance Income (Long-Term Business)

Other insurance income includes fees charged by the Company to the segregated accounts. The nature of the fees charged includes the following:

| | Year Ended December 31, 2021 | | Year Ended December 31, 2020 |
|---------------------------|---|-----------|---|
| Asset based fees | \$ 426,947 | \$ | 399,233 |
| Cost of insurance charges | 462,154 | | 389,166 |
| Other contract fees | 60,506 | | 5,026 |
| Total | <u>\$ 949,607</u> | <u>\$</u> | <u>793,425</u> |

Refer to item 4(b) in the General Note to the Condensed General Purpose Financial Statements for information regarding the nature of the balances.

32. Combined Other Income (Deductions)

Amounts recognized as combined other income (deductions) on the condensed general purpose statement of income by the Company represent the crediting of investment income earned by the Company on policyholder loans back to the policyholders.

Refer to item 4(a) in the General Note to the Condensed General Purpose Financial Statements for information regarding the nature of the balances.

36. Combined Realized Gains (Losses)

Not applicable.

Lombard International Life Assurance Company (Bermuda) Ltd.
Notes to the Condensed General Purpose Statement of Capital and Surplus

1(a) Capital Stock

At December 31, 2021 and 2020, the Company had 250,000 authorized, issued and fully paid common shares of \$1 par value capital stock.

There have been no share repurchases with respect to the capital stock of the Company.

1(b) Contributed Surplus

The following table represents activity of the Company's contributed surplus:

| | | Year Ended December 31, 2021 | | Year Ended December 31, 2020 |
|---|-----------|---|-----------|---|
| Contributed surplus, beginning of year | \$ | 5,550,083 | \$ | 5,300,083 |
| Capital contribution | | 110,000 | | 250,000 |
| Contributed surplus, end of year | \$ | 5,660,083 | \$ | 5,550,083 |

2(c) Dividends Paid and Payable

Not applicable.