

Agam Bermuda ISAC Ltd.

**Financial Statements and Report of Independent Auditors
December 31, 2022**

Period from July 14, 2022 (inception) to December 31, 2022

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Report of Independent Auditors

The Board of Directors
Agam Bermuda ISAC Ltd.

Opinion

We have audited the financial statements of Agam Bermuda ISAC Ltd. (the Company), which comprise the balance sheet as of December 31, 2022, and the related statement of statement of operations and comprehensive income, changes in shareholder's equity and cash flows for the period from July 14, 2022 (inception) to December 31, 2022, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the period from July 14, 2022 to December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Ernst & Young Ltd.

Hamilton, Bermuda
April 27, 2023

Agam Bermuda ISAC Ltd.
Balance Sheet
As at December 31, 2022

(Expressed in '000 U.S. Dollars)

	Note	December 31, 2022
ASSETS		
Cash and cash equivalents	1	1,013
Accounts receivable	5	698
Total assets		1,711
LIABILITIES		
Accounts payable	5	652
Total liabilities		652
EQUITY		
Common stock	4	250
Additional paid-in capital		750
Retained earnings		59
Total equity		1,059
Total liabilities and Equity		1,711

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

Agam Bermuda ISAC Ltd.
Statement of Operations and Comprehensive Income (Loss)
Period from July 14, 2022 (inception) to December 31, 2022

(Expressed in '000 U.S. Dollars)

	Note	2022
Revenue		
Management fees	5	698
Net investment income		7
Total revenues		705
Benefits and expenses		
General and administrative expenses	5,6	646
Total benefits and expenses		646
Net income (loss)		59

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

Agam Bermuda ISAC Ltd.
Statement of Changes in Shareholder's Equity
Period from July 14, 2022 (inception) to December 31, 2022

(Expressed in '000 U.S. Dollars)

	Common stock	Additional paid- in capital	Retained earnings	Total
Balance at July 14, 2022 (inception)	-	-	-	-
Common stock	250	-	-	250
Additional paid-in capital	-	750	-	750
Net income	-	-	59	59
Balance at December 31, 2022	250	750	59	1,059

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

Agam Bermuda ISAC Ltd.
Statement of Cash Flows
Period from July 14, 2022 (inception) to December 31, 2022

(Expressed in '000 U.S. Dollars)

	<u>Period from 2022</u>
Cash flows from operating activities	
Net income (loss)	59
Change in operating assets and liabilities:	
Accounts receivable	(698)
Accounts payable	652
Net cash provided by operating activities	13
Cash flows from financing activities	
Common stock	250
Additional paid in capital	750
Net cash provided by financing activities	1,000
Net increase in cash and cash equivalents	1,013
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	1,013

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

Agam Bermuda ISAC Ltd.
Notes to the Financial Statements
Period from July 14, 2022 (inception) to December 31, 2022

(Expressed in '000 U.S. Dollars)

1. Organization, Nature of Operations and Summary of Significant Accounting Policies

Organization

Agam Bermuda ISAC Ltd. ("We", "ISAC" or the "Company") is registered as a Class E insurer licensed under the Insurance Act 1978 and its related regulations, as amended (the "Act"). The Company was incorporated on July 14, 2022. ISAC was established as an Incorporated Segregated Accounts Company under the Incorporated Segregated Accounts Companies Act 2019 ("ISAC Act") in Bermuda on September 9, 2022. The Company is wholly owned by Agam Bermuda Ltd.

Basis of Presentation

We have prepared the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual experience could materially differ from these estimates and assumptions.

Significant Accounting Policies and Pronouncements

Revenue Recognition

The Company's revenue consists of fees from Incorporated Segregated Accounts, which the ISAC provides management services. The revenue guidance requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. When determining the transaction price under the revenue guidance, an entity may recognize variable consideration only to the extent that it is probable to not be significantly reversed. The revenue guidance also requires disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Company recognizes revenue as and when the service is rendered and the fee determined is due.

Cash and cash equivalents

The Company considers highly liquid securities and other investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. At December 31, 2022, substantially all cash balances were at major financial institutions earning interest, which is included as net investment income. The Company does not anticipate nonperformance by these institutions.

Recently Issued Accounting Standards

Financial instruments - credit losses

(ASC 326: ASU 2020-02, ASU 2019-11, ASU 2019-05, ASU 2019-04, ASU 2018-19, ASU 2016-13)

This update is designed to reduce complexity by limiting the number of credit impairment models used for different assets. The model will result in accelerated credit loss recognition on assets held at amortized cost. The identification of credit-deteriorated securities will include all assets that have experienced a more than significant deterioration in credit since origination. Additionally, any changes in the expected cash flows of credit deteriorated securities will be recognized immediately in the income statements. Available-for-sale fixed maturity securities are not in scope and will undergo targeted improvements to the current reporting model including the establishment of a valuation allowance for credit losses versus the current direct write down approach. The most recent update provides entities that have certain instruments within the scope credit losses measured at amortized cost, with an option to irrevocably elect the fair value option in ASC 825-10. The fair value option election does not apply to Held-to-maturity fixed income securities. An entity that elects the fair value options should subsequently apply the guidance as per ASC 825-10. The Company is required to adopt this standard for fiscal years beginning after December 15, 2022. The Company evaluated the

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(Expressed in '000 U.S. Dollars)

impact of this guidance on its financial statements. At present, this update does not have an impact on the financial statements as the Company does not have securities held at amortized cost.

Insurance - targeted improvements to the accounting for long-duration contracts
(ASC 944: ASU 2020-11, ASU 2019-09, ASU 2018-12)

This update amends four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts:

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited payment contracts. The update also requires the discount rate utilized in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income (OCI).
- The update simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are subject to impairment testing.
- The update requires certain contract features meeting the definition of market-risk benefits to be measured at fair value. Among the features included in this definition are the guaranteed lifetime withdrawal benefits (GLWB) and guaranteed minimum death benefits (GMDB) riders attached to annuity products. The change in the fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in OCI.
- The update also introduces disclosure requirements which include disaggregated roll forwards of balances and information about significant inputs, judgements, assumptions and methods used in their measurement.

The Company is required to adopt this update for fiscal years beginning after December 15, 2024. At present, this accounting standard is not anticipated to have a material impact on the Company's financial statements due to the election of the fair value option for accounting for reinsurance contracts.

2. Taxation

Bermuda

Under the current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company received an undertaking from the Bermuda Minister of Finance that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035.

3. Statutory requirements

The Company is licensed by the Bermuda Monetary Authority ("BMA") as a long-term insurer and is subject to the Bermuda Insurance Act 1978, as amended ("the Act") and regulations promulgated thereunder. The Company is registered as a Class E insurer, which is defined by regulation. The BMA implemented the Economic Balance Sheet ("EBS") framework into the Bermuda Solvency Capital Requirement ("BSCR"), which was granted equivalence to the European Union's Directive (2009/138/EC).

The Company is required to maintain a minimum capital and surplus to meet the Enhanced Capital Requirement (ECR). The ECR is equal to the greater of

Agam Bermuda ISAC Ltd.
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(Expressed in '000 U.S. Dollars)

- \$1,000,
- 2% of the first \$500,000 of statutory assets plus 1.5% of statutory assets above \$500,000 or
- 25% of ECR.

The Company, being a Class E insurer, is required to disclose the makeup of its capital in accordance with the "3 tier capital system". The highest quality capital is classified as "Tier-1" and the lesser quality capital as "Tier-2" and "Tier-3". The Company has met its eligible capital requirements by "Tier-1" capital as at 31 December 2022.

The following table represents the Company's statutory capital and surplus as at December 31, 2022.

Total shareholder's equity as per GAAPs	1,059
Non-admitted assets (not admissible for the statutory capital and surplus)	-
Statutory Capital and Surplus	1,059

4. Common share capital and contributed surplus

The Company's common share capital comprises 250,000 authorized shares at \$1 par value each, which represents 100% of the Company's total voting shares.

5. Related party transactions

Intercompany Service Agreements

Effective October 3, 2022, the Company entered into a management services agreement with the First Incorporated Segregated Account ("the First ISA") to provide services including asset liability management, enterprise risk management, strategic asset allocation and actuarial, capital and risk consulting and most of the management team for the Company. The receivable for this agreement at December 31, 2022 amounted to 698.

Effective December 20, 2022, the Company entered into a services and expense agreement with Agam Capital Management LLC and Agam Bermuda Ltd, where each party agrees to reimburse each party for the performance of services and applicable expenses under the agreement. The payable at for this agreement at December 31, 2022 amounted to 596.

The following table summarizes the significant related party transactions as at December 31, 2022:

Related party name	Transaction	2022
The First ISA	Management fees	698
Agam Capital Management LLC and Agam Bermuda Ltd.	Intercompany recharges	597

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(Expressed in '000 U.S. Dollars)

6. General and administrative expenses

General and administrative expenses incurred in the period ended December 31, 2022 is as follows:

	2022
Professional fees	46
Legal fees	60
Audit fees	50
Service fees	412
Other expenses	78
Total	646

7. Litigation, claims and assessments

In the ordinary course of its business, the Company may become subject to claims or proceedings from time to time arising in the normal course of its business. As of December 31, 2022, the Company does not believe it is involved in any legal action that could have a material adverse effect on its financial condition, results of operations, or cash flows.

8. Subsequent events

The company is evaluating option to be regarded as a United States taxpayer under section 953d for financial year 2023. As of April 27, 2023 the date the financial statements were made available to issue, there were no subsequent events to report.