

Kubera Insurance (SAC) Ltd.

Condensed Financial Statements

For the period from January 1, 2022 to December 31, 2022



Independent auditor's report

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

Our opinion

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

What we have audited

The Company's condensed financial statements comprise:

- the condensed balance sheet as at December 31, 2022;
- the condensed statement of income for the year then ended;
- the condensed statement of capital and surplus as at December 31, 2022; and
- the notes to the condensed financial statements, which include significant accounting policies and other explanatory information.

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

Emphasis of matter – basis of accounting

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



Responsibilities of management for the condensed financial statements

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

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

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

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

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

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



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

PricewaterhouseCoopers Ltd.

**Chartered Professional Accountants
Hamilton, Bermuda
April 26, 2023**

CONDENSED BALANCE SHEET

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Kubera Insurance (SAC) Ltd.

As at **December 31, 2022**

Expressed in **United States Dollars**

Note if an insurer does not have any entities to consolidate, select "No Subsidiaries" on the Insurer Information tab (This cell is editable for deletion)

	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)
1. CASH AND CASH EQUIVALENTS	-	-	7,736	30,007	7,736	30,007
2. QUOTED INVESTMENTS:						
(a) Bonds and debentures						
i. Held to maturity	-	-	-	-	-	-
ii. Other	-	-	29,650	-	29,650	-
(b) Total Bonds and Debentures	-	-	29,650	-	29,650	-
(c) Equities						
i. Common Stocks	-	-	-	-	-	-
ii. Preferred Stocks	-	-	-	-	-	-
iii. Mutual Funds	-	-	-	-	-	-
(d) Total Equity Investments	-	-	-	-	-	-
(e) Other Quoted Investments	-	-	-	-	-	-
(f) Total Quoted Investments	-	-	29,650	-	29,650	-
3. UNQUOTED INVESTMENTS:						
(a) Bonds and debentures						
i. Held to maturity	-	-	-	-	-	-
ii. Other	-	-	-	-	-	-
(b) Bonds and Debentures	-	-	-	-	-	-
(c) Equities						
i. Common Stocks	-	-	-	-	-	-
ii. Preferred Stocks	-	-	-	-	-	-
iii. Mutual Funds	-	-	-	-	-	-
(d) Total Equity Investments	-	-	-	-	-	-
(e) Other Unquoted Investments	-	-	-	-	-	-
(f) Total Unquoted Investments	-	-	-	-	-	-
4. INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):						
(a) Unregulated entities that conduct ancillary services	-	-	-	-	-	-
Unregulated non-financial operating	-	-	-	-	-	-
(b) 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	-	-	-	-	-	-
(h) Total investments in and advances to affiliates (equity method)	-	-	-	-	-	-
5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:						
(a) First Liens	-	-	-	-	-	-
(b) Other than First Liens	-	-	-	-	-	-
(c) Total Investments in Mortgage Loans on Real Estate	-	-	-	-	-	-
6. POLICY LOANS			-	-	-	-
7. REAL ESTATE:						
(a) Occupied by the company (less encumbrances)	-	-	-	-	-	-
(b) Other properties (less encumbrances)	-	-	-	-	-	-
(c) Total real estate	-	-	-	-	-	-
8. COLLATERAL LOANS	-	-	-	-	-	-
9. INVESTMENT INCOME DUE AND ACCRUED	-	-	-	-	-	-
10. ACCOUNTS AND PREMIUMS RECEIVABLE						
(a) In course of collection	-	-	772	358	772	358
(b) Deferred - not yet due	-	-	-	-	-	-
(c) Receivables from retrocessional contracts	-	-	-	-	-	-
(d) Total accounts and premiums receivable	-	-	772	358	772	358
11. REINSURANCE BALANCES RECEIVABLE						
(a) Foreign affiliates	-	-	-	-	-	-
(b) Domestic affiliates	-	-	-	-	-	-
(c) Pools & associations	-	-	-	-	-	-
(d) All other insurers	-	-	-	-	-	-
(e) Total reinsurance balances receivable	-	-	-	-	-	-
12. FUNDS HELD BY CEDING REINSURERS	-	-	-	-	-	-
13. SUNDRY ASSETS:						
(a) Derivative instruments	-	-	-	-	-	-
(b) Segregated accounts companies - long-term business - variable annuities			-	-	-	-
(c) Segregated accounts companies - long-term business - others			616,116	470,277	616,116	470,277

CONDENSED BALANCE SHEET

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Kubera Insurance (SAC) Ltd.

As at **December 31, 2022**

Expressed in **United States Dollars**

Note if an insurer does not have any entities to consolidate, select "No Subsidiaries" on the Insurer Information tab (This cell is editable for deletion)

	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)
(d) Segregated accounts companies - general business	-	-	-	-	-	-
(e) Deposit assets	-	-	-	-	-	-
(f) Deferred acquisition costs	-	-	-	-	-	-
(g) Net receivables for investments sold	-	-	-	-	-	-
(h) Other Sundry Assets (Current tax receivable)	-	-	-	-	-	-
(i) Other Sundry Assets (Specify)	-	-	13	21	13	21
(j) Other Sundry Assets (Specify)	-	-	-	-	-	-
(k) Total sundry assets	-	-	616,128	470,298	616,128	470,298
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	-	-	-	-	-	-
15. TOTAL	-	-	654,286	500,663	654,286	500,663

INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS

INSURANCE RESERVES

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 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 expense provisions	-	-	-	-	-	-
18. OTHER 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. POLICYHOLDER'S FUNDS ON DEPOSIT	-	-	-	-	-	-
25. LIABILITY FOR FUTURE POLICYHOLDER DIVIDENDS	-	-	-	-	-	-
26. OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-	-	-	-	-
27. TOTAL LONG-TERM BUSINESS - INSURANCE RESERVES						
(a) Total Gross Long-Term Business Insurance Reserves	-	-	-	-	-	-
(b) Less: Reinsurance Recoverable Balance:						
(i) Foreign Affiliates	-	-	-	-	-	-
(ii) Domestic Affiliates	-	-	-	-	-	-
(iii) Pools and Associations	-	-	-	-	-	-
(iv) All Other Insurers	-	-	-	-	-	-
(c) Total Reinsurance Recoverable Balance	-	-	-	-	-	-
(d) Net Long-Term Business Insurance Reserves	-	-	-	-	-	-

OTHER LIABILITIES

28. INSURANCE AND REINSURANCE BALANCES PAYABLE	-	-	-	-	-	-
29. COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-	-	-	-	-
30. LOANS AND NOTES PAYABLE	-	-	-	-	-	-

CONDENSED BALANCE SHEET

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Kubera Insurance (SAC) Ltd.

As at **December 31, 2022**

Expressed in **United States Dollars**

Note if an insurer does not have any entities to consolidate, select "No Subsidiaries" on the Insurer Information tab (This cell is editable for deletion)

	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)
31. (a) INCOME TAXES PAYABLE	-	-	(0)	-	(0)	-
(b) DEFERRED INCOME TAXES	-	-	-	-	-	-
32. AMOUNTS DUE TO AFFILIATES	-	-	-	-	-	-
33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	-	-	19,181	-	19,181	-
34. FUNDS HELD UNDER REINSURANCE CONTRACTS	-	-	-	-	-	-
35. DIVIDENDS PAYABLE	-	-	-	-	-	-
36. SUNDRY LIABILITIES:						
(a) Derivative instruments	-	-	-	-	-	-
(b) Segregated accounts	-	-	616,116	470,277	616,116	470,277
(c) Deposit liabilities	-	-	-	-	-	-
(d) Net payable for investments purchased	-	-	-	-	-	-
(e) Other sundry liabilities (Other accrued expenses)	-	-	-	11,141	-	11,141
(f) Other sundry liabilities	-	-	-	-	-	-
(g) Other sundry liabilities (specify)	-	-	-	-	-	-
(h) Total sundry liabilities	-	-	616,116	481,418	616,116	481,418
37. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS						
(a) Letters of credit	-	-	-	-	-	-
(b) Guarantees	-	-	-	-	-	-
(c) Other instruments	-	-	-	-	-	-
(d) Total letters of credit, guarantees and other instruments	-	-	-	-	-	-
38. TOTAL OTHER LIABILITIES	-	-	635,296	481,418	635,296	481,418
39. TOTAL INSURANCE PROVISIONS AND OTHER LIABILITIES	-	-	635,296	481,418	635,296	481,418
STATUTORY CAPITAL AND SURPLUS						
40. TOTAL STATUTORY CAPITAL AND SURPLUS	-	-	18,990	19,245	18,990	19,245
41. TOTAL	-	-	654,286	500,663	654,286	500,663

CONDENSED STATEMENT OF INCOME

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Kubera Insurance (SAC) Ltd.
For the year ended December 31, 2022
United States Dollars

Note if an insurer does not have any entities to consolidate, select "No Subsidiaries" on the Insurer Information tab (This cell is editable for deletion)

	2022 ('000)	2021 ('000)	2022 ('000)	2021 ('000)	2022 ('000)	2021 ('000)
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.	-	-	-	-	-	-
GENERAL BUSINESS UNDERWRITING EXPENSES						
8. NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	-	-	-	-	-	-
9. COMMISSIONS AND BROKERAGE	-	-	-	-	-	-
10.	-	-	-	-	-	-
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	-	-	-	-	-	-
(c) Total gross premiums and other considerations	-	-	-	-	-	-
13. PREMIUMS CEDED	-	-	-	-	-	-
14. NET PREMIUMS AND OTHER CONSIDERATIONS:						
(a) Life	-	-	-	-	-	-
(b) Annuities	-	-	-	-	-	-
(c) Accident and health	-	-	-	-	-	-
(d) Total net premiums and other considerations	-	-	-	-	-	-
15. OTHER INSURANCE INCOME	-	-	-	-	-	-
16.	-	-	-	-	-	-
DEDUCTIONS						
17. CLAIMS - LIFE	-	-	-	-	-	-
18. POLICYHOLDERS' DIVIDENDS	-	-	-	-	-	-
19. SURRENDERS	-	-	-	-	-	-
20. MATURITIES	-	-	-	-	-	-
21. ANNUITIES	-	-	-	-	-	-
22. ACCIDENT AND HEALTH BENEFITS	-	-	-	-	-	-
23. COMMISSIONS	-	-	69	-	-	69
24. OTHER	-	-	-	-	-	-
25.	-	-	69	-	-	69
26. INCREASE (DECREASE) IN POLICY RESERVES:						
(a) Life	-	-	-	-	-	-
(b) Annuities	-	-	-	-	-	-
(c) Accident and health	-	-	-	-	-	-
(d) Total increase (decrease) in policy reserves	-	-	-	-	-	-
27.	-	-	69	-	-	69
28. NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-	(69)	-	-	(69)
29. COMBINED NET UNDERWRITING PROFIT (LOSS) BEFORE THE UNDERNOTED ITEMS	-	-	-	(69)	-	(69)
UNDERNOTED ITEMS						
30. COMBINED OPERATING EXPENSES:						

CONDENSED STATEMENT OF INCOME

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Kubera Insurance (SAC) Ltd.
 For the year ended December 31, 2022
 United States Dollars

Note if an insurer does not have any entities to consolidate, select "No Subsidiaries" on the Insurer Information tab (This cell is editable for deletion)

	2022 ('000)	2021 ('000)	2022 ('000)	2021 ('000)	2022 ('000)	2021 ('000)
(a) General and administrative	-	-	507	567	507	567
(b) Personnel Costs	-	-	-	-	-	-
(c) Other	-	-	-	-	-	-
(d) Total combined operating expenses	-	-	507	567	507	567
31. COMBINED INVESTMENT INCOME - NET	-	-	394	0	394	0
32. COMBINED OTHER INCOME (DEDUCTIONS)	-	-	442	339	442	339
33. COMBINED INCOME BEFORE TAXES	-	-	329	(297)	329	(297)
34. COMBINED INCOME TAXES (IF APPLICABLE):						
(a) Current	-	-	-	-	-	-
(b) Deferred	-	-	-	-	-	-
(c) Total	-	-	-	-	-	-
35. COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	-	-	329	(297)	329	(297)
36. COMBINED REALIZED GAINS (LOSSES)	-	-	-	-	-	-
37. COMBINED INTEREST CHARGES	-	-	-	-	-	-
38. NET INCOME	-	-	329	(297)	329	(297)

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

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Kubera Insurance (SAC) Ltd.
For the year ended December 31, 2022
United States Dollars

Note if an insurer does not have any entities to consolidate, select "No Subsidiaries" on the Insurer Information tab (This cell is editable for deletion)

		2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)	2022 ('000s)	2021 ('000s)
1. STATUTORY CAPITAL							
(a) Capital stock		-	-	1,000	1,000		
(i) Common shares						1,000	1,000
authorized	1,000,000 shares of par						
value	\$ 1,000 each issued and						
fully paid	1,000,000 shares						
(ii) Preferred shares						-	-
authorized	shares of par						
value	each issued and						
fully paid	shares						
aggregate liquidation value for –							
2022							
2021							
(iii) Treasury shares						-	-
repurchased	shares of par						
value	each issued						
(b) Contributed surplus		-	-	19,000	19,000	19,000	19,000
(c) Any other fixed capital							
(i) Hybrid capital instruments		-	-	-	-	-	-
(ii) Guarantees and others		-	-	-	-	-	-
(iii) Total any other fixed capital		-	-	-	-	-	-
(d) Total Statutory Capital		-	-	20,000	20,000	20,000	20,000
2. STATUTORY SURPLUS:							
(a) Statutory Surplus - Beginning of Year		-	-	(755)	(458)	(755)	(458)
(b) Add: Income for Year		-	-	329	(297)	329	(297)
(c) Less: Dividends paid and payable		-	-	-	-	-	-
(d) Add (Deduct) change in unrealized appreciation (depreciation) of investments		-	-	(584)	-	(584)	-
(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		-	-	-	-	-	-
(h) Statutory Surplus - End of Year		-	-	(1,010)	(755)	(1,010)	(755)
3. MINORITY INTEREST		-	-	-	-	-	-
4. TOTAL STATUTORY CAPITAL AND SURPLUS		-	-	18,990	19,245	18,990	19,245

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

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

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

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

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

An affiliated company, Hannover Life Reassurance Company of America Bermuda, LTD (“HLRA Bermuda”) also provides a stop loss cover for the FIA Business reinsured by ARCA1.

Over the course of 2021, the Company worked with the cedant to restructure the ARCA1 business. The deferred annuity business ceded to ARCA1 was novated directly to the Bermuda domiciled reinsurer. Ownership of the ARCA1 segregated account transferred from a third party investor to HLRA Bermuda, and the share capital of ARCA1 was increased from \$10 thousand to \$10 million. Concurrently with the change in ownership, ARCA1 assumed additional FIA Business and ARCA1’s funding protection was enhanced by way of a note purchase agreement with the parent company of the US-based life insurance company.

On 21st September 2020, the Company established a second segregated account, Life Insurance Linked Security Cell L1 “LILSL1”, to facilitate a new insurance linked security (“ILS”) funding facility between Greenstone Financial Services Pty Ltd. (“Greenstone”) and three third party ILS investors, including HR SE, (collectively the “Noteholders”). Greenstone entered into an ISDA long-form confirmation agreement (“Swap”) with LILSL1 who will in turn issue ILS bonds (“Notes”) to the Investors. The targeted volume of the initial funding tranche was 700 million Australian dollars which was the overall principal amount of the issued Notes and correspondingly the notional amount paid under the Swap from LILSL1 to Greenstone (“Notional Amount”). Greenstone utilized the proceeds received on the initial funding tranche to finance a stream of commission cash flows on insurance policies it sold under its Distribution Agreement (“Subject Business”) with Hannover Life Re of Australasia (“HLR Aus”). The Greenstone Transaction was restructured in Q2 2022. The 350 million Australian dollars HR SE bond was replaced with a reinsurance agreement written by Hannover Re (Ireland) DAC which financed the same amount.

In Q3 2022, the Greenstone Transaction was upsized with the execution of an 335 million Australian dollars second tranche, which kept the same structure and mechanics as the restricted first tranche. The expected term of this second tranche of the Greenstone Transaction is twelve (12) years, however, if the performance of the business deteriorates such that outstanding balance is not fully paid down within the expected term, then it will be extended for up to an additional five (5) years.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

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

The Company's general account assets are not available to satisfy liabilities arising from the activities of ARCA1 and LILSL1. ARCA1's and LILSL1 assets and liabilities are legally segregated from the general account assets and liabilities of the Company.

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

Commissions

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

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

Reinsurance

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

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

Cash and cash equivalents

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

Segregated Account

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

Contracts deposits

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

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

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

Funds Held by Ceding Reinsurers

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

Funds Held Under Reinsurance Contracts

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

Investment income

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

Tax

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

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

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

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

5. Investment income is recognised on the accrual basis and includes the amortisation of premium or discount on bonds purchased at amounts different from their par value.
6. The Company's segregated account assets and liabilities on the LILSL1 transaction are denominated in Australian Dollars. Due to the ring-fenced treatment and offsetting nature of LILSL1's segregated account assets and liabilities, the Company is not exposed to any foreign exchange fluctuations associated with its foreign denominated assets and liabilities.

The Company does not have any other foreign denominated transactions of assets, liabilities, income or charges for the period ended December 31, 2022.

7. There are no foreign exchange control restrictions affecting the assets of the Company.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

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

8. There are no material contingencies or commitments at the balance sheet date.
9. The Company did not issue any securities or enter any credit agreements during the financial period.
10. The Company does not have any preferred cumulative shares.
11. There was no loan made by the Company to any director or officer of the Company outside the ordinary course of business during the financial period.
12. The Company has no employees.
13. Fair value amounts for all quoted and unquoted investment lines- as of December 31, 2022 the company holds \$29,649,742 categorized at Level 2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly (including market-corroborated data).
14. The contractual maturity profile of the insurers' fixed maturity and short-term investments – the contractual maturity for the level 2 bonds is 3.9 years.
15. As of December 31, 2022, included in the segregated accounts companies liability is a deposit liability of \$1,668,135 relating to ARCA1 premiums accruals and loss carryforward payments on the stop loss cover provided to the segregated account by an affiliated Company. The segregated accounts companies liability also contains \$242,143,941 due to Hannover Re (Ireland) DAC relating to LILSL1 notes payable on the Greenstone transaction. (Note: the HR SE bond was replaced with a reinsurance agreement written by Hannover Re (Ireland) DAC for the same amount in Q2 2022.)
16. On January 13, 2023 the Company filed a final application under Section 31(c) with the Bermuda Monetary Authority to obtain approval to repatriate \$14 million of capital to its sole shareholder (Hannover Finance, Inc.) as resolved at the August Board meeting. The application was approved by the BMA on February 1, 2023 and movement of funds were completed following the approval.
17. Any other information which in the opinion of the Board of Directors is required to be disclosed if the financial statements are not to be misleading. – Not applicable

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

1(a) Capital stock

At December 31, 2022 the Company had 1,000,000 authorised, issued and fully paid common shares at a par value of US\$1 each.

1(b) Contributed surplus

The Company had contributed surplus of \$19,000,000 as of December 31, 2022.

2(c) Dividends paid and payable

There are no dividends paid or payable during the period ended December 31, 2022.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

Matters to be set forth in Notes to the Balance Sheet

1. As of December 31, 2022 there are no encumbrances on cash or cash equivalents.
2. Quoted investments represent transferable securities admitted to an official stock exchange listing or traded on another regulated market and are valued on the basis of the last available market price. If such securities are listed on several markets, the last known price on the principal market is applied. The Company had \$29,649,742 of quoted investments as of December 31, 2022.
3. Unquoted investments represent transferable securities not admitted to an official stock exchange listing or not traded on another regulated market, and transferable securities admitted to an official stock exchange listing or traded on another regulated market, but for which the last available price is not representative, are valued on the basis of their reasonably foreseeable price determined based on available information provided by the custodian banks, other price providers or in the financial statements of these investments. The Company had no unquoted securities as of December 31, 2022.
- 4- 9. Not applicable.
10. The Accounts and premium receivable in course of collections for the year ended 31st December 2022 amounted to \$771,631 and relates to expense allowances that are payable to the Company on the ARCA1 and LILSL1 transactions.
- 11-12. Not applicable.
13. As of December 31, 2022, sundry assets of \$616,115,719 consists primarily of the assets held in the ARCA1 and LILSL1 segregated cell.

The ARCA1 sundry assets consist of \$4,984,935 contract deposits, \$10,107,916 of cash and cash equivalents and \$16,820,365 of trade receivables. The Company elected net presentation of the FIA contract on the balance sheet as the contract met the required criteria for off-set. This contract consists of \$9.0bn of funds withheld assets and corresponding deposit contract liabilities, netting to the \$4,984,935.

The LILSL1 sundry assets consist of \$584,202,504 relating to the unquoted ISDA swap asset on the Greenstone transaction. The swap assets are supported by a stream of future commission cash flows on the Subject Business associated with the transaction.
14. Not applicable
- 16–17. Not applicable.
- 20- 27. Not applicable
- 28-30. Not applicable
31. Current income taxes payables at December 31, 2022 is \$238 thousand. Refer to Note 4 in the General Notes to the financial statements. As of December 31, 2022, the Company's general and segregated account recorded nil deferred tax.
32. Not applicable.
33. The accounts payables and accrued liabilities for the year ended December 31, 2022 amounted to \$19,180,399.
- 34-35. Not applicable

Kubera Insurance (SAC) Ltd.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

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

36. As of December 31, 2022, sundry liabilities of \$616,115,719 consists primarily of the liabilities on the ARCA1 and LILSL1 segregated cell.

ARCA1 sundry liabilities consist of \$1,668,135 of payables to a related party for the stop loss cover, \$125,000 of insurance payables, \$2,114,717 income tax liabilities, \$10,050,000 other accrued and deferred items, \$10,000,000 capital stock and \$7,955,364 surplus.

LILSL1 sundry liabilities consist of \$584,202,504 relating to the notes payable on the Greenstone transaction.

37. Not applicable

Kubera Insurance (SAC) Ltd.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS – CONTINUED

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

- 6. Not applicable.
- 15. Not applicable
- 32. As of December 31, 2022, combined other income of \$442,482 consists primarily of fee income and revenue for services over time.
- 36. Not applicable