

FINANCIAL STATEMENTS

Nomura Americas Re Ltd.

For the years ended March 31, 2023 and 2022

Nomura Americas Re Ltd.  
Financial Statements  
For the years ended March 31, 2023 and 2022

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## **Report of Independent Auditors**

Shareholders and Board of Directors  
Nomura Americas Re Ltd.

### **Opinion**

We have audited the financial statements of Nomura Americas Re Ltd. (“the Company”), which comprise the statements of financial condition as of March 31, 2023 and 2022, and the related statements of income, changes in shareholders’ equity and cash flows for the years then ended, 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 March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended 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 LLP*

July 26, 2023

Nomura Americas Re Ltd.  
Statements of Financial Condition  
*(Expressed in United States dollars)*

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Assets</b>		
Cash	\$ 65,429,255	\$ 47,678,748
Note receivable from affiliate	951,000,000	901,000,000
Securities received as collateral	951,000,000	901,000,000
Prepaid expenses	36,292	80,979
	<u>1,967,465,547</u>	<u>1,849,759,727</u>
Total assets	\$ 1,967,465,547	\$ 1,849,759,727
<b>Liabilities</b>		
Borrowings from Parent	\$ 951,000,000	\$ 901,000,000
Obligation to return securities received as collateral	951,000,000	901,000,000
Accounts payable & accrued expenses	14,572	33,938
Interest payable	17,579,003	-
Intercompany payable	3,668,677	3,819,267
	<u>1,923,262,252</u>	<u>1,805,853,205</u>
Total liabilities	1,923,262,252	1,805,853,205
<b>Shareholders' equity</b>		
Share capital	250,000	250,000
Contributed surplus	38,800,000	38,800,000
Retained earnings	5,153,295	4,856,522
	<u>44,203,295</u>	<u>43,906,522</u>
Total shareholders' equity	44,203,295	43,906,522
Total liabilities and shareholders' equity	\$ 1,967,465,547	\$ 1,849,759,727

*See accompanying Notes to Financial Statements.*

Nomura Americas Re Ltd.  
**Statements of Income**  
*(Expressed in United States dollars)*

	<b>Year Ended March 31, 2023</b>	<b>Year Ended March 31, 2022</b>
<b>Revenue</b>		
Stand-by fees earned	\$ 15,295,757	\$ 15,863,253
Management fees earned	1,283,474	942,390
Interest income	33,712,419	12,112,128
	50,291,650	28,917,771
<b>Expenses</b>		
Net transfer pricing fees	15,654,810	15,813,519
Interest expense	33,712,419	12,112,128
Management fees	60,000	60,000
Director fees	25,000	25,000
Legal fees	5,599	106,780
Professional fees	481,011	173,318
Audit fees	52,895	41,125
Other expenses	3,143	215,592
	49,994,877	28,547,462
Net income	\$ 296,773	\$ 370,309

*See accompanying Notes to Financial Statements.*

Nomura Americas Re Ltd.  
 Statements of Changes in Shareholders' Equity  
 (Expressed in United States dollars)

	<b>Year Ended March 31, 2023</b>	<b>Year Ended March, 31, 2022</b>
<b>Share capital</b>		
Authorised share capital - 250,000 shares of par value \$1 each		
<b>Issued shares, fully paid</b>		
Common shares, beginning of year	250,000	250,000
Issued, fully paid during the year	-	-
	250,000	250,000
Common shares, end of year		
<b>Issued share capital</b>		
Common shares, beginning of year	\$ 250,000	\$ 250,000
Issued, fully paid during the year	-	-
	\$ 250,000	\$ 250,000
Common shares, end of year		
<b>Contributed surplus</b>		
Contributed surplus, beginning of year	\$ 38,800,000	\$ 38,800,000
Contributed surplus received during the year	-	-
	\$ 38,800,000	\$ 38,800,000
Contributed surplus, end of year		
<b>Retained earnings</b>		
Retained earnings, beginning of year	\$ 4,856,522	\$ 4,486,213
Net income for the year	296,773	370,309
	\$ 5,153,295	\$ 4,856,522
Retained earnings, end of year		

*See accompanying Notes to Financial Statements.*

Nomura Americas Re Ltd.  
Statements of Cash Flows  
(Expressed in United States dollars)

	<b>Year Ended March 31, 2023</b>	<b>Year Ended March 31, 2022</b>
<b>Cash flows from operating activities:</b>		
Net income for the year	\$ 296,773	\$ 370,309
Changes in operating assets & liabilities:		
Prepaid expenses	44,687	(44,666)
Accounts payable & accrued expenses	(19,366)	(112,593)
Interest payable	17,579,003	-
Intercompany payable	(150,590)	210,142
Cash provided by (used in) operating activities	<u>17,750,507</u>	<u>423,192</u>
<b>Cash flows from investing activity:</b>		
Note receivable from affiliate	<u>(50,000,000)</u>	<u>(24,000,000)</u>
Cash used in investing activities	<u>(50,000,000)</u>	<u>(24,000,000)</u>
<b>Cash flows from financing activity:</b>		
Borrowings from Parent	<u>50,000,000</u>	<u>24,000,000</u>
Cash provided by financing activities	<u>50,000,000</u>	<u>24,000,000</u>
Net increase in cash	17,750,507	423,192
Cash, beginning of year	<u>47,678,748</u>	<u>47,255,556</u>
Cash, end of year	<u>\$ 65,429,255</u>	<u>\$ 47,678,748</u>

**Total cash paid for interest during the year is \$16.1 million (2022 - \$12.1 million).**

**Total cash paid for taxes during the year is \$ Nil (2022 - \$nil).**

**Non-cash transactions**

Recognition of securities received as collateral	\$ 50,000,000	\$ 24,000,000
Recognition of obligation to return securities received as collateral	(50,000,000)	(24,000,000)

*See accompanying Notes to Financial Statements.*



Nomura Americas Re Ltd.  
Notes to Financial Statements  
*(Expressed in United States dollars)*

## **1. Organization**

Nomura Americas Re Ltd. (the “Company”) is incorporated in Bermuda and is licensed as a Class C Insurer under the Bermuda Insurance Act 1978, amendments thereto and related Regulations (“Act”). 99.5% of the Company’s issued shares are held by Nomura Holding America Inc. (“NHA” or the “Parent”), with the remaining 0.5% being held by Nomura Automation Management Inc. (“NAMI”). Both NHA and NAMI are United States corporations. NAMI is a wholly-owned subsidiary of NHA which, in turn, is wholly owned by Nomura Holdings, Inc. (“NHI” or “Nomura”), a Japanese corporation. In addition, Nomura Securities International, Inc. (“NSI”) and Nomura Global Financial Products Inc. (“NGFP”), both NHA subsidiaries, provide transaction structuring and execution support to the Company.

The Company was established to facilitate the execution of insurance-linked solutions for insurance clients focusing on US reserve financing solutions. In order to meet client objectives, certain types of transactions are traditionally or most efficiently executed with a reinsurance company. The primary types of transactions the Company has executed and is expected to continue executing are reserve financing and capital efficiency solutions with insurance companies in Bermuda and the Americas. The Company may also enter into other reinsurance transactions with insurance companies, such as the coinsurance of defined portfolios of policies.

## **2. Summary of Significant Accounting Policies**

### **Use of Estimates**

The financial statements are presented in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

### **Cash**

The Company defines cash equivalents to be highly liquid investments with original maturities of three months or less other than those held for trading purposes. At March 31, 2023 and 2022, there were no cash equivalents on the Statements of Financial Condition.

Nomura Americas Re Ltd.  
Notes to Financial Statements  
(Expressed in United States dollars)

**Taxation**

ASC 740, *Income Taxes* (“ASC 740”) provides guidance and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of uncertain tax positions (see Note 5).

The Company’s policy is to treat interest and/or penalties related to income tax matters and uncertain tax positions as part of pretax income.

The Company is treated as a partnership for U.S. taxation purposes. As any U.S. tax liability arising is the responsibility of the Company’s Parent, no liability for U.S taxation has been included in these financial statements.

**Insurance Contracts**

The Company classifies all contracts of insurance or reinsurance that transfer a significant amount of mortality or morbidity risk as insurance contracts in the financial statements. Contracts which do not transfer a significant amount of morbidity or mortality risk are considered to be financial instruments and are accounted for as deposit liabilities where an upfront deposit is received.

For contracts that do not transfer a significant amount of morbidity or mortality risk, the Company would record a loss if it is probable that a liability has been incurred and the amount is reasonably estimable.

*Stand-by fees earned* consists of revenues arising pursuant to the transactions explained in Note 3. This revenue is recognized on an accrual basis and earned over the contract period in accordance with the contract terms. This revenue is also subject to a transfer pricing arrangement with affiliates (see “Transfer Pricing Arrangement” in Note 4).

**Transfers of Financial Assets**

In accordance with ASC 860, *Transfers of Financial Assets*, when the Company acts as the lender in a securities lending agreement and receives securities as collateral that can be repledged or sold, it recognizes the amounts received and a corresponding obligation to return them. These amounts are recorded in *Securities received as collateral* and *Obligation to return securities received as collateral*, respectively, on the Statements of Financial Condition.

**Notes receivable from affiliate**

These are notes receivable from an affiliate that the Company purchased to lend under a transaction with a third party (see Note 3). They are recorded at amortized cost.

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Notes to Financial Statements  
*(Expressed in United States dollars)*

**Borrowings from Parent**

Comprised entirely of borrowings from NHA used by the Company to purchase notes receivable from an affiliate.

**Related party transactions**

Related party relationships exist when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between and/or among the reporting entity and its key management personnel, directors or its shareholders.

**Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the US Dollar, reflecting the denomination of the Company's assets and being the currency in which the Company's expenses are incurred. The financial statements are therefore presented in US Dollars, which is the Company's functional and presentation currency.

**Statements of Cash Flows**

The indirect method has been applied in the preparation of the Statements of Cash Flows.

**New Accounting Pronouncements**

No new accounting pronouncements relevant to the Company were adopted during the year ended March 31, 2023.

**Change in presentation**

The March 31, 2022 Statement of Income has been changed to reflect the March 31, 2023 presentation, which combines certain expense categories that are individually insignificant.

**Allowance for credit loss**

The current expected credit loss ("CECL") model requires the measurement of expected credit losses for financial assets measured at amortized cost, using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the

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remaining cash flows over the contractual term of the financial assets. The overall estimate of the allowance for credit losses is based on both quantitative and qualitative considerations.

The Company applied qualitative methods to financial instruments where there is no history of significant credit losses and reasonable expectation of minimal future credit losses and determined a CECL provision was not required.

### 3. Reinsurance Transactions

The Company is party to three US reserve financing transactions (one transaction closed in 2015, one transaction closed in 2016, and one transaction closed in 2018, where both the 2016 and 2018 transactions have been subsequently amended) with major US life insurers (each a “US Life Insurer”). Pursuant to the US reserve financing transactions the respective US Life Insurer has reinsured a defined block of life insurance business to an affiliated special purpose reinsurer (“SPR”). To finance the statutory reserve ceded, SPR has issued to an affiliated special purpose entity (“SPE”) surplus notes, in exchange for credit linked notes issued by such SPE. The credit linked notes will be redeemed in cash (“Cash Redemption Payment”) in the event that the respective SPR has exhausted substantially all other assets supporting the respective transaction and the additional funds are required to enable SPR to make required payments under its reinsurance contract with the respective US Life Insurer. A depletion of an SPR’s assets supporting its respective transaction could occur due to severe adverse developments in respect of the key risks associated with the underlying life insurance policies (mortality, lapse, and asset risk).

The Company has entered into contracts with each of the SPEs under which it has agreed to fund any Cash Redemption Payments by the SPEs up to a transaction-specific commitment amount, in return for the receipt of fees. At March 31, 2023 such aggregate specified commitment amounts were \$1,146,000,000 (2022 - \$1,230,000,000). No Cash Redemption Payment actions as described above have been triggered as of the balance sheet dates.

In each transaction, the respective counterparty’s exposure to the credit of the Company is mitigated by a contract-specific guarantee from NHI.

The 2018 transaction includes a structural component whereby an affiliate SPE of the relevant US Life Insurer borrowed an asset from the Company and the Company received collateral from the SPE. The collateral received by the Company is recorded in *Securities received as collateral* and *Obligation to return securities received as collateral*, respectively, on the Statement of Financial Condition. The collateral received by the Company was not repledged as of March 31, 2023.

In connection with the 2018 transaction, the Company is paid a quarterly management fee on a portion of the aggregate outstanding reserve financing amount. This management fee is reflected in *Management fees earned* on the Statement of Income. During the year ended March 31, 2023, *Management fees earned* was \$1,283,474 (2022 - \$942,390).

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Under ASC 944-20-15 Financial Services, Insurance, Long-Duration Contracts, the transactions are considered to be contracts that do not subject the reinsurer to the reasonable possibility of significant loss from the events insured, and they are also considered to be investment contracts and financial instruments. As noted above, revenue from these transactions is recognized on an accrual basis and earned over the respective contract periods in accordance with contract terms. Since there was no upfront deposit received by the Company, no deposit liability has been recognized.

Although the reinsurance transactions are recognized on an accrual basis, their fair value (net of the internal insurance policy) as of March 31, 2023 was \$8.0 million (2022 - \$9.9 million). This fair value is calculated using unobservable inputs, and is considered a Level 3 measurement under ASC 820, *Fair Value Measurement*.

#### **4. Transactions with Related Parties**

One of the directors (the “Artex Director”) of the Company is also an officer of Artex Insurance Management (Bermuda) Ltd. (“Artex”) (formerly Horseshoe Management Ltd). From inception, Artex has been the appointed insurance manager of the Company. During the year ended March 31, 2023, the Company recognized management fee expense of \$60,000 (2022 - \$60,000), for administrative services provided under the terms of the insurance management agreement with Artex.

The Company has paid a fee of \$25,000 (2022 - \$25,000) for services of an independent director (the “Independent Director”).

As noted above, NHI has provided limited guarantees to the counterparties in the transactions described in Note 3 above under which NHI has agreed to unconditionally and irrevocably guarantee the due and punctual payments of all monies, debts and liabilities of any nature from time to time owing by the Company from the onset of each related transaction, plus certain other defined costs. NHI does not charge a fee to the Company for the provision of these guarantees.

Prior to April 1, 2022, the Company had borrowed \$901 million from NHA to purchase notes receivable from an affiliate. During the current fiscal year, the Company borrowed an additional \$50 million. The notes receivable and associated borrowings mature between December 2037 and December 2046 and have an interest rate of SOFR plus a spread.

#### *Transfer Pricing Arrangement*

The Company is subject to a transfer pricing arrangement (“TPA”) involving NSI and NGFP, where NSI and NGFP provide trade execution services (“Services”) for positions of the Company in accordance with US transfer pricing regulations and the Organization for Economic Cooperation and Development (“OECD”) transfer pricing guidelines. The Company pays amounts related to

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profits on these positions (“TPA Revenues”) to NSI and NGFP, after transaction-related expenses. The Company also receives reimbursements for certain costs, including cost of capital (for these purposes includes market and credit risk) under the TPA; the Company’s payments of TPA Revenues to NSI and NGFP are net of the cost of capital reimbursements received. If the TPA revenues are less than the sum of transaction expenses and cost of capital (excluding credit risk), then the Company does not receive reimbursement from NSI or NGFP.

*Net transfer pricing fees* on the Statements of Income is the net transfer pricing fees charged by NSI and NGFP and are comprised as follows:

	<b>2023</b>	<b>2022</b>
Revenue due by the Company	\$ 16,579,231	16,805,643
Capital fee payable to the Company	(293,400)	(333,000)
Expense reimbursement payable to the Company	(631,021)	(659,124)
	<u>\$ 15,654,810</u>	<u>15,813,519</u>
Net transfer pricing fees	<u>\$ 15,654,810</u>	<u>15,813,519</u>

## 5. Taxation

Under current laws of Bermuda, there are no income or capital gains taxes payable by the Company. In the event that such taxes are levied in the future, the Company has received an undertaking from the Bermuda Government exempting it from such taxes until March 31, 2035.

As of March 31, 2023, the Company determined that it has no material uncertain tax positions, interest or penalties as defined within ASC 740, and accordingly, management has concluded that no additional ASC 740 disclosures are required.

As of March 31, 2023, the Company is subject to examination for tax years ending March 31, 2020 through March 31, 2022 at the federal level. The Company is not currently under audit. The Company does not have material unrecognized tax benefits. The Company does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within the next 12 months.

## 6. Share capital and contributed surplus

The Company was incorporated on January 29, 2015, with authorized share capital of \$250,000 divided into 250,000 shares with a par value of \$1.00 each. On incorporation, the Company issued 250,000 fully paid shares of par value \$1.

During the year ended March 31, 2023, the Company did not receive any additional contributed surplus (2022 - \$Nil) from its shareholder.

Nomura Americas Re Ltd.  
Notes to Financial Statements  
*(Expressed in United States dollars)*

At March 31, 2023, the Company had issued share capital of \$250,000 (2022 - \$250,000) and contributed surplus of \$38,800,000 (2022 - \$38,800,000).

**7. Capital and Regulation**

The Company is registered as a Class C Insurer under the Act. The Company has a direction from the Bermuda Monetary Authority (the “Authority”) that requires it to maintain a minimum solvency margin (“MMS”) of \$500,000 (2022 - \$500,000). As at March 31, 2023, the statutory capital and surplus of the Company was \$44,167,003 (2022 - \$43,825,543). Accordingly, the Company has met the MMS requirement.

**8. Subsequent Events**

The Company has evaluated subsequent events through July 26, 2023, the date as of which these financial statements are available to be issued.