

FINANCIAL STATEMENTS

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

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Financial Statements
For the years ended March 31, 2023 and 2022

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Report of Independent Auditors

Shareholder and Board of Directors
Nomura Americas US Re Ltd.

Opinion

We have audited the financial statements of Nomura Americas US 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 shareholder’s 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 US Re Ltd.
Statements of Financial Condition
(Expressed in United States dollars)

	March 31, 2023	March 31, 2022
Assets		
Cash	\$ 29,085,228	29,292,461
Due from insureds	602,234	382,255
Income tax receivable	387,981	50,423
Deferred tax asset	113,740	124,625
Prepaid expenses	69,248	113,513
Total assets	\$ 30,258,431	29,963,277
Liabilities		
Intercompany payable	\$ 292,374	250,078
Accounts payable & accrued expenses	16,883	40,218
Total liabilities	309,257	290,296
Shareholder's equity		
Share capital	250,000	250,000
Contributed surplus	21,860,000	21,860,000
Retained earnings	7,839,174	7,562,981
Total shareholder's equity	29,949,174	29,672,981
Total liabilities and shareholder's equity	\$ 30,258,431	29,963,277

See accompanying Notes to Financial Statements.

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

	Year Ended March 31, 2023	Year Ended March 31, 2022
Revenue		
Risk and profit charges earned	\$ 1,466,428	1,552,992
	1,466,428	1,552,992
Expenses		
Net transfer pricing fees	821,000	1,040,155
Government and license fees	86,590	85,890
Audit fees	45,067	41,125
Management fees	60,000	60,000
Directors' fees	25,000	25,000
Other expenses	79,251	103,256
	1,116,908	1,355,426
Income before taxes	349,520	197,566
Income tax expense	73,327	41,488
Net income	\$ 276,193	156,078

See accompanying Notes to Financial Statements.

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

	Year Ended March 31, 2023	Year Ended March 31, 2022
Share capital		
Authorized share capital - 250,000 shares of par value \$1 each		
Issued shares, fully paid		
Common shares, beginning of year	250,000	250,000
Issued, fully paid during the year	-	-
	250,000	250,000
Issued share capital		
Common shares, beginning of year	\$ 250,000	250,000
Issued, fully paid during the year	-	-
	\$ 250,000	250,000
Contributed surplus		
Contributed surplus, beginning of year	\$ 21,860,000	21,860,000
Contributed surplus received during the year	-	-
	\$ 21,860,000	21,860,000
Retained earnings		
Retained earnings, beginning of year	\$ 7,562,981	7,406,903
Net income for the year	276,193	156,078
	\$ 7,839,174	7,562,981

See accompanying Notes to Financial Statements.

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

	Year Ended March 31, 2023	Year Ended March 31, 2022
Cash flows from operating activities:		
Net income for the year	\$ 276,193	156,078
Changes in operating assets & liabilities:		
Intercompany payable	42,296	250,078
Intercompany receivable	-	5,423,639
Due from insureds	(219,979)	916,333
Accounts payable & accrued expenses	(23,335)	(94,607)
Income tax receivable	(337,558)	(50,423)
Deferred tax asset	10,885	(40,003)
Prepaid expenses	44,265	(44,239)
Income tax payable	-	(1,168,086)
Cash provided by (used in) operating activities	(207,233)	5,348,770
Net (decrease) / increase in cash	(207,233)	5,348,770
Cash, beginning of year	29,292,461	23,943,691
Cash, end of year	\$ 29,085,228	29,292,461

Cash paid for income taxes during fiscal 2023 is \$400,000. Cash paid for income taxes during fiscal 2022 is \$1.3 million.

See accompanying Notes to Financial Statements.

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

1. Organization

Nomura Americas US Re Ltd. (the “Company”) is incorporated in Bermuda and is licensed as a Class D Insurer under the Bermuda Insurance Act 1978, amendments thereto and related Regulations (“Act”). The Company is wholly owned by Nomura Holding America Inc. (“NHA” or the “Parent”). NHA is a United States corporation. NHA 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.

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.

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

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.

Risk and profit charges 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 contract terms.

This revenue is also subject to a transfer pricing arrangement with an affiliate (see “Transfer Pricing Arrangement” in Note 4).

Due from insureds consists of accrued revenues not yet received. The carrying value of this balance approximates fair value.

Income taxes

Certain income and expense items are accounted for in different periods for income tax purposes as compared to financial reporting purposes. Provisions for deferred taxes are made in recognition of these temporary differences in accordance with the provisions of ASC 740, Income Taxes (“ASC 740”).

ASC 740 provides guidance and prescribes a recognition threshold and measurement attributes 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.

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.

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

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 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

Effective November 1, 2017, the Company entered into a transaction with a major US insurer and reinsurer (“US Insurer and Reinsurer”), whereby the Company assumed \$221 million of peak financing notional in respect of a reserve financing arrangement entered into by and between US Insurer and Reinsurer and a US life insurer on September 30, 2016.

Effective April 1, 2019, an existing reinsurance agreement with a major US life insurer was novated to the Company from US CB Reinsurance 1 IC Ltd., an affiliate of the Company. Pursuant to the agreement, the Company provides quota share reinsurance in respect of certain participating life insurance contracts issued by US life insurer. The transaction does not have a defined duration and has an Experience Refund. There is an Experience Refund sunset date whereby the US life insurer will forego all future Experience Refunds beyond October 1, 2024, if the reinsurance is not recaptured by such date. In connection with the novation of the contract, the Company agreed to pay a one-time ceding commission fee to US CB Reinsurance 1 IC Ltd. of \$1,350,000.

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

The counterparties' exposure to the credit of the Company is mitigated by specific limited guarantees from NHI.

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.

These Transactions are accounted for as reinsurance contracts. For tax purposes, the Transactions are treated as insurance contracts and follow statutory accounting principles.

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 \$ Nil (2022 - \$ Nil). 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.). Artex is the appointed insurance manager of the Company. The Company has recognized \$60,000 (2022 - \$60,000) of management fee expense 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 counterparties 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 plus certain other defined costs. NHI does not charge a fee to the Company for the provision of this guarantee.

Effective April 1, 2019, an existing reinsurance agreement was novated to the Company by an affiliate (see Note 3).

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

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 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:

	2023	2022
Net revenue payable by the Company	\$ 1,467,555	1,552,992
Capital fee payable to the Company	(360,000)	(178,650)
Expense reimbursement payable to the Company	(286,555)	(334,187)
Net transfer pricing fee	<u>\$ 821,000</u>	<u>1,040,155</u>

5. Taxation

Income tax expense / (benefit) is comprised of the following:

	2023	2022
Current:		
Federal	\$ 62,442	81,491
Total current income tax expense	<u>\$ 62,442</u>	<u>81,491</u>
Deferred:		
Federal	\$ 10,885	(40,003)
Total deferred income tax benefit	<u>\$ 10,885</u>	<u>(40,003)</u>
Total income tax expense	<u>\$ 73,327</u>	<u>41,488</u>

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

The effective tax rate for the year is equal to the statutory federal rate of 21%.

The components of the Company's net deferred tax asset ("DTA") at March 31 are as follows:

	2023	2022
Deferred tax assets	\$ 113,740	124,625
Less: Valuation allowance	-	-
	113,740	124,625
Deferred tax liabilities ("DTL")	-	-
Net deferred tax asset / (liability)	\$ 113,740	124,625

ASC 740 prescribes an asset and liability approach to accounting for taxes that requires the recognition of DTAs and DTLs for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. In estimating future tax consequences, ASC 740 generally considers all expected future events other than future enactment of changes in the tax law or rates. The DTA relates to capitalization of certain deferred acquisition costs.

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.

The Company has elected to be treated as U.S. taxable entity, under section 953(d) of the United States Internal Revenue Code. Any U.S. tax liability arising out of operations of the Company has been included in these financial statements.

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 tax examination for the tax years ending December 31, 2019 through 2021 at the federal level. The Company is not currently under tax audit. The Company does not have any material unrecognized tax benefits. The Company does not believe that it is reasonably possible that the total unrecognized benefits will significantly change within the next 12 months.

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

6. Share capital and contributed surplus

The Company was incorporated on December 9, 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 received no additional contributed surplus (2022 - \$ Nil) from its shareholder.

At March 31, 2023, the Company had issued share capital of \$250,000 (2022 - \$250,000) and contributed surplus of \$21,860,000 (2022 - \$21,860,000).

7. Capital and Regulation

The Company is registered as a Class D 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 (“MSM”) of \$5,000,000 (2022 - \$5,000,000). As at March 31, 2023, the statutory capital and surplus of the Company was \$29,879,926 (2022 - \$29,559,468) and, accordingly, the Company has met the MSM 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.