

CONSOLIDATED FINANCIAL STATEMENTS

Nomura Americas US Re Ltd.
For the years ended March 31, 2024 and 2023

Nomura Americas US Re Ltd.
Consolidated Financial Statements
For the years ended March 31, 2024 and 2023

Contents

Report of Independent Auditors.....	1
Consolidated Statements of Financial Condition.....	3
Consolidated Statements of Income.....	4
Consolidated Statements of Changes in Shareholder’s Equity.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7



Ernst & Young, LLP
1 Manhattan West
New York, NY 10001

Tel: +1 212 773 3000
Fax: +1 212 773 6350
ey.com

Report of Independent Auditors

Shareholder and Board of Directors
Nomura Americas US Re Ltd.

Opinion

We have audited the consolidated financial statements of Nomura Americas US Re Ltd. (“the Company”), which comprise the consolidated statements of financial condition as of March 31, 2024 and 2023, and the related consolidated 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, 2024 and 2023, 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 23, 2024

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

	March 31, 2024	March 31, 2023
Assets		
Cash and cash equivalents	\$ 20,362,085	29,085,228
Collateral receivable	5,010,964	-
Prepaid fees	3,873,967	-
Forward purchase contract at fair value	128,893	-
Due from insureds	1,924,381	602,234
Income tax receivable and deferred tax asset	483,448	501,721
Prepaid expenses	135,061	69,248
	31,918,799	30,258,431
Liabilities		
Intercompany payable	\$ 792,830	292,374
Ceded fees payable	314,708	-
Deferred tax liability	162,013	-
Accounts payable & accrued expenses	21,850	16,883
	1,291,401	309,257
Shareholder's equity		
Share capital	250,000	250,000
Contributed surplus	21,860,000	21,860,000
Retained earnings	8,517,398	7,839,174
	30,627,398	29,949,174
Total liabilities and shareholder's equity	\$ 31,918,799	30,258,431

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended	Year Ended
	March 31, 2024	March 31, 2023
Revenue		
Risk and profit charges earned	\$ 2,323,726	1,466,428
Risk and profit charges ceded	(345,833)	-
Investment income	717,956	-
Other income	6,544	-
	2,702,393	1,466,428
Expenses		
Net transfer pricing fees	1,085,414	821,000
Other expenses	758,469	295,908
	1,843,883	1,116,908
Income before taxes	858,510	349,520
Income tax expense	180,286	73,327
Net income	\$ 678,224	276,193

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended March 31, 2024	Year Ended March 31, 2023
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	-	-
	<u>250,000</u>	<u>250,000</u>
Common shares, end of year	<u>250,000</u>	<u>250,000</u>
Issued share capital		
Common shares, beginning of year	\$ 250,000	250,000
Issued, fully paid during the year	-	-
	<u>250,000</u>	<u>250,000</u>
Common shares, end of year	<u>\$ 250,000</u>	<u>250,000</u>
Contributed surplus		
Contributed surplus, beginning of year	\$ 21,860,000	21,860,000
Contributed surplus received during the year	-	-
	<u>21,860,000</u>	<u>21,860,000</u>
Contributed surplus, end of year	<u>\$ 21,860,000</u>	<u>21,860,000</u>
Retained earnings		
Retained earnings, beginning of year	\$ 7,839,174	7,562,981
Net income for the year	678,224	276,193
	<u>8,517,398</u>	<u>7,839,174</u>
Retained earnings, end of year	<u>\$ 8,517,398</u>	<u>7,839,174</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended March 31, 2024	Year Ended March 31, 2023
Cash flows from operating activities:		
Net income for the year	\$ 678,224	276,193
Changes in operating assets & liabilities:		
Collateral receivable	(5,010,964)	-
Prepaid fees	(3,873,967)	-
Forward purchase contract at fair value	(128,893)	-
Intercompany payable	500,456	42,296
Due from insureds	(1,322,147)	(219,979)
Accounts payable & accrued expenses	4,967	(23,335)
Income tax receivable and deferred tax asset	18,273	(326,673)
Deferred tax liability	162,013	-
Prepaid expenses	(65,813)	44,265
Ceded fees payable	314,708	-
	(8,723,143)	(207,233)
Cash provided by (used in) operating activities		
	(8,723,143)	(207,233)
Net (decrease) / increase in cash and cash equivalents		
Cash, beginning of year	29,085,228	29,292,461
	20,362,085	29,085,228
Cash and cash equivalents, end of year	\$ 20,362,085	29,085,228

Cash paid for income taxes during fiscal 2024 is \$Nil (2023 - \$400,000).

See accompanying Notes to Consolidated Financial Statements.

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

1. Organization

Nomura Americas US Re Ltd. (the “Company” or “NAUR”) 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 International Plc, a subsidiary of NHI, and Nomura Securities International, Inc. (“NSI”), and Nomura Global Financial Products Inc. (“NGFP”), both subsidiaries of NHA, 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.

These consolidated financial statements include the accounts of NAUR and a wholly owned special purpose vehicle (“SPV”), which is described in Note 3.

2. Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and a wholly owned SPV which is a consolidated variable interest entity (“VIE”). All material intercompany transactions and balances have been eliminated in consolidation.

In accordance with ASC 810, *Consolidation* (“ASC 810”), the Company consolidates entities deemed to be variable interest entities, where the Company has been determined to be the primary beneficiary. As per Nomura policy, if the Company has the exposure to 90% or more of the economic risk that the VIE was designed to create, the Company is deemed to have power and economics for consolidation.

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

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

the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Cash and cash equivalents

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, 2024, the Company had cash equivalents of \$19.4 million (2023 - \$Nil). Income earned on cash equivalents is reflected in *Investment income* on the Consolidated Statements of Income.

Collateral receivable

Collateral receivable consists of assets held in a trust account as part of a transaction described in Note 3.

Forward purchase contract at fair value

Forward purchase contract at fair value consists of a contingent note forward purchase contract with an affiliate.

Prepaid fees

Prepaid fees represents the unamortized balance of an upfront fee related to the contingent note forward purchase contract with an affiliate. This fee is amortized into expense over the life of the contract.

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.

Risk and profit charges earned / ceded consists of revenues and expenses 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.

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

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. *Ceded fees payable* consist of expenses arising pursuant to transactions explained in Note 3. The carrying values of these two balances approximate 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.

Statements of Cash Flows

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

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

New Accounting Pronouncements

No new accounting pronouncements relevant to the Company were adopted during the year ended March 31, 2024.

Change in presentation

The March 31, 2023 Statement of Income has been changed to reflect the March 31, 2024 presentation, which combines certain expense categories that are individually insignificant. The March 31, 2023 Statements of Financial Condition has been changed to reflect the March 31, 2024 presentation, which combines certain tax items. In addition, the Transfer Pricing Arrangement section of Note 4 has been changed to remove the details from the net transfer pricing amount as these details are not disclosure requirements.

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

The Company has entered into multiple reinsurance transactions with US and Bermuda insurance and reinsurance companies (“Reinsurance Transactions”).

In connection with one Reinsurance Transaction, the Company issued a note to a newly formed affiliated and consolidated SPV, which in turn issued a note (“SPV Note”) in the same amount to the Company. The SPV Note is subject to mandatory early redemption if certain conditions are satisfied. Any funding required for an early redemption is provided under an agreement with an affiliate of the Company. To collateralize its obligations under the Reinsurance Transaction, NAUR deposited the SPV Note and certain other assets into a trust account for the benefit of the cedant.

In addition, the Company entered into an internal insurance agreement (“Internal Insurance Agreement”) with Nomura Americas Re Ltd. (“NARL”) whereby the Company assumes a defined

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

share of the risks associated with an existing reserve financing transaction to which NARL is a party. The Company has reinsured such internal insurance policy to a third-party reinsurer.

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, 2024 was \$ Nil (2023 - \$ 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 (2023 - \$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 \$25,042 (2023 - \$25,000) for services of an independent director (the “Independent Director”).

NHI has provided contract-specific limited guarantees to certain 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.

As noted above, in 2023 the Company entered into an Internal Insurance Agreement with NARL. *Risk and Profit charges earned* on the Consolidated Statements of Income and *Due from insureds* on the Consolidated Statements of Financial Condition includes fees paid by NARL to the Company in connection with the Internal Insurance Agreement.

Forward purchase contract at fair value consists of a contingent note forward purchase contract with an affiliate. The upfront fee related to this contract was paid to the same affiliate. The unamortized balance of the upfront fee is reflected in *Prepaid fees*.

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

As noted above, in connection with a Reinsurance Transaction the Company issued a note to a newly formed affiliated consolidated SPV, which in turn issued an SPV Note in the same amount to the Company. Any funding required for a mandatory early redemption of the SPV Note is provided under an agreement with an affiliate of the Company.

Transfer Pricing Arrangement

The Company is subject to a transfer pricing arrangement (“TPA”) involving affiliates NIP, NSI, and NGFP, where the affiliates 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 NIP, 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 NIP, 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 NIP, NSI, or NGFP.

Net transfer pricing fees on the Consolidated Statements of Income is the net transfer pricing fees charged by NIP, NSI, and NGFP and is \$1,085,414 at March 31, 2024 (2023 - \$821,000). *Intercompany payable* on the Consolidated Statements of Financial Condition is comprised of amounts payable to affiliates under the TPA and other operational and administrative expenses.

5. Taxation

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

	2024	2023
Current:		
Federal	\$ (95,467)	62,442
Total current income tax expense	\$ (95,467)	62,442
Deferred:		
Federal	\$ 275,753	10,885
Total deferred income tax benefit	\$ 275,753	10,885
Total income tax expense	\$ 180,286	73,327

Nomura Americas US Re Ltd.
Notes to Consolidated 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 liability ("DTL") at March 31, 2024 are as follows:

	2024	2023
Deferred tax assets ("DTA")	\$ 4,555,261	113,740
Less: Valuation allowance	-	-
	4,555,261	113,740
Deferred tax liabilities	(4,717,274)	-
Net deferred tax asset / (liability)	\$ (162,013)	113,740

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 federal net operating loss carryover and capitalization of certain deferred acquisition costs. The DTL primarily relates to differences in revenue recognition between GAAP and tax.

As of December 31, 2023 Bermuda has enacted a new corporate income tax. The new corporate income tax becomes effective for tax years beginning on or after January 1, 2025. The Company has elected to be treated as a U.S. taxable entity, under section 953(d) of the United States Internal Revenue Code; as such, the Company does not expect to incur material Bermuda corporate income tax expense. The Company has no Bermuda deferred taxes as of March 31, 2024. Any U.S. tax liability arising out of operations of the Company has been included in these financial statements.

The Company has received an undertaking from the Bermuda Government exempting it from income taxes until March 31, 2025. The undertaking will need to be analyzed for validity under the new Bermuda corporate income tax.

As of March 31, 2024, 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, 2024, the Company is subject to tax examination for the tax years ending December 31, 2020 through 2022 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

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

believe that it is reasonably possible that the total unrecognized benefits will significantly change within the next 12 months.

6. Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized on the statement of financial condition. Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. ASC 820 establishes the following three hierarchies for fair value:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Assumptions include those of risk, both the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. As of March 31, 2024, the Company had no financial instruments carried at fair value on a recurring basis, except for the forward purchase contract described in Note 2. The fair value option was elected for the forward purchase contract in accordance with ASC 825, *Financial Instruments*. If the Company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The fair value of the forward purchase contract is calculated using unobservable inputs and is classified as Level 3 in the fair value hierarchy.

7. 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.

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

During the year ended March 31, 2024, the Company received no additional contributed surplus (2023 - \$ Nil) from its shareholder.

At March 31, 2024, the Company had issued share capital of \$250,000 (2023 - \$250,000) and contributed surplus of \$21,860,000 (2023 - \$21,860,000).

9. 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 (2023 - \$5,000,000). At March 31, 2024, the statutory capital and surplus of the Company was \$26,618,370 (2023 - \$29,879,926) and, accordingly, the Company has met the MSM requirement.

9. Subsequent Events

The Company has evaluated subsequent events through July 23, 2024, the date as of which these financial statements are available to be issued.