

**Kubera Insurance (SAC) Ltd.**

**Condensed Financial Statements**

**For the period from January 1, 2023 to December 31, 2023**



## 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, 2023;
- the condensed statement of income for the year then ended;
- the condensed statement of capital and surplus as at December 31, 2023; and
- the notes to the condensed financial statements, which include significant accounting policies and other explanatory information.

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### 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.

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### 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 IFRS Accounting Standards.



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## **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.

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## **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.

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*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**

**Hamilton Bermuda**

**April 30, 2024**

**CONDENSED BALANCE SHEET**

Kubera Insurance (SAC) Ltd

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	8,891	7,736
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	23,428	29,650
(b)	Total Bonds and Debentures	23,428	29,650
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	23,428	29,650
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	-	-
(h)	Total investments in and advances to affiliates	-	-
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 RECEIVABLE	-	617
11.	INSURANCE AND REINSURANCE CONTRACT ASSETS		
(a)	Insurance Contract Assets	-	-
(b)	Reinsurance Contract Assets	-	-
(c)	Investment Contracts with Discretionary Participation Features (DPF) assets	-	-
(d)	Total Insurance and Reinsurance Contract Assets	-	-
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	612,841	613,171
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Net receivables for investments sold	-	-
(g)	Miscellaneous Assets	155	166
(h)	Deferred taxes	-	-
(i)	Other Sundry Assets (Specify)	-	-
(j)	Total sundry assets	612,996	613,337
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	645,315	651,340
	<b>INSURANCE LIABILITIES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
	<b>INSURANCE LIABILITIES</b>		
17.	GENERAL BUSINESS INSURANCE CONTRACT LIABILITIES	-	-
17A.	GENERAL BUSINESS REINSURANCE CONTRACT LIABILITIES	-	-
18.	INVESTMENT CONTRACT WITH DPF LIABILITIES	-	-
27.	LONG-TERM BUSINESS INSURANCE CONTRACT LIABILITIES	-	-
27A.	LONG-TERM REINSURANCE CONTRACT LIABILITIES	-	-

**CONDENSED BALANCE SHEET**

Kubera Insurance (SAC) Ltd

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
	<b>OTHER LIABILITIES</b>		
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	119	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	-	-
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	26,331	19,180
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	612,841	613,171
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
€	Other sundry liabilities (specify)	-	-
(f)	Other sundry liabilities (specify)	-	-
(g)	Other sundry liabilities (specify)	-	-
(h)	Total sundry liabilities	612,841	613,171
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	639,291	632,351
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	639,291	632,351
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	6,024	18,989
41.	TOTAL	645,315	651,340
		TRUE	TRUE

**Reconciliation of Net Changes in Insurance Contracts Liabilities by Remaining Coverage and Incurred Claim - General Business**

Line 17 and 11(a)

	Liability for Remaining Coverage		Liabilities for Incurred Claims			Total
	Excluding loss component	Loss component	Products not under PAA	(PAA) Estimates of present value of future cash flows	(PAA) Risk adjustment for non-financial risk	
Opening assets						-
Opening liabilities						-
<b>Net opening balance</b>	-	-	-	-	-	-
<b>Changes in the statement of income or loss</b>						
<b>Insurance revenue</b>						-
<b>Insurance service expenses</b>						-
Amortisation of insurance acquisition cash flows						-
Incurred claims and other insurance service expenses						-
Losses and reversals on onerous contracts						-
Adjustments to liabilities for incurred claims						-
<b>Total Insurance service expenses</b>	-	-	-	-	-	-
Investment components						-
<b>Insurance service result</b>	-	-	-	-	-	-
Net finance expenses from insurance contracts						-
Effect of movements in exchange rates						-
<b>Total changes in the statement of income or loss</b>	-	-	-	-	-	-
<b>Cash flows</b>						
Premiums received						-
Insurance acquisition cash flows						-
Claims and other insurance service expenses paid						-
<b>Total cash flows</b>	-	-	-	-	-	-
Contracts transferred on acquisition of subsidiary						-
Contracts transferred on disposal of subsidiary						-
<b>Net closing balance</b>	-	-	-	-	-	-
Closing assets						-
Closing liabilities						-
<b>Net closing balance</b>	-	-	-	-	-	-
						True
						True

**CONDENSED BALANCE SHEET**

Kubera Insurance (SAC) Ltd

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

LINE No.

2023

2022

**Reconciliation of Net Changes in Insurance Contracts Liabilities by Remaining Coverage and Incurred Claim - Long-Term Business**

Line 27 and 11(a)

	Liability for Remaining Coverage		Liabilities for Incurred Claims			Total
	Excluding loss component	Loss component	Products not under PAA	(PAA) Estimates of present value of future cash flows	(PAA) Risk adjustment for non-financial risk	
Opening assets						-
Opening liabilities						-
<b>Net opening balance</b>	-	-	-	-	-	-
<b>Changes in the statement of income or loss</b>						
<b>Insurance revenue</b>						-
<b>Insurance service expenses</b>						
Amortisation of insurance acquisition cash flows						-
Incurred claims and other insurance service expenses						-
Losses and reversals on onerous contracts						-
Adjustments to liabilities for incurred claims						-
<b>Total Insurance service expenses</b>	-	-	-	-	-	-
Investment components						-
<b>Insurance service result</b>	-	-	-	-	-	-
Net finance expenses from insurance contracts						-
Effect of movements in exchange rates						-
<b>Total changes in the statement of income or loss</b>	-	-	-	-	-	-
<b>Cash flows</b>						
Premiums received						-
Insurance acquisition cash flows						-
Claims and other insurance service expenses paid						-
<b>Total cash flows</b>	-	-	-	-	-	-
Contracts transferred on acquisition of subsidiary						-
Contracts transferred on disposal of subsidiary						-
<b>Net closing balance</b>	-	-	-	-	-	-
Closing assets						-
Closing liabilities						-
<b>Net closing balance</b>	-	-	-	-	-	-

True

True

**Reconciliation of Changes in Net Reinsurance Contracts Assets by Remaining Coverage and Incurred Claims- General Business**

Line 11b and 17A

	Assets for Remaining Coverage		Assets for Incurred Claims			Total
	Excluding loss-recovery component	Loss recovery component	Products not under PAA	(PAA) Estimates of present value of future cashflows	(PAA) Risk adjustment for non-financial risk	
Opening assets						-
Opening liabilities						-
<b>Net opening balance</b>	-	-	-	-	-	-
<b>Changes in the statement of income or loss</b>						
Allocation of reinsurance premiums paid						-
<b>Amounts recovered from reinsurers</b>						
Recoveries on incurred claims and other incurred reinsurance service expenses						-
Recoveries and reversals of recoveries of losses on onerous contracts						-
Adjustments to assets for incurred claims						-
<b>Total Amounts recovered from reinsurers</b>	-	-	-	-	-	-
Investment components and premium refunds						-
Effect of changes in non-performance risk of reinsurers						-
<b>Net expenses from reinsurance contracts held</b>	-	-	-	-	-	-
Net Finance income or expenses from reinsurance contracts						-
Effect of movements in exchange rates						-
<b>Total changes in the statement of income or loss</b>	-	-	-	-	-	-
<b>Cash flows</b>						
Premiums paid						-
Amounts received from reinsurers relating to incurred claims						-
<b>Total cash flows</b>	-	-	-	-	-	-
<b>Net closing balance</b>	-	-	-	-	-	-
Closing assets						-
Closing liabilities						-
<b>Net closing balance</b>	-	-	-	-	-	-

**CONDENSED BALANCE SHEET**

Kubera Insurance (SAC) Ltd

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

LINE No.

2023

2022

- True  
- True

**Reconciliation of Changes in Net Reinsurance Contracts Assets by Remaining Coverage and Incurred Claims- Long Term**

Line 11b and 27A

	Assets for Remaining Coverage			Total
	Excluding loss-recovery component	Loss recovery component	Amounts recoverable: Incurred claims	
Opening assets				-
Opening liabilities				-
<b>Net opening balance</b>	-	-	-	-
<b>Changes in the statement of income or loss</b>				
Allocation of reinsurance premiums paid				-
<b>Amounts recovered from reinsurers</b>				
Recoveries on incurred claims and other incurred reinsurance service expenses				-
Recoveries and reversals of recoveries of losses on onerous contracts				-
Adjustments to assets for incurred claims				-
<b>Total Amounts recovered from reinsurers</b>	-	-	-	-
Investment components and premium refunds				-
Effect of changes in non-performance risk of reinsurers				-
<b>Net expenses from reinsurance contracts held</b>	-	-	-	-
Net Finance income or expenses from reinsurance contracts				-
Effect of movements in exchange rates				-
<b>Total changes in the statement of income or loss</b>	-	-	-	-
<b>Cash flows</b>				
Premiums paid				-
Amounts received from reinsurers relating to incurred claims				-
<b>Total cash flows</b>	-	-	-	-
<b>Net closing balance</b>	-	-	-	-
Closing assets				-
Closing liabilities				-
<b>Net closing balance</b>	-	-	-	-
			-	True
			-	True



## CONDENSED STATEMENT OF INCOME

Kubera Insurance (SAC) Ltd

As at December 31, 2023

expressed in ['000s] United States Dollars

LINE No.		2023	2022
1.	<b>INSURANCE CONTRACT REVENUE</b>	-	-
2.	<b>INSURANCE SERVICE EXPENSES</b>		
(a)	Incurred Claims and Insurance Contract Expenses	-	-
(b)	Insurance Contract Acquisition Cash Flows	-	-
(c)	Adjustments to Liabilities for Incurred Claims	-	-
(d)	Losses (and reversals of losses) on Onerous Insurance Contracts	-	-
(e)	Other Insurance Service Expenses	-	-
(f)	<b>TOTAL INSURANCE SERVICE EXPENSES</b>	-	-
3.	<b>INSURANCE SERVICE RESULTS BEFORE REINSURANCE</b>	-	-
4.	<b>NET EXPENSES FROM REINSURANCE CONTRACT HELD</b>		
(a)	Reinsurance recoveries and other income	-	-
(b)	Reinsurance expenses (allocated reinsurance premiums)	-	-
(c)	<b>TOTAL NET EXPENSES FROM REINSURANCE CONTRACTS HELD</b>	-	-
5.	<b>NET INSURANCE SERVICE RESULTS</b>	-	-
6.	<b>INVESTMENT RETURNS</b>		
(a)	Net interest revenue/investment income	827	428
(b)	Net realised fair value gains/(losses) through P&L	-	-
(c)	Net foreign exchange income	-	-
(d)	Credit impairment losses on financial assets	(3)	(2)
(e)	Other investment returns	(32)	(14)
(f)	<b>TOTAL INVESTMENT RETURNS</b>	792	412
7.	<b>INSURANCE FINANCE RESULTS</b>		
(a)	Net finance income and expenses from insurance contracts issued		
(b)	Net finance income and expenses from reinsurance contracts held		
(c)	<b>TOTAL NET INSURANCE FINANCE RESULTS</b>	-	-
8.	<b>NET INSURANCE FINANCIAL AND INVESTMENT RESULTS</b>	792	412
9.	<b>COMBINED OTHER INCOME (DEDUCTIONS)</b>	181	(65)
10.	<b>PROFIT BEFORE TAX</b>	973	347
11.	<b>INCOME TAX</b>	119	-
12.	<b>NET INCOME</b>	854	347

### Unconsolidated Disclosures for Statement of Profit or Loss

Line 1	Notes to Insurance Revenue		
	Contracts not measured under the PAA		
	Amounts relating to changes in liabilities for remaining coverage		
	<i>Expected incurred claims and other insurance service expenses</i>	-	
	<i>CSM recognised for services provided</i>	-	
	<i>Change in risk adjustment for non-financial risk for risk expired</i>	-	
	Allocation of the portion of premiums that relate to the recovery of insurance acquisition cashflows	-	
	Contracts measured under the General Model	-	
	Contracts measured under the PAA	-	
	Total Insurance Revenue	-	

## CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Kubera Insurance (SAC) Ltd  
 As at December 31, 2023  
 expressed in ['000s] United States Dollars

LINE No.		2023	2022
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 1,000,000 shares of par	1,000	1,000
	value \$ 1,000 each issued and		
	fully paid 1,000,000 shares		
	(ii)		
	(A) Preferred shares:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2023 _____		
	2022 _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2023 _____		
	2022 _____		
	(iii) Treasury Shares		
	repurchased _____ shares of par		
	value _____ each issued		
(b)	Contributed surplus	5,000	19,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	6,000	20,000
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	(1,011)	(754)
(b)	Add: Income for the year	854	347
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	181	(604)
(e)	Add (Deduct) change in any other surplus		
(f)	Surplus - End of Year	24	(1,011)
3.	<b>MINORITY INTEREST</b>		
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	6,024	18,989

## NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

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

1. Kubera Insurance (SAC) Ltd (the “Company”) was incorporated on 5<sup>th</sup> October 2018, under the laws of Bermuda and licensed as a long-term insurer (Class C), effective 14<sup>th</sup> 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 11<sup>th</sup> 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 31<sup>st</sup> 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 fundswithheld 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 21<sup>st</sup> 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**

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**Matters to be set forth in Notes to the Consolidated Balance Sheet – 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 were drawn up as at 31 December in accordance with standard Group accounting and measurement rules pursuant to IFRS.
4. Significant accounting policies of the Company are set out below:

**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 consolidated balance sheet represent balances arising from transactions entered on ARCA1 and LILSL1. The assets and liabilities of ARCA1 and LILSL 1 are both legally segregated from the Kubera general account and thus the Kubera general account is insulated from any obligations or liabilities arising in the segregated accounts and vice versa.

**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 received final approval of its 953 (d) application with the IRS on January 31, 2024.

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.

**Bermuda CIT (Corporate Income Tax)**

Under current Bermuda Law Kubera General and ARCA1 are not required to pay any taxes in Bermuda on either income or capital gains. As noted above, ARCA1 made an irrevocable election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for U.S. federal income tax purposes. As such, ARCA1 will be subject to U.S. federal income tax on its income as if it is a U.S. corporation. Additionally, Kubera General made the election to be treated as a disregarded entity for U.S. federal tax purposes.

**Investment income**

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

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.

**NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED**

**Matters to be set forth in Notes to the Consolidated Balance Sheet – Continued**

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, 2023.

7. There are no foreign exchange control restrictions affecting the assets of the Company.
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, 2023 the company holds \$23,427,671 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 is an average of 2 years.

	2023	2022
Due after one year through five years	23,427,671	29,649,742
<b>Total</b>	<b>23,427,671</b>	<b>29,649,742</b>

15. As of December 31, 2023, the segregated accounts companies liability contains \$ \$235,406,271 due to Hannover Re (Ireland) DAC relating to LILSL1 notes payable on the Greenstone transaction.
16. The Company plans on declaring a \$7,200,000 dividend during the 1<sup>st</sup> quarter of 2024.
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 Consolidated Statement of Capital and Surplus**

1(a) Capital stock

At December 31, 2023 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 \$5,000,000 as of December 31, 2023.

2(c) Dividends paid and payable

There are no dividends paid or payable during the period ended December 31, 2023.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

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**Matters to be set forth in Notes to the Consolidated Balance Sheet**

1. As of December 31, 2023 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 \$23,427,671 of quoted investments as of December 31, 2023.
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, 2023.
- 4- 9. Not applicable.
10. The Accounts receivable in course of collections for the year ended 31<sup>st</sup> December 2023 amounted to \$155,567 and relates to expense allowances that are net receivable to the Company on the ARCA1 and LILSL1 transactions.
- 11.. Not applicable.
12. As of December 31, 2023, sundry assets of \$612,841,474 consists of the assets held in the ARCA1 and LILSL1 segregated cell.  
  
The ARCA1 sundry assets consist of \$10,326,530 of cash and cash equivalents, \$24,666,070 of receivables, \$2,661,153 of deferred taxes and \$1,657,356 of insurance contract assets. (Note: in December 2023, ARCA1 was upsized again which added \$3.5 billion book value of assets to the funds withheld account, to \$11.4 billion which is netted with a corresponding insurance contract liability).  
  
The LILSL1 sundry assets consist of \$573,530,365 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.
13. Not applicable
- 17-18. Not applicable.
- 27-30. Not applicable
31. Current income taxes payables at December 31, 2023 is \$118 thousand. As of December 31, 2023, the Company recorded nil deferred tax.
32. Not applicable.
33. The accounts payables and accrued liabilities for the year ended December 31, 2023 amounted to \$26,330,606.
- 34-35. Not applicable
36. As of December 31, 2023, sundry liabilities of \$612,841,474 consists of the liabilities on the ARCA1 and LILSL1 segregated cell.

**NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED**

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**Matters to be set forth in Notes to the Consolidated Balance Sheet – Continued**

ARCA1 sundry liabilities consist of \$2,248,442 of insurance payables, \$3,894,900 income tax liabilities, \$10,316,296 other accrued and deferred items, \$10,000,000 capital stock and \$12,851,471 surplus.

LILSL1 sundry liabilities consist of \$573,530,365 relating to the notes payable on the Greenstone transaction.

37. Not applicable