

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

TRANSAMERICA LIFE (BERMUDA) LTD.

(Incorporated in Bermuda with Limited Liability)

December 31, 2023

TRANSAMERICA LIFE (BERMUDA) LTD.

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TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT

Year ended December 31, 2023

The directors herein present their report and the audited financial statements of Transamerica Life (Bermuda) Ltd. (the "Company", the "insurer" or "TLB") for the year ended December 31, 2023.

Profit or loss of the insurer for the financial year and the state of the insurer's affairs as at the end thereof:

The profit for the year of the insurer as set out in the Statement of Profit or Loss and Other Comprehensive Income is US\$38,435,000 (Loss for 2022: US\$482,235,000). The state of affairs of the insurer is as set out in the Statement of Financial Position and the accompanying notes.

(a) The principal activities of the insurer and of its subsidiaries in the course of the financial year and any significant change in those activities in that year;

The Company provides life insurance including term, universal life, and indexed universal life and others, which are primarily distributed through a global network of brokers, financial advisors, and banks. The Company's products are issued via Bermuda, Hong Kong, and Singapore distribution hubs. The Company is involved in ceding business to affiliated and unaffiliated companies.

(b) The amount, if any, which the directors recommend should be paid by way of dividend;

The directors approved an interim dividend of US\$455,559,000 (2022: US\$57,529,000) which US\$57,529,000 and US\$398,030,000 was paid in Jan and Nov 2023 respectively.

(c) The amount, if any, which the directors propose to carry to reserves;

Details of the reserves of the Company during the year are set out in the Statement of Changes to Shareholder's Equity.

(d) If the insurer has no subsidiaries and has in the financial year made donations for charitable or other purposes to a total amount of not less than US\$128 or its equivalent, state the total amount of such donations;

Not applicable.

(e) If the insurer has subsidiaries and the insurer and its subsidiaries have between them made donations for charitable or other purposes to a total amount of not less than US\$128 or its equivalent, state the total amount of such donations;

Not applicable.

(f) If significant changes in the assets of the insurer or of any of its subsidiaries have occurred in the financial year, contain particulars of the changes;

Not applicable.

(g) If, in the financial year, the Company has issued any shares, state the reason for making the issue, the classes of shares issued and, as respects each class of shares, the number issued and the consideration received by the insurer for the issue;

Not applicable.

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

- (h) **If, in the financial year, the insurer has issued or redeemed any debentures, state the reason for making the issue or redemption, the classes of debentures issued or redeemed and, as respects each class of debentures, the amount issued or redeemed and the consideration received by the insurer;**

Not applicable.

- (i) **State the names of the persons who, at any time during the financial year and up to the date of this report, were directors or controllers of the insurer;**

<u>Directors</u>	<u>Appointment Date</u>
Bonnie T. Gerst	June 13, 2016
Thomas M.P. Grondin	June 25, 2020
Marco Baptist Arie Keim	January 1, 2020
Gerard Pennefather	June 25, 2020
Chirag Shamji Rathod	January 1, 2021
J Damian Resnik	January 1, 2021 (ceased with effect from February 1, 2024)
Stephen R O Caton	February 1, 2024

<u>Controllers</u>	<u>Effective Date</u>
Chirag Shamji Rathod	January 1, 2021
Thomas M.P. Grondin	June 25, 2020
Eilard Friese	May 15, 2020
Mark W. Mullin	January 1, 2010
Wilford H Fuller	March 31, 2021
Bonnie Gerst	June 1, 2022
Jamie Ohl	March 30, 2022
Transamerica Corporation	May 27, 2005
Aegon International B.V.	May 27, 2005
Aegon Ltd.	May 27, 2005
Transamerica Life Insurance Company	October 1, 2008
Commonwealth General Corporation	September 30, 2015

(j) If, at the end of the financial year, there subsists a contract with the insurer or with the insurer's subsidiary or holding company or any subsidiary of the insurer's holding company in which a director or controller of the insurer has, or at any time in that year had, in any way, whether directly or indirectly, an interest, or there has, at any time in that year, subsisted a contract with the insurer in which a director or controller of the insurer had, at any time in that year, in any way, whether directly or indirectly, an interest (being, in either case, in the opinion of the directors, a contract of significance in relation to the insurer's business and in which the director's or controller's interest is or was material), contain:

(i) a statement of the fact of the contract's subsisting or, as the case may be, having subsisted;

The Company is party to Service Agreements with Transamerica Life Insurance Company ("TLIC"), Aegon Ltd., Aegon Asset Management (Asia) Limited ("AAMAL"), Aegon Insights Limited ("AI"), Transamerica (Bermuda) SVC CTR ("TBSC"), and Money Services, Inc ("MSI") Investment Management Agreements with Aegon USA Investment Management, LLC ("AUIM") and Aegon Investment Management B.V. ("AIM") and a Mandate Agreement with Aegon Derivatives N.V. ("AD").

The Company is party to a coinsurance agreement with TLIC.

(ii) the names of the parties to the contracts (other than the insurer);

1. TLIC
2. Aegon Ltd. and its subsidiary, Aegon Asia B.V.
3. AI
4. AUIM
5. AAMAL
6. Transamerica (Bermuda) SVC CTR
7. Money Services, Inc.
8. AIM
9. AD

(iii) the name of the director or controller (if not a party to the contract);

Not applicable.

(j) If, at the end of the financial year, there subsists a contract with the insurer or with the insurer's subsidiary or holding company or any subsidiary of the insurer's holding company in which a director or controller of the insurer has, or at any time in that year had, in any way, whether directly or indirectly, an interest, or there has, at any time in that year, subsisted a contract with the insurer in which a director or controller of the insurer had, at any time in that year, in any way, whether directly or indirectly, an interest (being, in either case, in the opinion of the directors, a contract of significance in relation to the insurer's business and in which the director's or controller's interest is or was material), contain: (continued)

(iv) an indication of the nature and value of the contract; and

1. The nature of the contract is for TLIC to provide for various types of services incidental to the conduct of the insurance business engaged in by the Company. In addition there is a coinsurance and fee agreement with TLIC. See (k) below for value of the contract.
2. The nature of the contract is for Aegon Ltd. to provide for various types of services incidental to the conduct of the insurance business engaged in by the Company. See (k) below for value of the contract.
3. The nature of the contract is for the Company to provide for various types of services incidental to the conduct of the business engaged in by AI. See (k) below for value of the contract.
4. The nature of the contract is for Aegon Asia B.V. to provide for various types of services incidental to the conduct of the insurance business engaged in by the Company. See (k) below for value of the contract.
5. The nature of the contract is for AUIM to provide investment services incidental to the conduct of the insurance business engaged in by the Company. See (k) below for value of the contract.
6. The nature of the contract is for the Company to provide for various types of services incidental to the conduct of the business engaged in by AAMAL. See (k) below for value of the contract.
7. The nature of the contract is for the Company to provide services engaged in by TBSC. See (k) below for value of the contract.
8. There is an IT services agreement with MSI. See (k) below for value of the contract.
9. The nature of the contracts are for AIM to provide investment services incidental to the conduct of the insurance business engaged in by the Company. See (k) below for value of the contract.
10. The nature of the contract is for AD to provide investment services incidental to the conduct of the insurance business engaged in by the Company. See (k) below for value of the contract.

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

(j) If, at the end of the financial year, there subsists a contract with the insurer or with the insurer's subsidiary or holding company or any subsidiary of the insurer's holding company in which a director or controller of the insurer has, or at any time in that year had, in any way, whether directly or indirectly, an interest, or there has, at any time in that year, subsisted a contract with the insurer in which a director or controller of the insurer had, at any time in that year, in any way, whether directly or indirectly, an interest (being, in either case, in the opinion of the directors, a contract of significance in relation to the insurer's business and in which the director's or controller's interest is or was material), contain: (continued)

(v) an indication of the nature and value of the director's or controller's interest in the contract;

1. Nil
2. Nil
3. Nil
4. Nil
5. Nil
6. Nil
7. Nil
8. Nil
9. Nil
10. Nil

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

(k) The amounts of any property transferred, payments made (whether for services or otherwise), loans advanced to or obligations assumed during the financial year by or for a director or controller of the insurer or his nominees or associates;

1. Payments made to TLIC under a Consulting and Administrative Services Agreement in 2023 – US\$1,331,775 (2022: US\$1,597,889). Payment due to TLIC for fourth quarter 2023 under a Consulting and Administrative Services Agreement will be paid in 2024 – US\$329,625 (2022: US\$305,348). No payment made to TLIC under a Fee Agreement in 2023 (2022: US\$859,164). No payment is due to TLIC under a Fee Agreement as at the end of 2023 (2022: nil). Receipts from TLIC under a Coinsurance Agreement in 2023 – US\$959,877,129 (2022: US\$33,839,544). Receipts from TLIC for 2023 under a Coinsurance Agreement will be received in 2024 – US\$15,167,059 (2022: US\$78,371,150).
2. Payments made to Aegon Ltd. under a Consulting and Administrative Services Agreement in 2023 – US\$3,282,418 (2022: US\$3,684,072). Payment due to Aegon Ltd. for fourth quarter 2023 under Consulting and Administrative Services Agreement will be paid in 2024 – US\$97,180 (2022: US\$925,190).
3. Receipts from AI under a Consulting and Administrative Services Agreement in 2023 – US\$54,085 (2022: US\$67,094). No receipt due is from AI for 2023 under a Consulting and Administrative Services Agreement will be received in 2024 (2022: US\$44,503).
4. Payments made to Aegon Asia B.V. under a Consulting and Administrative Services Agreement in 2023 – US\$519,899 (2022: US\$871,465). Payment due to Aegon Asia B.V. for 2023 under a Consulting and Administrative Services Agreement will be paid in 2024 – US\$99,227 (2022: US\$ 298,808).
5. Payments made to AUIM under an Investment Management Agreement in 2023 – US\$2,939,404 (2022: US\$7,179,910). Payment due to AUIM for fourth quarter 2023 fee under an Investment Management Agreement will be paid in 2024 – US\$98,275 (2022: US\$1,761,719).
6. Receipts from AAMAL under a Consulting and Administrative Services Agreement in 2023 – US\$1,298 (2022: US\$1,931). No receipt is due from AAMAL as at the end of 2023 (2022: US\$637).
7. Payments made to Transamerica (Bermuda) SVC CTR under a Consulting and Administrative Services Agreement in 2023 – US\$503,492 (2022: US\$329,977). Receipt due from Transamerica (Bermuda) SVC CTR for 2023 under a Consulting and Administrative Services Agreement will be paid in 2024 – US\$69,191 (2022: receivable US\$33,902).
8. Payment made to Money Services, Inc. under a Consulting and Administrative Services Agreement in 2023 – US\$1,733,972 (2022: US\$1,562,587). Payment due to Money Services, Inc. for fourth quarter 2023 fee under a Consulting and Administrative Services Agreement will be paid in 2024 – US\$148,566 (2022: US\$251,209).

- (k) The amounts of any property transferred, payments made (whether for services or otherwise), loans advanced to or obligations assumed during the financial year by or for a director or controller of the insurer or his nominees or associates; (continued)**

9. No payment made to Aegon Investment Management B.V. Under Consulting and Administrative Services Agreement in 2023 (2022: US\$317,447). No payment is due to Aegon Investment Management B.V. as at the end of 2023 (2022: nil).

- (l) If, at the end of the financial year, there subsist arrangements to which the insurer or the insurer's subsidiary or holding company or a subsidiary of the insurer's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors or controllers of the insurer to acquire benefits by means of the acquisition of shares in, or debentures of, the insurer or any other body corporate, or there have, at any time in that year, subsisted such arrangements as aforesaid to which the insurer was a party, contain a statement explaining the effect of the arrangements and giving the names of the persons who at any time in that year were directors or controllers of the insurer and held, or whose nominees held, shares or debentures acquired in pursuance of the arrangements;**

Not applicable.

- (m) If, at the end of the financial year, the insurer, or the insurer together with any associate or through a nominee is entitled to exercise or control the exercise of one third or more of the voting power of any body corporate, state the name of the body corporate, the country of its incorporation, its principal business activity, the number of shares so held and the number issued, the amounts owing to the body corporate by the insurer and owing to the insurer by the body corporate at the end of the financial year;**

None.

- (n) State whether the insurer has, in the financial year, carried on insurance business (other than reinsurance business) relating to liabilities or risks in respect of which persons are required to be insured;**

None.

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

(o) Summary of the material reinsurance arrangements effected by the insurer;

TLB is involved in the following cessions of risks to other companies, including third party reinsurers and affiliated companies. Risks are reinsured to other companies to permit the recovery of a portion of the direct losses incurred. TLB remains liable to the extent the reinsuring companies do not meet their obligations under these reinsurance treaties.

The following three summary tables describe the third party reinsurance arrangements TLB is involved with for Universal Life, Term Life and Facultative policies, ceded to third party reinsurer. These treaties are YRT (yearly renewable term), with reinsurance premium rate stated in the appendix of the treaties. Policies within the treaty cover scope and automatic binding limit, with issue dates falling between the start date and end date will be covered under the treaty. Facultative cases will require reinsurer additional approval.

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

**(o) Summary of the material reinsurance arrangements effected by the insurer;
(continued)**

Third Party Reinsurer - Universal Life

Start date	Closed to new applications after	Reinsurer and Pool %	Retention and automatic binding limit per life
May 11, 2006	May 31, 2007	Allianz SE Reinsurance Branch Asia Pacific ("Allianz SE") (10%), Canada Life International Re Limited ("Canada Int'l") (5%), Hannover Ruckversicherung AG Hong Kong Branch ("Hannover AG") (10%), Munich American Reassurance Company ("MARC") (35%), RGA Reinsurance Company Hong Kong Branch ("RGA HK") (10%), SCOR Global Life US Re Insurance Company ("SCOR Global") (15%), Wilton Reassurance Company ("Wilton Re") (15%)	20% for HK and 25% for Pacific Rim with maximum limit of retention and automatic binding limit by risk class
May 11, 2006	October 13, 2007	Allianz SE (16.67%), General Reinsurance AG (16.67%), Hannover AG (16.67%), MARC (16.67%), RGA HK (16.66%), Swiss Reinsurance Company Ltd, Singapore Branch ("Swiss Re SG") (16.66%)	16.67% for Southeast Asia (SEA) with maximum limit of retention and automatic binding limit by risk class
June 1, 2007	November 30, 2008	Allianz SE (15%), Hannover AG (10%), RGA HK (10%), Swiss Re SG (65%)	50% with maximum limit of retention and automatic binding limit by risk class
July 1, 2007	November 30, 2008	Allianz SE (10%), Swiss Re SG (90%)	50% with maximum limit of retention and automatic binding limit by risk class
December 1, 2008	November 30, 2010	Allianz SE (30%), Hannover AG (15%), Munich Re, Singapore Branch ("Munich Re SG") (30%), RGA HK (25%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
December 1, 2010	December 31, 2012	Allianz SE (20%), Hannover AG (10%), Munich Re SG (25%), RGA HK (45%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
January 1, 2013	December 31, 2012	Allianz SE (20%), Munich Re SG (80%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
January 1, 2015	Still effective	Munich Re SG (55%), Swiss Reinsurance Company Ltd., Hong Kong Branch ("Swiss Re HK") (45%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
1 April 2017	Still effective	*Allianz SE (15%), Munich Re SG (60%), SCOR Reinsurance Company (Asia) Ltd. ("SCOR Re Asia") (25%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

(o) Summary of the material reinsurance arrangements effected by the insurer;
(continued)

Third Party Reinsurer - Universal Life (continued)

Start date	Closed to new applications after	Reinsurer and Pool %	Retention and automatic binding limit per life
		<i>*Allianz SE's treaty has been terminated to new business effective 1 Oct 2023, its 15% share will be taken up by Munich Re for a temporary period of 9 months.</i>	

Third Party Reinsurer - Term Life

Start date	Closed to new applications after	Reinsurer and Pool %	Retention and automatic binding limit per life
May 11, 2006	October 1, 2006	Canada Int'l (T10 15%, T20 10%, T30 10%), Generali USA Life Reassurance Company (T10 15%, T20 10%, T30 10%), MARC (T10 30%, T20 25%, T30 25%), RGA (T10 10%, T20 25%, T30 25%), SCOR Global (T10 15%, T20 10%, T30 10%), *Scottish Re (U.S.) Inc. (T10 15%, T20 10%, T30 10%), Wilton Re (T20 10%, T30 10%) <i>*Scottish Re's share has been recaptured effective 30 Sep 2023.</i>	75% with maximum limit of retention and automatic binding limit by risk class
October 2, 2006	April 13, 2008	Ace Life Insurance Company ("ACE") (T10 10%, T20 10%, T30 10%), Effective 1-1-2019 business ceded to ACE has been recaptured by TLB, General Re Life Corporation (T10 20%, T20 20%, T30 20%, T30ROP 33.3%), MARC (T10 25%, T20 15%, T30 10%), RGA (T10 15%, T20 25%, T30 25%, T30ROP 33.34%), SCOR Global (T10 20%, T20 20%, T30 20%, T30ROP 33.3%), SCOR Global Life Reinsurance Company of America (formerly known as XL RE Life America Inc.) (T10 10%) Wilton Re (T20 10%, T30 15%)	90% with maximum limit of retention and automatic binding limit by risk class

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

**(o) Summary of the material reinsurance arrangements effected by the insurer;
(continued)**

Third Party Reinsurer - Term Life (Continued)

Start date	Closed to new applications after	Reinsurer and Pool %	Retention and automatic binding limit per life
April 14, 2008	November 30, 2008	Allianz SE (15%), Hannover AG (10%), RGA HK (10%), Swiss Re SG (65%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
December 1, 2008	November 30, 2010	Allianz SE (30%), Hannover AG (15%), Munich Re SG (30% for A, B, C countries listed in Exhibit F.1 and 100% for A, B, C countries listed in Exhibit F.2), RGA HK (25%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
December 1, 2010	December 31, 2012	Allianz SE (20%), Hannover AG (10%), Munich Re SG (25%), RGA HK (45%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
January 1, 2013	December 31, 2014	Allianz SE (20%), Munich Re SG (80%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
January 1, 2015	Still effective	Munich Re SG (55%), Swiss Re HK (45%)	100% of first \$1 million per policy, then 50% of remaining with maximum limit of retention and automatic binding limit by risk class
November 15, 2021	Still effective	For sum assured up to USD 3m: Munich Re SG (100%) For sum assured above USD 3m to 30m: Munich Re SG (77.78%), Gen Re HK/SG (22.22%) For sum assured above 30m to 44m: Gen Re HK/SG (100%)	For sum assured up to USD 30m: 10% For sum assured above 30m to 44m: 50% Subject to a maximum limit of retention and automatic binding limit by risk class

Third Party Reinsurer - Excess Facultative

Start date	Closed to new applications after	Reinsurer	Retention per life
May 11, 2006	May 31, 2007	Swiss Re SG	Subject to maximum limit of retention by risk class
July 1, 2008	November 30, 2008	Munich Re SG	Subject to maximum limit of retention by risk class
January 31, 2014	December 31, 2014	Swiss Re HK	Subject to maximum limit of retention by risk class
January 31, 2014	Still effective	RGA HK	Subject to maximum limit of retention by risk class

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

**(o) Summary of the material reinsurance arrangements effected by the insurer;
(continued)**

Third Party Reinsurer - Singapore Modified Coinsurance

Start date	End date	Reinsurer	Plan Covered
January 1, 2017	January 1, 2020	New Re	The following products issued by TLB Singapore branch: TransUltra Elite II, Universal Life, Universal Life 2

TLIC Coinsurance

The below four treaties are on coinsurance basis. Transamerica Occidental Life Insurance Company ("TOLIC") and Transamerica Life Insurance Company ("TLIC") were affiliated companies within Aegon Group and merged on 1 October 2008. Hence the first treaty in the table below was transferred from TOLIC to TLIC on that day.

Start date	Closed to new applications after	Reinsurer	% ceded
December 31, 2006	Consolidated into 2022 treaty	TLIC	100%
August 1, 2011	Consolidated into 2022 treaty	TLIC	80% before 1 Jan 2017 and become 100% after that
January 1, 2013	Consolidated into 2022 treaty	TLIC	100%
July 1, 2022	Still effective	TLIC	100%

TLIC Stop Loss

This treaty is an aggregate stop loss treaty, during each coverage period, the reinsurer will reimburse the Ceding Company for any Excess Losses on all products with death benefit. Reinsurance premium rate and deductible calculations are stated in the appendix of the treaty. It is originally written with TOLIC, and then transferred to TLIC at 1 October 2008 when two companies merged.

Start date	Closed to new applications after	Reinsurer	Aggregate deductible
April 1, 2006	June 30, 2021	TLIC	Expected death benefit plus one standard deviation

TRANSAMERICA LIFE (BERMUDA) LTD.

DIRECTORS' REPORT (CONTINUED)

(p) Particulars of any other matters, including events after the reporting date, so far as they are material for the appreciation of the state of the insurer's affairs.

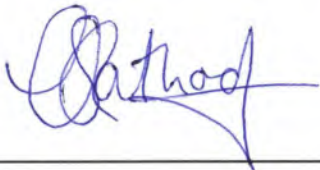
There were no events that had a material effect on the state of affairs of the insurer as of the reporting date.

(q) Auditors

At an annual general meeting of the Company held on September 25, 2023, it was resolved that:

- (i) PricewaterhouseCoopers be appointed as auditors of the Company to hold office until the completion of the 2023 audit; and
- (ii) Ernst & Young be appointed as auditors of the Company in place of PricewaterhouseCoopers for the 2024 audit and to hold office until the close of the next annual general meeting of the Company.

ON BEHALF OF THE BOARD



Chirag S. Rathod
Chief Executive Officer
Transamerica Life (Bermuda) Ltd.

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF TRANSAMERICA LIFE (BERMUDA) LTD.
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The financial statements of Transamerica Life (Bermuda) Ltd. (the "Company"), which are set out on pages 17 to 124, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes to shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

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 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 we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and the Financial information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF TRANSAMERICA LIFE (BERMUDA) LTD.
(incorporated in Bermuda with limited liability) (Continued)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 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 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.

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF TRANSAMERICA LIFE (BERMUDA) LTD.
(incorporated in Bermuda with limited liability) (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 the directors.
- Conclude on the appropriateness of the directors' 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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, **23 APR 2024**

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2023

	Notes	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
		US\$'000	US\$'000
Insurance revenue		139,952	141,076
Insurance service expenses		(97,644)	(82,594)
Net expenses on reinsurance held		(36,509)	(22,746)
Insurance service result	4	5,799	35,736
Interest revenue on financial instruments calculated using the effective interest method		67,488	165,257
Interest revenue on financial instruments measured at FVPL		1,101	-
Other investment income		3	-
Results from financial transactions		(5,983)	(602,144)
Impairment reversals		(582)	(8,026)
Insurance finance expenses		(328,986)	(329,284)
Net reinsurance finance income on reinsurance held		310,069	266,525
Insurance net investment result	5	43,110	(507,672)
Results from financial transactions		45	235
Interest expenses		194	19
Other net investment result		239	254
Total net investment result		43,349	(507,418)
Fee and commission (expense) / income	6	(554)	979
Other operating expenses	7	(6,032)	(9,223)
Other result		(6,586)	(8,244)
Result before tax		42,562	(479,926)
Income tax expense	9	(4,127)	(2,309)
Net result		38,435	(482,235)

The accompanying notes on pages 22 to 124 form an integral part of these financial statement.

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)

Year ended December 31, 2023

	Notes	Year ended 31 December 2023 US\$'000	Year ended 31 December 2022 (restated) US\$'000
Profit / (Loss) for the year		38,435	(482,235)
Other comprehensive income:			
Insurance items that may be reclassified subsequently to profit or loss			
Insurance finance (expenses) / income	5	(225,988)	2,007,998
Reinsurance finance income / (expenses)	5	204,583	(1,043,125)
Income tax relating to items that may be reclassified		7,953	(26,041)
Other items that may be reclassified subsequently to profit or loss:			
Gains on financial assets measured at FVOCI	5	25,432	-
Gains on disposal of financial assets measured at FVOCI	5	6,061	-
Held to maturity financial assets			
Change in fair value transferred from available for sale		-	(120,582)
Reclassification adjustment for amortization Available-for-sale financial assets		-	(15,534)
Changes in fair value		-	(152,970)
Reclassification adjustment for profit/ (loss) included in profit or loss		-	(119,260)
Change in exchange fluctuation reserve		31	(18)
Income tax relating to items that may be reclassified		(3,211)	31,537
Other		(130)	-
Total other comprehensive income		14,731	562,005
Total comprehensive income		53,166	79,770

TRANSAMERICA LIFE (BERMUDA) LTD.
STATEMENT OF FINANCIAL POSITION
Year ended December 31, 2023

	Notes	As at 31 December 2023 US\$'000	As at 31 December 2022 (restated) US\$'000	As at 1 January 2022 (restated) US\$'000
Assets				
Cash and cash equivalents	12	81,372	58,108	84,516
Receivable from related companies		835	3,246	826
Investments	10	1,006,473	1,328,065	7,253,539
Derivatives	10	-	54	1,989
Reinsurance contract assets	15	6,239,770	6,682,676	2,948,000
Insurance contract assets	15	3,717	-	-
Deferred tax assets	9	24,215	23,600	20,401
Other assets and receivables	11	17,824	24,866	117,274
Intangible assets	16	3,997	5,076	5,212
Right-of-use assets	17	4,052	4,931	1,429
Total assets		7,382,255	8,130,622	10,433,186
Equity and Liabilities				
Share capital		157,911	424,807	424,807
Retained earnings		288,893	435,907	944,134
Revaluation and other reserves		188,736	177,219	(353,249)
Total equity		635,540	1,037,933	1,015,692
Liabilities				
Reinsurance contract liabilities	15	233,162	210,693	373,349
Insurance contract liabilities	15	6,501,278	6,859,433	8,986,580
Lease liabilities	17	4,224	5,469	1,662
Other liabilities	18	8,051	17,094	55,903
Total liabilities		6,746,715	7,092,689	9,417,494
Total equity and liabilities		7,382,255	8,130,622	10,433,186

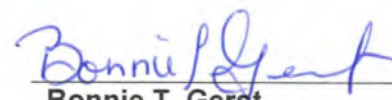
The financial statements on pages 17 to 124 was approved by the Board of Directors for issue on **23 APR 2024** and were signed on its behalf by:



Chirag S. Rathod
Chief Executive Officer



Thomas M.P. Grondin
Director



Bonnie T. Gerst
Director

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF CHANGES TO SHAREHOLDER'S EQUITY

Year ended December 31, 2023

	Common Shares	Additional Paid-in Capital	Available for Sale Financial Assets Revaluation Reserve	Held to Maturity Financial Assets Revaluation Reserve	(Re)Insurance Contract Liabilities Revaluation Reserve	Exchange Fluctuation Reserve	Retained Earnings	Total Shareholders' Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Opening balance at January 1, 2022	42,520	382,287	143,849	198,394	-	(896)	677,675	1,443,829
Impact on initial application of IFRS 17	-	-	-	-	(694,596)	-	266,459	(428,137)
Opening balance at January 1, 2022 (restated)	42,520	382,287	143,849	198,394	(694,596)	(896)	944,134	1,015,692
Profit for the year	-	-	-	-	-	-	(482,235)	(482,235)
Dividends paid (Note 21):	-	-	-	-	-	-	(57,529)	(57,529)
Other comprehensive income for the year:								
Designated as held-to-maturity	-	-	120,582	(120,582)	-	-	-	-
Amortisation, held-to-maturity	-	-	-	(15,534)	-	-	-	(15,534)
Change in fair value of available-for-sale investments, net of tax	-	-	(392,812)	-	-	-	31,537	(361,275)
Change in (re)insurance contract liabilities revaluation reserves, net of tax	-	-	-	-	938,832	-	-	938,832
Change in exchange fluctuation reserve	-	-	-	-	-	(18)	-	(18)
At December 31, 2022 (restated)	42,520	382,287	(128,381)	62,278	244,236	(914)	435,907	1,037,933
Impact on initial application of IFRS 9	-	-	58,934	(62,278)	-	-	3,344	-
Opening balance at January 1, 2023 (restated)	42,520	382,287	(69,447)	-	244,236	(914)	439,251	1,037,933
Profit for the year	-	-	-	-	-	-	38,435	38,435
Dividends paid (Note 21):	-	(266,896)	-	-	-	-	(188,663)	(455,559)
Other comprehensive income for the year:								
Change in revaluation reserves - investments	-	-	28,282	-	-	-	-	28,282
Change in revaluation reserves - (Re)insurance contract liabilities	-	-	-	-	(13,452)	-	-	(13,452)
Change in exchange fluctuation reserve	-	-	-	-	-	31	-	31
Other movement	-	-	-	-	-	-	(130)	(130)
At December 31, 2023	42,520	115,391	(41,165)	-	230,784	(883)	288,893	635,540

The accompanying notes on pages 22 to 124 form an integral part of these financial statements.

TRANSAMERICA LIFE (BERMUDA) LTD.

STATEMENT OF CASH FLOWS

Year ended December 31, 2023

	Notes	2023	2022 (restated)
		US\$'000	US\$'000
Operating activities			
Profit / (Loss) before tax		42,562	(479,926)
Adjustment for:			
Change in operating assets			
Change in loans and receivables		14,147	36,359
Change in reinsurance assets		440,254	(5,059,606)
Change in operating liabilities			
Change in other liabilities	18	(9,043)	-
Change in insurance contract liabilities		(358,155)	(37,705)
Purchase of securities		(11,069,605)	(7,287,738)
Sale of securities		11,430,913	13,432,874
Non-cash items included in profit before tax			
Realised and unrealized gains/ (losses)		5,884	(610,556)
Interest income		(65,938)	(160,086)
Amortisation expenses		(14,153)	(15,534)
Depreciation expenses		2,199	2,325
Amortisation of intangible assets		1,575	1,424
Income tax refund		-	808
Net cash flows used in operating activities		420,640	(177,361)
Investing activities			
Interest received		61,244	211,789
Payment for intangible assets		(496)	(1,288)
Net cash flows generated from investing activities		60,748	210,501
Financing activities			
Disposal of lease liabilities		(266)	-
Payments for lease liabilities		(2,385)	(2,094)
Finance cost		86	75
Dividends paid	21	(455,559)	(57,529)
Net cash flows used in financing activities		(458,124)	(59,548)
Net increase/ (decrease) in cash and cash equivalents		23,264	(26,408)
Cash and cash equivalents at beginning of year	12	58,108	84,516
Cash and cash equivalents at end of year	12	81,372	58,108

The accompanying notes on pages 22 to 124 form an integral part of these financial statements.

TRANSAMERICA LIFE (BERMUDA) LTD.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2023

1. CORPORATE INFORMATION

The registered office of Transamerica Life (“Bermuda”) Ltd. (the “Company”) is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The Company is a stock life insurance company incorporated under the laws of Bermuda on May 27, 2005. The Company is a wholly owned subsidiary of Aegon Ltd. through Transamerica Life Insurance Company (“TLIC”). TLIC is incorporated in the state of Iowa, USA, and is an indirect wholly owned subsidiary of Aegon Ltd., a holding company recognized under the laws of Bermuda which is the Company’s ultimate holding company.

The Company’s principal representative in Bermuda is Marsh Management Services (Bermuda) Ltd. The Company is a registered insurer under The Insurance Act 1978, related regulations, and amendments thereto (the “Act”).

The Company provides life insurance including term, universal life, and indexed universal life and others, which are primarily distributed through a global network of brokers, financial advisors, and banks. The Company’s products are issued via Bermuda, Hong Kong, and Singapore distribution hubs. The Company is involved in ceding business to affiliated and unaffiliated companies.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) (which includes all IFRS, International Accounting Standards (“IAS”) and Interpretations) issued by the International Accounting Standards Board (“IASB”).

Items included in the financial statements of each of the Company’s branches are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The Company’s functional currency and the presentation currency is the US dollar. The financial statements are presented in thousands of US dollars (US\$’000) unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities from the date of the financial statements and the reported amounts of revenues and expense for the reporting period.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023

The accounting policies and methods of computation applied in the financial statements are the same as those applied in the 2022 financial statements, except for the following IFRS standards and amendments that became effective for the Company from January 1, 2023:

- IFRS 17 Insurance contracts
- Initial Application of IFRS 17 and IFRS 9 – Comparative information (Amendments to IFRS 17)
- IFRS 9 Financial instruments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The adoption of IFRS 17 and IFRS 9, which replaced IFRS 4 and IAS 39 respectively, have had a significant impact on the financial position of the Company and the financial statements. The Company does not restate comparatives for IFRS 9 when the Company adopts IFRS 17 and IFRS 9 at the same time.

IFRS 9 also significantly amended the credit risk disclosures required by IFRS 7 'Financial Instruments: Disclosures'. The consequential amendments to IFRS 7 disclosures have also been applied to the comparative period.

The impact of the adoption of the amendments to other standards, listed above, was immaterial.

2.2.1 Effects of initial adoption of IFRS 9 and IFRS 17

The effects of adopting IFRS 9 and IFRS 17 on the financial statements at January 1, 2023 and January 1, 2022 are presented in the statement of changes in equity respectively. The adjustments made to the statement of financial position on transition date of January 1, 2023 and January 1, 2022 of IFRS 9 and IFRS 17 respectively, and on initial application date of January 1, 2023 of IFRS 9 and IFRS 17, are presented below.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.1 Effects of initial adoption of IFRS 9 and IFRS 17 (continued)

The transition to IFRS 17 changes the Company's balance sheet significantly. The main changes are:

- Insurance contract liabilities are measured at fulfilment value which represents the present value of future cashflow to fulfil insurance contracts, including a risk adjustment for non-financial risk. Interest rate movements impacting the fulfilment value flow through P&L or OCI, depending on the accounting policy choice. The Company applies the OCI option for all groups of contracts. These choices are aligned with the measurement of the related assets to ensure an accounting match for market movements on assets and liabilities; and
- On top of the fulfilment value, a contractual service margin (CSM), reflecting unearned profits, is added to the insurance contract liabilities.

	December 31, 2022 (as previously reported) US\$'000	Adoption of IFRS 9 and IFRS 17 US\$'000	January 1, 2023 (restated) US\$'000
Assets			
Cash and cash equivalents	58,108	-	58,108
Receivable from related companies	81,618	(78,372)	3,246
Investments	1,328,065	-	1,328,065
Derivatives	54	-	54
Reinsurance contract assets	8,199,951	(1,517,275)	6,682,676
Deferred tax assets	20,523	3,077	23,600
Tax receivable	246	(246)	-
Other assets and receivables	62,725	(37,859)	24,866
Intangible assets	5,076	-	5,076
Right-of-use assets	4,931	-	4,931
Total assets	9,761,297	(1,630,675)	8,130,622
Equity and Liabilities			
Share capital	424,807	-	424,807
Other equity instruments	743,199	(130,073)	613,126
Total equity	1,168,006	(130,073)	1,037,933
Liabilities			
Reinsurance contract liabilities	-	210,693	210,693
Insurance contract liabilities	8,497,634	(1,638,201)	6,859,433
Lease liabilities	5,469	-	5,469
Other liabilities	90,188	(73,094)	17,094
Total liabilities	8,593,291	(1,500,602)	7,092,689
Total equity and liabilities	9,761,297	(1,630,675)	8,130,622

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

2.2.1 Effects of initial adoption of IFRS 9 and IFRS 17 (continued)

	December 31, 2021 (as previously reported)	Adoption of IFRS 17	January 1, 2022 (restated)
	US\$'000	US\$'000	US\$'000
Assets			
Cash and cash equivalents	84,516	-	84,516
Receivable from related companies	15,175	(14,349)	826
Investments	7,253,539	-	7,253,539
Derivatives	1,989	-	1,989
Reinsurance contract assets	2,936,853	11,147	2,948,000
Deferred tax assets	-	20,401	20,401
Tax receivable	1,066	(1,066)	-
Other assets and receivables	159,169	(41,895)	117,274
Intangible assets	5,212	-	5,212
Right-of-use assets	1,429	-	1,429
Total assets	10,458,948	(25,762)	10,433,186
Equity and Liabilities			
Share capital	424,807	-	424,807
Other equity instruments	1,019,022	(428,137)	590,885
Total equity	1,443,829	(428,137)	1,015,692
Liabilities			
Reinsurance contract liabilities	-	373,349	373,349
Insurance contract liabilities	8,894,960	91,620	8,986,580
Deferred tax liabilities	10,114	(10,114)	-
Lease liabilities	1,662	-	1,662
Other liabilities	108,383	(52,480)	55,903
Total liabilities	9,015,119	402,375	9,417,494
Total equity and liabilities	10,458,948	(25,762)	10,433,186

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.2 IFRS 17 Insurance contracts

The Company has adopted IFRS 17 – Insurance Contracts, including any consequential amendments to other standards, with a date of initial application of January 1, 2023 and a transition date of January 1, 2022.

2.2.2.1 Changes compared to previous accounting policies

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participating features issued. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information should provide users of financial statements with a basis to assess the effects that the contracts have on the financial position, financial performance and cash flows of the insurer. The standard also specifies presentation and disclosure requirements to enhance comparability between insurance companies.

Policy loans, and insurance payables and receivables, which were previously accounted for as separate assets, are now included in the measurement of the insurance contract liabilities.

Measurement

IFRS 17 establishes principles for the accounting for insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimate of the present value of the future cash flows that will arise as these contracts are fulfilled, and which includes an explicit risk adjustment for non-financial risk and a CSM reflecting unearned profits. Contrary to previous accounting, IFRS 17 requires estimates to be current, unbiased and probability-weighted, incorporating all available information in a way that is consistent with observable market data.

Insurance contracts are grouped together for measurement purposes. The Company intends to apply the IFRS 17 cohort requirements to all groups of contracts that are in scope of the standard.

IFRS 17 prescribes modifications to the general measurement model for contracts with direct participating features (the 'variable fee approach') and for reinsurance contracts held. The standard also provides an option to simplify the measurement of certain short-term contracts (the 'premium allocation approach', 'PAA'), which is not applied by the Company.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.2 IFRS 17 Insurance contracts (continued)

2.2.2.1 Changes compared to previous accounting policies (continued)

Acquisition costs

Previously, under IFRS 4, all acquisition costs were recognized and included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are included within the insurance liability as a separate asset. The Company did not recognize any asset for acquisition costs.

The Company allocates acquisition costs to either product or business lines (where applicable) based on a study, a series of studies or a thoroughly defined rational for their allocation methodologies.

Revenue and expenses

Under IFRS 4, the revenues reported in the income statement included gross insurance premiums when due, or for products where deposit accounting was required, surrender fees and other charges. Under IFRS 17, the insurance revenue in each reporting period reflects the consideration to which the Company expects to be entitled in exchange for the services provided in that period.

The actual claims and expenses incurred in providing the service, are presented in the income statement as insurance service expenses.

Insurance finance income and expenses, disaggregated between profit or loss and other comprehensive income (OCI) for certain groups of contracts, are now presented separately from insurance revenue and insurance service expenses.

Income and expenses from reinsurance contracts, other than insurance finance expenses, are presented as a single net amount in the income statement. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

2.2.2.2 IFRS 17 Transition

Changes in accounting policies resulting from the adoption of IFRS 17 were applied retrospectively, to the extent practicable. The Company considered the full retrospective approach to be impracticable when its application required hindsight, for example in setting historical assumptions, or if the required historical input data could not be made available within reasonable efforts. The latter was, for example, concluded when information was no longer, available electronically and incorporating it into the IFRS 17 reporting process was expected to cause high costs and efforts.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.2 IFRS 17 Insurance contracts (continued)

2.2.2.2 Transition (continued)

If the retrospective application of IFRS 17 to a group of contracts was impracticable, either the modified retrospective approach or the fair value approach was applied. The modified retrospective approach may only be applied if there is reasonable and supportable information available to do so. For groups of contracts that in principle were eligible for both the modified retrospective and the fair value approach, the most appropriate transition method was elected based on a mix of operational and financial considerations.

Fair Value Approach

Under the fair value approach, the carrying amount of a group of insurance contracts at transition is determined in accordance with IFRS 13 Fair Value Measurement but with the exclusion of the guidance on demand features. The difference between the fair value and the fulfilment cash flows (FCF) at the transaction date is recognized as contractual service margin.

In estimating the fair value of insurance contracts for the transition to IFRS 17, the Company applied a methodology whereby the estimated future cash flows were adjusted for known differences between the IFRS 17 and market valuation methodologies (such as the inclusion of investment expenses for all product types) and the risk adjustment was recalculated at a higher confidence level to reflect the additional compensation that a market participant would require for financial risk and the remaining contractual services that need to be provided. Where possible, the results were compared to market-observable transactions, such as recent reinsurance transactions entered into by the Company and sales transactions of insurance portfolios and businesses.

For contracts that transitioned to IFRS 17 under the fair value approach, the following assessments were generally performed at original contract inception date, with a limited number of products being assessed at the transition date:

- Assessment whether an insurance contract met the definition of an insurance contract with direct participating features;
- Assessment whether an investment contract met the definition of an investment contract with discretionary participating features; and
- Identification of discretionary cash flows for insurance contracts without direct participating features.

The grouping of contracts to which the fair value approach is applied has been performed at the transition date. The contracts were grouped together in portfolios in accordance with IFRS 9 and IFRS 17 (as per January 1, 2023). None of the contracts were identified as being onerous at transition. The identified groups of contracts were not further segmented into cohorts based on issue date.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.2 IFRS 17 Insurance contracts (continued)

2.2.2.2 Transition (continued)

Fair Value Approach (continued)

The discount rates at which interest is accrued to the contractual service margin and at which changes in non-financial assumptions are recognized for groups of contracts without direct participating features have also been set at the transition date.

Modified Retrospective Approach

The objective of a modified retrospective approach is to reach the closest outcome to the full retrospective approach using reasonable and supportable information that can be obtained without undue cost or effort. The Company applied the modified retrospective approach to groups of contracts for which the fair value approach was not the preferred transition approach, by working back from the transition date to the date on initial recognition to gather the necessary information. Only where the information could not be made available without undue effort were modifications applied as allowed under IFRS 17.

For all contracts that transitioned to IFRS 17 under the modified retrospective approach, sufficient information was available to perform the contract classifications at the original contract inception date.

The grouping of contracts was performed at the original contract inception date, or if there was a lack of reasonable and supportable information, at the transition date. Contracts were grouped into cohorts not exceeding 12 months.

None of the contracts to which the modified retrospective approach was applied were identified as being onerous at initial inception.

Modifications applied to contracts without direct participating features

To determine the contractual service margin at transition for groups of contracts without direct participating features, the Company first estimated the contractual service margin at the original inception date. The contractual service margin at inception was then rolled forward to the transition date by deducting the estimated amount that would have been released for services provided prior to transition.

In order to attribute past calendar-year cash flows (including acquisition cash flows) to issue year cohorts, appropriate allocation keys were set by cash flow type based on the information available. Examples include accumulated premiums in force and (first year) account values.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.2 IFRS 17 Insurance contracts (continued)

2.2.2.2 Transition (continued)

Modifications applied to contracts without direct participating features (continued)

The calculation of the fulfilment cash flows at inception and the subsequent accretion of interest to the contractual service margin of a group of contracts, required the use of historical discount rates. In principle, the Company determines IFRS 17 discount rates using a hybrid approach based on risk-free rates plus an illiquidity premium based on expected asset returns. Where the necessary asset portfolio data was not or no longer available, an appropriate observable yield curve plus a spread adjustment was applied to approximate historical discount rates.

The modified retrospective calculations were based on the assumption that the Company had not previously prepared financial statements, unless sufficient information existed to roll the contractual service margin forward with the Company's historical reporting frequency.

Other Comprehensive Income

Under IFRS 17, the Company has elected to disaggregate the insurance finance income or expenses between profit or loss and OCI for all groups of contracts without direct participating features. The balance recognized in OCI has been determined retrospectively where possible.

2.2.3 IFRS 9 Financial instruments

The Company has adopted IFRS 9 as issued by the IASB in July 2014, with a date of initial application of January 1, 2023, and a transition date of January 1, 2023. The Company did not early adopt IFRS 9 in previous periods.

2.2.3.1. Changes compared to previous accounting policies

The adoption of IFRS 9 resulted in changes in the Company's accounting policies for recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.3 IFRS 9 Financial instruments (continued)

2.2.3.1. Changes compared to previous accounting policies (continued)

Classification and Measurement

Under IAS 39, financial assets were classified as 'Available-For-Sale' (AFS), 'Loans and Receivables' (L&R) or as held at 'Fair Value Through Profit or Loss' (FVTPL). The following financial assets are measured at FVTPL: financial assets held for trading, financial assets managed on a fair value basis and financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances the Company designated financial assets to this category when by doing so a potential accounting mismatch in the financial statements is eliminated or significantly reduced.

Under IFRS 9, classification and measurement differ for debt instruments and equity instruments.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as mortgage loans, private loans, and government and corporate bonds. The Company classifies its debt instruments into one of the following three IFRS 9 measurement categories, based on its business model for managing the asset, the asset's cash flow characteristics, and the Company's intent to designate the asset at fair value through profit or loss ('FVPL') to eliminate or significantly reduce an accounting mismatch or recognition inconsistency:

- Amortized cost ('AC'): Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any Expected Credit Loss (ECL) allowance recognized.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.
- FVPL: Assets that do not meet the criteria for AC or FVOCI are measured mandatorily at fair value through profit or loss.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, such as basic ordinary shares. On initial recognition, IFRS 9 allows the Company to make an irrevocable election to present changes in the fair value of equity investment in OCI or profit or loss. In both cases, the equity instruments are not subject to impairment under ECL model.

Financial liabilities are to be classified as subsequently measured at AC, except financial liabilities measured at fair value through profit or loss, financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, and financial guarantee contracts and loan commitments.

2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE IN 2023 (CONTINUED)

2.2.3 IFRS 9 Financial instruments (continued)

2.2.3.1. Changes compared to previous accounting policies (continued)

Impairment allowance

The IAS 39 impairment methodology was based on an 'incurred loss' model, which means that an allowance was determined when an instrument was deemed credit impaired. The allowance for instruments that are credit impaired will generally align with the Stage 3 category of IFRS 9. However, within the expected loss framework of IFRS 9 the entire portfolio of financial instruments will be assigned an impairment allowance through the additions of the 12-month ECL category (stage 1) and the Lifetime ECL Non-credit-impaired (Stage 2), generally leading to increases in the overall allowances.

2.2.3.2. IFRS 9 Transition

Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the initial recognition period, January 1, 2023.

Classification and Measurement

On transition to IFRS 9, the Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Furthermore some AC and FVOCI financial assets have been designated as FVPL to reduce the accounting mismatch between assets and liabilities.

The transition to IFRS 9 impacted the classification and measurement of financial assets. The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2023 are detailed in the table below by type of instrument, together with a reconciliation of the carrying amounts of financial instruments, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition:

January 1, 2023	IAS 39		Reclassification		IFRS 9	
	Category	Amount		Category	Amount	
Financial assets:		US\$'000			US\$'000	
Debt securities	AFS	1,320,843	(9,490)	FVOCI	1,311,353	
Debt securities	FVTPL	7,222	9,490	FVPL (mandatorily)	16,712	
IAS 39 / IFRS 9 Investments		1,328,065	-		1,328,065	
Cash and cash equivalents	L&R	58,108	-	AC	58,108	

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**2.2 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS AND AMENDMENTS
EFFECTIVE IN 2023 (CONTINUED)**

2.2.3 IFRS 9 Financial instruments (continued)

2.2.3.2. IFRS 9 Transition (continued)

Classification and Measurement (continued)

January 1, 2023	IAS 39		Reclassification		IFRS 9	
	Category	Amount		Category	Amount	
		US\$'000	US\$'000		US\$'000	
Other financial assets and receivables	L&R	28,112	-	AC	28,112	
Derivatives	FVTPL	54	-	FVPL (mandatorily)	54	
Total financial assets		1,414,339	-		1,414,339	
Financial liabilities:						
Other liabilities	AC	17,094	-	AC	17,094	
Total financial liabilities		17,094	-		17,094	

Impairment allowance

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model on January 1, 2023.

Measurement Category	Loss allowance under IAS 39	Reclassifications	Remeasurements	ECL under IFRS 9
	US\$'000	US\$'000	US\$'000	US\$'000
Available for sale financial instruments (IAS 39) to Financial assets at FVOCI (IFRS 9)	7,975	(1,823)	4,940	11,092
Total as at January 1, 2023	7,975	(1,823)	4,940	11,092

3.1. MATERIAL ACCOUNTING POLICY INFORMATION

Product classification

The Company issues contracts that transfer insurance risk and/or financial risk.

Insurance contracts are those contracts for which the Company has accepted significant insurance risk from policyholders providing coverage for death, accident, and sickness at the inception of the contract. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. The Company also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index, or other variables.

Foreign currencies

The Company's functional currency is United States dollars. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change on fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Intangible assets

Acquired computer software licenses are amortized over their estimated useful lives.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs directly associated with the internal production of identifiable and unique software by the Company that will generate economic benefits exceeding those costs over a period greater than a year, are recognized as intangible assets. All other costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Costs of acquiring computer software licenses and incurred in the internal production of computer software are amortized using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/reversal) had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the group or of a parent of the Company; or

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies;
- (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Investments and other financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognized when TLB becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics and the business model under which they were purchased.

At initial recognition, TLB measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at AC and investments in debt instruments measured at FVOCI, as described about amounts arising from ECL, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Company recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Classification and subsequent measurement of Investments and other financial assets

Under IFRS 9, TLB classifies its financial assets in the following measurement categories:

- FVPL;
- FVOCI; or
- AC.

The majority of debt instruments held by TLB are classified as FVOCI because they fit the business model of hold-to-collect and sell, and their cash flows represent solely payment of principal and interest. For a detailed breakdown of asset classes in measurement categories refer to note 10 Investments, excluding derivatives.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Under IFRS 9, equity investments do not qualify for AC or FVOCI treatment because they would fail the contractual cash flow characteristics assessment (cash flows are typically declared dividends at the discretion of the issuer, instead of interest). Thus, equity investments would generally only qualify for FVPL treatment and not be subject to impairment under the ECL model.

However, IFRS 9 allows the entity to make an irrevocable election at initial recognition to present changes in the fair value of equity investment in OCI rather than profit or loss. The equity investments designated as FVOCI are not subject to impairment under the ECL model.

When equity investments measured at FVOCI are disposed, the unrealized gains or losses, including the OCI resulting from foreign currency translation, will stay as a part of the equity and cannot be "recycled" into profit and loss. If applicable, dividends should be recognized in profit or loss with or without such election.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments and other financial assets (continued)

Classification and subsequent measurement of Investments and other financial assets (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as mortgage loans, private loans, and government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- TLB's business model for managing the asset;
- The cash flow characteristics of the asset; and
- The designation at FVPL to eliminate or significantly reduce an accounting mismatch or recognition inconsistency.

Based on these factors, TLB classifies its debt instruments into one of the following three measurement categories:

AC:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at AC. The carrying amount of these assets is adjusted by any ECL allowance recognized. Interest revenue from these financial assets is included in 'Interest revenue on financial instruments calculated using the effective interest rate method'.

FVOCI:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's AC which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment result'. Interest revenue from these financial assets is included in 'Interest revenue on financial instruments calculated using the effective interest rate method'.

FVPL:

Assets that do not meet the criteria for AC or FVOCI are measured mandatorily at fair value through profit or loss.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments and other financial assets (continued)

Classification and subsequent measurement of Investments and other financial assets (continued)

TLB has designated certain debt instruments as measured at FVPL because they relate to insurance contracts that are measured in a way that incorporates current information and all related insurance finance income and expenses are recognized in profit or loss.

A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment result'. Interest revenue from these financial assets is included in 'Interest revenue from financial instruments measured at FV'.

Business model

TLB determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors, such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's senior management;
- The risks that affect the performance of the business model and the financial assets held within it. In particular, the way those risks are managed;
- How the Company management is compensated, i.e. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected;
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments and other financial assets (continued)

Business model (continued)

Sales in themselves do not determine the business model and therefore cannot be considered in isolation. An entity must consider information about sales within the context of the reasons for those sales and the conditions that existed at that time as compared to current conditions.

Solely payment of principal and interest ('SPPI')

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and cash flows from the sale of the asset, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- FVOCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not purchased or originated credit-impaired ('POCI') but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the ECL provision).

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investments and other financial assets (continued)

Interest revenue (continued)

IFRS 9 resulted in changes to IAS 1 for the presentation of Interest revenue for instruments calculated using the effective interest rate method. The revised presentation requires it be shown as a separate line item in the income statement. Interest revenue calculated using the effective interest rate relates to all financial assets, which are measured at AC or FVOCI. Interest revenue on financial assets and financial liabilities that are measured at fair value through profit or loss are presented as 'Interest revenue on financial instruments measured at FVPL'.

Derecognition of financial assets

A financial asset is derecognized when

- the contractual rights to the asset's cash flows expire and
- when TLB retains the right to receive cash flows from the asset or has an obligation to pay received cash flows in full without delay to a third party and
- either has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset.

Financial assets of which TLB has neither transferred nor retained significantly all the risk and rewards are recognized to the extent of TLB's continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

Impairment of financial assets

TLB assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at AC and FVOCI. TLB recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at AC, except for:

- **Financial liabilities measured at fair value through profit or loss:** this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. This is because these liabilities, as well as the related assets, are managed and their performance evaluated on a fair value basis;
- **Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition,** whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, TLB recognizes any expense incurred on the financial liability; and
- **Financial guarantee contracts and loan commitments.**

Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of the Statement of financial position, cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

Money market investments that are held for investment purposes (backing insurance contract liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Dividends

Final dividends are recognized as a liability when these dividends have been approved by the shareholders and declared.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Insurance contract

Scope

Insurance contracts are contracts under which the Company accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Significant insurance risk is determined on a present value basis, where at least one scenario with commercial substance can be identified in which the Company has to pay significant additional benefits to the policyholder or his or her beneficiaries.

Contracts that do not meet the definition of insurance contracts are accounted for as financial instruments or as service contracts, depending on the nature of the agreement.

Insurance contracts include products that provide policyholders with the option to take out insurance coverage at predetermined prices, provided this option is shown to have commercial substance.

Combining a set or series of insurance contracts

The Company accounts for a set or series of insurance contracts together as if they were issued as one contract, where this reflects the substance of the transaction. This may, for example, be the case if the insurance contracts are negotiated as a package with a single commercial objective and the measurement of the contracts is highly interrelated.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Separating components from insurance contracts

At inception, the following components are separated from an insurance contract and accounted for as if they were stand-alone financial instruments:

- Embedded derivatives whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract as a stand-alone instrument; and
- Investment components (i.e. amounts that an insurance contract requires the Company to repay to a policyholder, even if the insured event does not occur) that are distinct. In other words, investment components that:
 - Do not meet the definition of an investment contract with discretionary participation features;
 - Are not highly inter-related with the insurance component; and
 - For which contracts with equivalent terms are sold, or could be sold, separately in the same market or jurisdiction.

Promises to transfer to a policyholder distinct goods or services other than insurance contract services, are also separated from the host contract and accounted for as a service contract.

TLB has currently not identified any components of the insurance contracts recognized at the balance sheet date, that require separation.

Level of aggregation

Insurance contracts are grouped together for measurement and income recognition purposes. The groups are established at initial recognition and are not reassessed subsequently.

- Portfolios

The Company classifies contracts as belonging to one portfolio when they are subject to similar risks and are managed together.

When identifying similar risks, TLB considers all insurance and financial risks that are transferred from the policyholder to the Company. This does not include lapse risk or expense risk, as these are not risks that a policyholder transfers to an insurer. Generally, contracts in the same product line are included within the same portfolio if they are managed together, and contracts in different product lines with dissimilar risks are included in different portfolios.

To be grouped together, contracts must be managed together from the perspective of the management board of TLB. Information that is used to assess how risks are managed includes TLB's internal management reporting, as well as asset-liability management and asset allocation strategies.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Level of aggregation (continued)

- *Groups*

Contracts within a portfolio are segregated into:

- Groups of insurance contracts that are onerous at initial recognition.
- Groups of insurance contracts that are not onerous at initial recognition, subdivided into:
 - Groups of insurance contracts that have no significant possibility of becoming onerous subsequently; and
 - A group of remaining contracts in the portfolio, if any.

TLB uses two approaches to identify groups of contracts. The first approach consists of a bottom-up assessment, in which contracts are grouped together on a contract-by-contract basis by considering the expected profitability of each contract. Alternatively, the grouping assessment can be completed at a higher level of aggregation if, based on reasonable and supportable information, TLB concludes that a set of contracts will – by definition – all be in the same group.

Both approaches involve qualitative factors, quantitative factors, or a combination of both, for example product pricing, assumption setting reviews, key performance indicators (such as market-consistent value of the new business and expected loss ratios) and asset liability management.

In assessing whether a profitable group of contracts could subsequently become onerous, TLB considers the size of the estimated profit at inception and its sensitivity to changes in the underlying assumptions.

Typically, TLB would expect that any insurance contract could become lossmaking if the insured event occurs. Nonetheless, there may be indicators based on which TLB concludes that a group of contracts has no significant possibility of subsequently becoming onerous. For example, there may be pricing information demonstrating that products are sold at very favorable premiums due to specific market conditions (e.g. niche markets) or a product may contain embedded guarantees that are strongly out of the money.

If contracts within a portfolio would fall into different groups only because law or regulation specifically constrains TLB's practical ability to set a different price or level of benefits for policyholders with different characteristics, the contracts are included in the same group.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Level of aggregation (continued)

- *Cohorts*

TLB follows a quarterly reporting frequency on a locked-in period-to-date basis, as opposed to a year-to-date basis, and therefore groups contracts into quarterly cohorts. New contracts issued in the same quarter and belonging to the same group will be measured together. After the quarter end, the cohort is closed, and the cohort will be treated as 'in force' in the subsequent quarterly reporting periods.

Recognition

A group of insurance contracts is recognized from the earliest of the following dates: the beginning of the coverage period, the date when the first payment from a policyholder in the group becomes due, and the date when the group of insurance contracts becomes onerous.

Insurance acquisition cashflows

Insurance acquisition cash flows arise from selling, underwriting and starting a group of insurance contracts. They comprise not only the incremental costs of originating insurance contracts but also other (in)direct costs and include cash flows relating to both successful and unsuccessful acquisition efforts.

Insurance acquisition cash flows must be directly attributable to a portfolio of contracts. At initial recognition, TLB allocates them to groups of contracts as follows:

- Insurance acquisition cash flows that can be directly attributable to a specific group of insurance contracts (e.g. acquisition commissions) are allocated to that group, as well as to groups that are expected to include the renewals of those contracts.
- Insurance acquisition cash flows that are directly attributable to a portfolio of insurance contracts, other than those in described in the above bullet, are allocated to the groups of contracts in the portfolio on a systematic and rational basis.

Insurance contract types

Life insurance contracts comprise insurance contracts for which the primary insured risk is life contingent.

For measurement and income recognition purposes, TLB distinguishes between insurance contracts with and without direct participating features. Contracts are classified at the initial recognition date and not subsequently reassessed.

The Company has currently not identified any non-life insurance contracts and insurance contracts with direct participating features at the balance sheet date.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Insurance contract types (continued)

- *Insurance contracts without direct participating features*

Insurance contracts without direct participating features provide insurance services, and in some cases, investment-return services. Identification of the services provided is relevant when, for example, determining the appropriate profit emergence pattern.

A product is considered to provide an investment-return service if, and only if, the following apply:

- The contract contains a non-distinct investment component or the policyholder has a right to withdraw an amount under the policy;
- TLB expects that this amount will include an investment return; and
- TLB expects to perform investment activity to generate that investment return.

Initial measurement

On initial recognition, TLB measures a group of contracts at a risk-adjusted, current and probability weighted estimate of the present value of the future cash flows ('fulfilment cash flows') plus the unearned profit on the group of contracts ('contractual service margin').

- *Fulfilment cash flows*

The fulfilment cash flows comprise:

- Estimates of future cash flows that are within the contract boundary;
- An adjustment to reflect time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows and
- A risk adjustment for non-financial risk.

They reflect TLB's view of the current condition at the reporting date, consistent with observable market prices and considering all contractual terms and conditions with commercial substance that are within the contract boundary. Future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts, are only considered when the legislation is substantively enacted.

- *Contract boundary*

Cash flows are within the boundary of an insurance contract if they arise from rights and obligations that exist during the period in which TLB can either compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services to the policyholder.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Initial measurement (continued)

- Contract boundary (continued)

A substantive obligation to provide insurance contract services ends when:

- TLB has the practical ability to reassess the risks of a particular policyholder, and as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following apply:
 - TLB has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
 - The pricing of the premiums up to the date when the risks are reassessed, does not take into account any risks that relate to periods after the reassessment date.

In determining whether a contract can be repriced, all insurance and financial risks that are transferred from the policyholder to TLB are considered. Risks that result from the contract itself, such as expense risk or lapse risk, are ignored. If TLB provides investment-related services to insurance policyholders, the ability to reprice the fees or charges for these services to prevailing rates is also considered in setting the contract boundary.

Contract boundaries are based on current facts and circumstances and may therefore change over time.

- Contractual service margin

The contractual service margin represents the unearned profit TLB will recognize as it provides insurance contract services in future. On initial recognition of a group of non-onerous insurance contracts it is measured at an amount that ensures that no income arises from:

- The initial recognition of the fulfilment cash flows,
- Any cash flows arising from the contracts in the group at that date and
- The derecognition of any asset for insurance acquisition cash flows and any other asset or liability previously recognized for cash flows related to the group of contracts.

For onerous insurance contracts, the calculation above results in a loss that is recognized in the income statement immediately and for which a corresponding loss component is established as part of the insurance contract liabilities.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future service allocated to that group and the contractual service margin of the group. The liability for incurred claims comprises the fulfilment cash flows related to past service allocated to the group. Cash flows that remain subject to insurance risk after the occurrence of the insured event, are included in the liability for remaining coverage.

The fulfilment cash flows are remeasured at each reporting date to reflect current estimates. The treatment of accounting estimates made in the previous financial statements is not changed in subsequent annual financial statements. The measurement of the contractual service margin differs for contracts with and without direct participating features.

Some changes in the contractual service margin are offset by changes in the fulfilment cash flows, resulting in no change in the total carrying amount of the liability for remaining coverage. To the extent that changes in the contractual service margin and changes in the fulfilment cash flows do not offset, income and expenses are recognized.

- Insurance contracts without direct participating features (general measurement model)

For a group of insurance contracts without direct participating features, the carrying amount of the contractual service margin at the end of each reporting period is the carrying amount at the start of the period, adjusted for:

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the contractual service margin during the period;
- Changes in the fulfilment cash flows that relate to future services, except for to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss, or
 - Such decreases in the fulfilment cash flows are allocated to the loss component;
- The effect of any currency exchange differences on the contractual service margin; and
- The amounts recognized as insurance revenue because of the transfer of insurance contract services in the period.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

- *Insurance contracts without direct participating features (general measurement model) (continued)*

o *Interest accretion*

TLB accretes interest to the contractual service margin based on either the one-year forward rate or one-year spot-rate, derived from the discount rate curve used to estimate the present value of future cash flows that do not vary based on the returns on any underlying items on initial recognition of the group of contracts.

The amount of Interest is calculated on a time-weighted basis, allowing for the timing of the movements in the contractual service margin over the reporting period.

o *Changes in fulfilment cash flows relating to future services*

Changes in the fulfilment cash flows that relate to future services comprise:

- Experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage (other than those that relate to the effects of the time value of the money and changes in financial risks), measured at the discount rates determined on initial recognition;
- Differences between any non-distinct investment component expected to become payable in the period and the actual non-distinct investment component that becomes payable in the period;
- Differences between any loan to a policyholder expected to become repayable in the period and the actual loan to a policyholder that becomes repayable in the period; and
- Changes in the risk adjustment for non-financial risk that relate to future services.

The change in fulfilment cash flows that relates to future service is calculated using discount rates derived from the discount rate curve used to determine the contractual service margin on initial recognition of the group of contracts.

Changes in discretionary cash flows are regarded as relating to future services, and accordingly, adjust the contractual service margin.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

- *Insurance contracts without direct participating features (general measurement model) (continued)*

o *Changes in the contractual service margin recognized as insurance revenue*

The contractual service margin of a group of contracts is recognized as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount of revenue is determined by allocating the contractual service margin remaining at the end of the reporting period equally to each coverage unit provided in the current period and expected to be provided in the future.

The numbers of coverage units in a group of contracts is determined by considering, for each contract, the quantity of the benefits provided and its expected coverage period. If a contract provides coverage for more than one insured event or if it provides additional investment-return services, the coverage unit reflects all material benefits.

The coverage period is defined as the period during which TLB provides insurance coverage and/or investment services. The expected coverage period takes account of the expected survivorship of contracts and so considers expected lapses and deaths.

TLB has defined coverage units that differ per product type to best reflect a product's characteristics and the nature of the services provided to the policyholder. Insurance services are typically depicted by a metric that is based on the maximum amount that a policyholder would receive if the insured event were to occur, such as the total benefits amount or the death benefit amount. For investment-type services, coverage units are based on the total return that TLB expects to provide the policyholder over the lifetime of the contract.

TLB applies the following formula to determine the amount of contractual service margin to release in each reporting period:

$$\text{Proportion of CSM to be released to P\&L} = A / [A + B]$$

Where:

A = coverage units provided in the period

B = present value of coverage units to be provided in the future

The coverage units provided in the period are determined as an average of the coverage units at the beginning and end of the quarterly reporting period. Future coverage units are discounted using rates locked-in at the initial recognition of the group of contracts.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Loss component

A group of insurance contracts can be onerous at inception, namely when the fulfilment cash flows allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. It can also become onerous at subsequent measurement due to unfavorable changes relating to future service in the fulfilment cash flows arising from changes in estimates of future cash flows and the risk adjustment for non-financial risk allocated to the contractual service margin, or for contracts with direct participating features, due to a decrease in the amount of TLB's share of fair value of the underlying items.

When a group of insurance contracts becomes onerous, a loss component of the liability for remaining coverage for that group is established. Except for changes in non-financial assumptions that are fully allocated to a loss component, all subsequent changes in the fulfilment cash flows of the liability for remaining coverage are allocated on a systematic basis between the loss component and the remaining liability for remaining coverage. No revenue is recognized for services allocated to the loss component, as TLB has never received compensation from the policyholder for these.

Additional unfavorable changes in the fulfilment cash flows that exceed the contractual service margin are recognized in the income statement immediately. Favorable changes in the fulfilment cash flows are recognized in the income statement to the extent that they reserve the loss component, after which the contractual service margin is re-established.

Derecognition and contract modification

TLB derecognizes a contract when it is extinguished (i.e. when the specified obligations in the contract expire or are discharged or cancelled).

On the derecognition of a contract from within a group of contracts:

- The fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized;
- The contractual service margin of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- The number of coverage units for the expected remaining insurance contract services is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third party, then the contractual service margin is also adjusted for the premium charged by the third party, unless the group is onerous.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance contract (continued)

Derecognition and contract modification (continued)

A contract is also derecognized if its terms are modified in a such way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. In this instance, the contractual service margin of the group is adjusted for the premium that would have been charged had the Company entered into a contract with the new contract' s terms at the date of modification, less any additional premium charged for the modification. The new contract recognized is measured assuming that, at the end of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

If a contract modification does not result in derecognition, the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Reinsurance contract

Reinsurance contracts held are contracts entered into by the Company in order to receive compensation for claims arising from one or more insurance contracts issued by the Company. Reinsurance contracts that do not transfer insurance risk are accounted for as financial instruments or as service contracts, depending on the nature of the agreement.

The Company is not relieved of its legal liabilities when entering into reinsurance transactions. Therefore, the liabilities relating to the underlying insurance contracts will continue to be reported on the financial statement during the contractual term of the underlying contracts.

To the extent possible, the accounting model applied to reinsurance contracts held is consistent with that of the underlying insurance contracts. Differences will arise when underlying contracts have direct participating features, as the variable fee approach cannot be applied to reinsurance contracts held. Furthermore, reinsurance contracts with a coverage period exceeding 12 months may not be eligible for the premium allocation approach.

Separating components from insurance contracts

Similarly, to the analysis for insurance contracts, TLB has assessed that its reinsurance contracts held do not include components that need to be separated for accounting purposes.

Level of aggregation

Reinsurance contracts are grouped for measurement and income recognition purposes, based on the similarity of risk, the manner in which the contracts are managed, the expected profitability of the contracts at inception, and the period in which the contracts are issued.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Reinsurance contract (continued)

Level of aggregation (continued)

The process for dividing reinsurance contracts into groups is similar to that used for insurance contracts, except that references to 'onerous contracts' should be replaced with a reference to 'contracts on which there is a net gain on initial recognition'.

When grouping reinsurance contracts, TLB considers the type of reinsurance cover received (e.g. yearly renewable term, stop loss, or coinsurance).

A group of reinsurance contracts can comprise a single contract, for example when the contracts are managed on an individual treaty basis.

Reinsurance contracts measured under the general measurement model

The Company applies the accounting policies disclosed above for insurance contracts without direct participating features to measure a group of reinsurance contracts held, albeit with the following modifications:

- Recognition

TLB recognizes reinsurance contracts held at the earlier of the following:

- The beginning of the coverage period; or
- The date that an onerous group of underlying insurance contracts is recognized, if TLB entered into the related reinsurance contract held at or before that date.

Notwithstanding the foregoing, TLB delays the recognition of a group of reinsurance contracts held that provide proportionate coverage (e.g. coinsurance, modified coinsurance and yearly renewable treaties) until the date that any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

- Initial measurement

TLB estimates the present value of the future cash flows of the group of reinsurance contracts held, using assumptions that are consistent with those used to measure the underlying insurance contracts. The estimate includes an adjustment for the risk of non-performance by the reinsurer, which is based on TLB's credit exposure, net of collateral, and the perceived counterparty default risk.

The risk adjustment for non-financial risk is the amount of risk transferred by the Company to the reinsurer.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Reinsurance contract (continued)

Reinsurance contracts measured under the general measurement model (continued)

- Initial measurement (continued)

On initial recognition, the contractual service margin of a group of reinsurance contracts held represents a net cost or a net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any derecognized assets for cash flows occurring before the recognition of the group, any cash flows arising from the contracts in the group at that date, and any income recognized in profit or loss for the recovery of losses recorded on initial recognition of onerous underlying contracts.

If the net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group of reinsurance contracts, it is immediately expensed in the income statement.

- Contract boundary

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the period in which TLB is either compelled to pay amounts to the reinsurer or in which it has a substantive right to receive services from that reinsurer. A substantive right to receive services from a reinsurer ends when the reinsurer has the right to terminate coverage or when he has the practical ability to reassess the risks transferred by TLB and can set a price or level of benefits that fully reflects those reassessed risks.

For treaties with open attaching periods, the cessions within the termination window (typically 90 days) are treated as a separate contract for accounting purposes. Cessions that take place after the termination window are treated as a new contract.

- Contractual service margin

On initial recognition, the contractual service margin of a group of reinsurance contracts held represents a net cost or a net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any derecognized assets for cash flows occurring before the recognition of the group, any cash flows arising from the contracts in the group at that date, and any income recognized in profit or loss for the recovery of losses recorded on initial recognition of onerous underlying contracts.

If the net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group of reinsurance contracts, it is immediately expensed in the income statement.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Reinsurance contract (continued)

Reinsurance contracts measured under the general measurement model (continued)

- Subsequent measurement

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises: (i) the fulfilment cash flows that relate to services that will be received under the contracts in future periods; plus (ii) any remaining contractual service margin at that date. The asset for incurred claims comprises the fulfilment cash flows that relate to services received in the current and past period.

The fulfilment cash flows are remeasured at each reporting date to reflect current estimates.

The carrying amount of the contractual service margin at the end of each period is the carrying amount at the start of the period, adjusted for:

- The contractual service margin of any new contracts that are added to the group in the period;
- Interest accreted on the carrying amount of the contractual service margin during the period;
- Income recognized in profit or loss in the reporting period to coincide with the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous contracts to that group;
- Reversals of a loss-recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- Changes in fulfilment cash flows, measured at discount rates at initial recognition, to the extent that the change relates to future services, except for the extent that:
 - The change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the contractual service margin of the group of underlying contracts;
 - The change results from the remeasurement of the liability for remaining coverage of an onerous group of underlying contracts to which the PAA is applied;
- The effect of any currency exchange differences on the contractual service margin; and
- The amount recognized in the profit or loss because of the services received in the period.

The rate at which interest is accreted to the contractual service margin is determined at the initial inception date of the group of reinsurance contracts, in the same way as the interest accretion rates for insurance contracts without direct participating features.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Reinsurance contract (continued)

Reinsurance contracts measured under the general measurement model (continued)

- Subsequent measurement (continued)

Some changes in the contractual service margin are offset by changes in the fulfilment cash flows, resulting in no change in the total carrying amount of the asset for remaining coverage. To the extent that changes in the contractual service margin and changes in the fulfilment cash flows do not offset, income and expenses are recognized.

Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer do not relate to future service and are recognized in the income statement immediately.

- Loss recovery component

TLB establishes a loss recovery component for a group of reinsurance contracts, when a change in the fulfilment cash flows that relates to future services does not adjust the contractual service margin. It reflects the income recognized in the income statement to offset the reinsured loss reported on the underlying insurance contracts.

The adjusted amount, and resulting income, is determined by multiplying:

- The loss recognized on the group of underlying insurance contracts; and
- The recovery percentage, which is the percentage of claims on the group of underlying insurance contracts that TLB expects to recover from the reinsurance contracts held.

The calculation of the recovery percentage is based on discounted claims and recovery amounts, using current discount rates. No allowance is made for reinsurance non-performance risk, and any risk adjustment for non-financial risks is excluded from the calculation.

If an onerous group of insurance contracts is only partially reinsured, systematic and rational allocation methods are used to determine the portion of subsequent movements in the loss component that relates to insurance contracts covered by the group of reinsurance contracts held.

Derecognition and contract modification

TLB applies the same accounting policies for derecognition and contract modifications to reinsurance contract held as to insurance contracts.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance revenue

TLB recognizes insurance revenue as it provides services under groups of insurance contracts.

The total insurance revenue recognized over the duration of a group of contracts is equal to the amount of premiums received, adjusted for a financing effect and excluding any non-distinct investment components. Reinstatement premiums are included in insurance revenue, when reinstatement is not mandatory under the terms of the contract but at the discretion of the policyholder. Ceding commissions paid by TLB on inward reinsurance are deducted from insurance revenue, unless they are contingent on future claims.

The revenue recognized in the period represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive compensation and includes:

- The release of contractual service margin for services provided in the period;
- Changes in the risk adjustments for non-financial risk that do not relate to future service, excluding amounts allocated to the loss component;
- The claims and other insurance service expenses expected to be incurred in the period, excluding amounts allocated to the loss component;
- Other amounts, such as experience adjustments for premium receipts that do not relate to future service and income tax that is specifically chargeable to the policyholder.

In addition, the insurance revenue recognized in the period includes an allocation of the portion of the premiums that are related to recovering insurance acquisition cash flows. The allocation is based on the passage of time, without interest accumulation. The same amount is also recognized as insurance service expenses.

Insurance service expenses

Insurance service expenses arise as TLB provides coverage and other services under issued insurance contracts and investment contracts with discretionary participating features. It comprises:

- The incurred claims, excluding repayments of non-distinct investment components, and other incurred insurance service expenses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Amortization of insurance acquisition cash flows;
- Losses on onerous contracts and the reversals of such losses; and
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Net expenses on reinsurance held

With the exception of reinsurance finance income, all other income and expenses from a group of reinsurance contracts are presented as a single amount.

TLB recognizes an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which TLB expects to pay consideration.

Insurance finance expenses

Insurance finance expenses comprise the change in the carrying amount of the group of insurance contracts or reinsurance contracts arising from the effect of the time value of money and changes in the time value of money, as well as the effect of financial risk and changes in financial risk. It also includes the changes in the measurement of group of insurance contracts that are caused by changes in the value of underlying items (excluding additions and withdrawals).

For groups of contracts with direct participating features, insurance finance expenses exclude any changes that adjust the contractual service margin.

Defining financial risk

Financial risk can relate to one or more of a

- specified interest rate,
- financial instrument price,
- commodity price, currency exchange rate,
- index of prices or rates,
- credit rating or credit index or
- other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

As an example of variables not specific to a party to the contract, assumptions about inflation are considered to relate to financial risk, to the extent that they are based on an index of prices or on prices of assets with inflation-linked returns. Assumptions about inflation that are based on TLB's own expectations of specific price changes, do not relate to financial risk and are considered to be actuarial assumptions.

For contracts with discretionary participating features, TLB uses the basis on which, at inception, it expected to determine its commitment under the contract to distinguish between the effect of changes in assumptions that relate to financial risk on that commitment and the effect of discretionary changes to that commitment (which adjust the contractual service margin).

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Insurance finance expenses (continued)

TLB considers, per portfolio, whether the risk adjustment for financial risks should be disaggregated in an insurance service component and an insurance finance component, taking into account the extent to which the carrying amount is affected by changes in interest rate and other financial risks.

Disaggregation of insurance finance expenses

Insurance finance expenses for the period are included in profit or loss, unless TLB has chosen to apply the option to disaggregate these expenses between profit or loss and other comprehensive income. This option is set by insurance portfolio and applied consistently for all underlying groups of contracts. In assessing the appropriate accounting policy for a portfolio of insurance contracts, TLB considers the investments and other assets that it holds for each portfolio and how it accounts for those assets.

TLB disaggregates insurance finance expenses for all insurance contracts.

The amount of insurance finance expenses included in profit or loss is determined by a systematic allocation of the expected total insurance finance income and expenses over the duration of the group of contracts, using the following rates:

- Discount rates determined at the date of initial recognition of the group of contracts; or
- A rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (expected yield approach).

The expected yield approach and projected crediting rate approach are applied to designated groups of contracts for which changes in financial assumptions have a substantial effect on the amounts paid by the policyholder ('indirect participating products'). Indirect participating products include universal life products that do not qualify for the variable fee approach due to minimum guarantees.

Reinsurance finance income

Finance income related to reinsurance contracts held is presented separately in the income statement and OCI. They are not netted with the finance expenses related to insurance contracts issued.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company leases various properties and equipment. These leases, except for short-term leases and leases of low-value assets, are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in note 17.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Company.

- Right-of-use assets are measured at cost comprising the following:
- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (continued)

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US\$5,000.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value, with the exception of assets and liabilities that do not impact taxable or accounting profits. A tax asset is recognized for tax loss carryforwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Income tax (continued)

Deferred tax assets and liabilities (continued)

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. The carrying amount is not discounted and reflects the Company's expectations concerning the manner of recovery or settlement.

Deferred tax assets and liabilities are recognized in relation to the underlying transaction either in profit and loss, other comprehensive income or directly in equity.

Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements.

Fair value measurement

The Company measures certain investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value on the Statement of Financial Position are categorized as follows:

Level 1. Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2. Quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets
- b) Quoted prices for identical or similar assets or liabilities in non-active markets
- c) Inputs other than quoted market prices that are observable
- d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means

3.1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Fair value measurement (continued)

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Both observable and unobservable inputs may be used to determine the fair value of positions classified in Level 3. The circumstances for using unobservable measurement include those in which there is little, if any, market activity for the assets or liabilities. Therefore, the Company must make assumptions about inputs that a hypothetical market participant would use to value the assets and liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each quarter.

The Company makes estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Company has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are the measurement of (re)insurance contracts (please see note 15), and the measurement of the expected credit loss allowance (please see note 14).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Management's assessment of going concern

The financial statements of the Company have been prepared assuming a going concern basis of accounting based on the reasonable assumption that the Company is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances relating to the financial position on December 31, 2023, were assessed in order to reach the going concern assumption. Considering all these areas management concluded that the going concern assumption for the Company is appropriate in preparing the financial statements and there is no significant doubt about going concern.

3.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Actuarial and economic assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of insurance related assets and liabilities within the year ending December 31, 2023, is included in note 15 on Insurance contracts, reinsurance contracts held.

Measurement of the expected credit loss allowance ("ECL")

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 14 – Credit risk, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Company in the above areas and information incorporating the forward-looking information into the measurement of the ECL is set out in note 14 – Credit risk.

4. INSURANCE SERVICE RESULT

	2023	2022 (restated)
	US\$'000	US\$'000
Insurance revenue		
Expected insurance claims and other insurance service expenses to be incurred	90,414	90,122
Earnings released from contractual service margin	35,573	38,359
Release of risk adjustment for non-financial risk	10,426	8,709
Allocated portion of consideration that relates to recovery acquisition costs	3,539	3,886
Total insurance revenue	139,952	141,076

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

4. INSURANCE SERVICE RESULT (CONTINUED)

	2023	2022 (restated)
	US\$'000	US\$'000
Incurring claims and other incurred insurance service expenses	(70,165)	(69,405)
Losses on onerous contract	(23,937)	(9,303)
Amortization of insurance acquisition costs	(3,542)	(3,886)
Total insurance service expenses	(97,644)	(82,594)
Net expenses on reinsurance held		
Assumption changes that relate to (a reversal of) underlying onerous contracts	(1,766)	(897)
Experience adjustments that relate to underlying onerous contracts	4,652	962
Release of the contractual service margin for services received	(17,674)	(16,156)
Release of risk adjustment for non-financial risk	(6,544)	(5,621)
Experience adjustments on current service	(15,953)	(19,804)
New contracts issued/acquired: loss on initial recognition of underlying contracts	1,144	26,671
Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	(230)	(7,580)
Change in estimates due to rebalancing of reinsurance recoverability ratio	(138)	(321)
Total net expenses on reinsurance held	(36,509)	(22,746)
Insurance service result	5,799	35,736

The following table shows the revenue recognized on by transition method. Other contracts comprise contracts transitioned under the full retrospective approach and contracts issued after the transition to IFRS 17.

	2023	2022 (restated)
	US\$'000	US\$'000
Insurance contracts		
Related to contracts transitioned under the modified retrospective method	33,596	35,186
Related to contracts transitioned under the fair value approach	88,208	90,036
Other contracts	18,148	15,854
Total revenue reported in the period	139,952	141,076

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

5. INSURANCE NET INVESTMENT RESULT

	2023	2022 (restated)
	US\$'000	US\$000
(a) Insurance investment return		
Interest on financial instruments calculated using the effective interest method	67,488	165,257
Interest on financial instruments measured at FVPL	1,101	-
Other investment income	3	-
Results from financial transactions	(5,983)	(602,144)
Impairment reversals	(582)	(8,026)
P&L impacts	62,027	(444,913)
Gains on financial assets measured at FVOCI	25,432	-
Gains on disposal of financial assets measured at FVOCI	6,061	-
Change in fair value transferred from Available for sale	-	(120,582)
Reclassification adjustment for amortization Available-for-sale financial assets	-	(15,534)
- Changes in fair value	-	(152,970)
Reclassification adjustment for profit/(loss) included in profit or loss	-	(119,260)
OCI impacts	31,493	(408,346)
Total insurance investment return	93,520	(853,259)
(b) Insurance finance income / (expenses)		
Interest accreted to insurance contracts	(319,687)	(294,609)
Changes in interest rates and other financial assumptions	(156,959)	2,072,376
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	(78,328)	(99,053)
Total insurance finance income / (expenses)	(554,974)	1,678,714
Represented by:		
Amounts recognized in profit or loss	(328,986)	(329,284)
Amounts recognized in OCI	(225,988)	2,007,998

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

5. INSURANCE NET INVESTMENT RESULT (CONTINUED)

	2023	2022 (restated)
	US\$'000	US\$'000
(c) Reinsurance finance income / (expenses) on reinsurance held		
Interest accreted to reinsurance contracts	309,180	190,961
Changes in interest rates and other financial assumptions	135,953	(1,053,220)
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	46,611	46,900
Changes in risk of non-performance of reinsurers	22,907	38,759
Reinsurance finance income / (expenses) on reinsurance held	514,651	(776,600)
Represented by:		
Amounts recognized in profit or loss	310,069	266,525
Amounts recognized in OCI	204,583	(1,043,125)
Insurance net investment result	53,197	48,855
Represented by:		
Amounts recognized in profit or loss	43,110	(507,672)
Amounts recognized in OCI	10,087	556,527

6. FEE AND COMMISSION INCOME

	2023	2022 (restated)
	US\$'000	US\$'000
Other fee and commission income	(554)	979
Fee and commission (expense) / income	(554)	979

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

7. OTHER OPERATING EXPENSES

	2023	2023	2022	2022
	US\$'000	US\$'000	(restated) US\$'000	(restated) US\$'000
	Insurance related	Non-insurance related	Insurance related	Non-insurance related
Policyholder claims and benefits	53,184	-	37,570	-
Onerous contract losses	23,700	-	8,864	-
Commissions	29,096	1,456	15,304	647
Handling and clearing fees	362	60	919	10
Right of use assets — interest expense	82	4	70	5
Employee expenses	20,310	2,027	20,378	3,806
Administration expenses	14,095	2,485	12,662	4,755
Total	140,829	6,032	95,767	9,223
Amounts attributed to insurance acquisition cash flows	(46,727)	-	(17,059)	-
Amortization of insurance acquisition cash flows	3,542	-	3,886	-
Total commissions and expenses	97,644	6,032	82,594	9,223

8. DIRECTORS' AND KEY MANAGEMENT'S REMUNERATION

Director fees or endowments in the amount of US\$124,000 were paid during 2023 (2022: US\$126,000).

Other remuneration of key management personnel is paid by and recorded in the financial statements of a related company. A recharge of expenses is made to the Company as explained in note 23 (iii).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The assessable profits of the Company subject to Hong Kong profits tax are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance. Tax for the life insurance business, as defined by the Hong Kong Inland Revenue Ordinance, is computed at a rate of 16.5% of 5% of net premium (gross premium received less reinsurance premium ceded) of the life insurance business, in accordance with Section 23(1)(a) of the Hong Kong Inland Revenue Ordinance.

The Company has a profit before tax of US\$42,562,000 in 2023 (Loss for 2022: US\$479,926,000). The gross premiums received are US\$128,136,000 (2022: US\$96,158,000) and US\$32,015,000 (2022: US\$5,335,464,000) of reinsurance premiums were ceded. The gross premiums received from Hong Kong business are US\$39,906,000 (2022: US\$42,908,000) and US\$24,100,000 (2022: US\$3,125,470,000) of reinsurance premiums ceded.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

9. INCOME TAX (CONTINUED)

Singapore income tax has been provided at the rate of 17% (2022: 17%) on the estimated chargeable income/allowable loss arising from the Company's Singapore operation during the year. The relevant chargeable income in 2023 is US\$35,828,000 (2022: US\$41,524,000). The Company has tax losses of US\$108,683,000 arising in Singapore during the year (2022: US\$124,708,000).

	2023	2022 (restated)
	US\$'000	US\$'000
Current – Hong Kong:		
Over provision in prior year	-	(22)
Current – Singapore:		
Charge for the year	-	34
Deferred – Hong Kong:		
Charge for the year	1,100	(4,900)
Deferred – Singapore:		
Charge for the year	3,027	7,197
	<u>4,127</u>	<u>2,309</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2023	2022 (restated)
	US\$'000	US\$'000
Profit/ (Loss) before tax	<u>42,562</u>	<u>(479,926)</u>
Tax expense at the statutory tax rate of 16.5%	7,023	(79,188)
Hong Kong tax for prior periods	-	(22)
Results of life insurance business not taxable at Hong Kong statutory rate	(7,023)	79,188
Taxes related to other countries	4,127	2,331
Tax charge for the year	<u>4,127</u>	<u>2,309</u>

At December 31, 2023, the Company had income tax receivable of US\$246,000 (2022: receivable of US\$246,000).

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

9. INCOME TAX (CONTINUED)

Deferred Tax

The movements in net deferred tax (liabilities)/ assets during the year are as follows:

Deferred tax (liabilities)/ assets

	2023	2023	2023	2023
	US\$'000	US\$'000	US\$'000	US\$'000
	Profit and loss	Insurance contract liabilities	Fair value adjustments arising from investments	Total deferred tax assets
At January 1	26,100	(5,711)	3,211	23,600
Deferred tax (charged)/ credited during the year	(4,127)	7,953	(3,211)	615
At December 31	<u>21,973</u>	<u>2,242</u>	<u>-</u>	<u>24,215</u>

	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)
	US\$'000	US\$'000	US\$'000	US\$'000
	Profit and loss	Insurance contract liabilities	Fair value adjustments arising from investments	Total deferred tax assets
At January 1	28,397	20,330	(28,326)	20,401
Deferred tax (charged)/ credited during the year	(2,297)	(26,041)	31,537	3,199
At December 31	<u>26,100</u>	<u>(5,711)</u>	<u>3,211</u>	<u>23,600</u>

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

9. INCOME TAX (CONTINUED)

Deferred Tax (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the Statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2023	2022 (restated)
	US\$'000	US\$'000
Deferred tax assets	24,215	29,311
Deferred tax liabilities	-	(5,711)
Total net deferred tax liabilities/assets	<u>24,215</u>	<u>23,600</u>

Deferred tax assets computed on deductible temporary differences of:

	2023	2022 (restated)
	US\$'000	US\$'000
Financial assets	-	19,298
Taxable losses	129,935	154,405
Insurance reserves	13,181	-
Total deductible temporary differences	<u>143,116</u>	<u>173,703</u>

Deferred tax liabilities computed on taxable temporary differences of:

	2023	2022 (restated)
	US\$'000	US\$'000
Insurance reserves	-	33,593
Financial assets	-	412
Total taxable temporary differences	<u>-</u>	<u>34,005</u>

Total temporary difference:

<u>143,116</u>	<u>139,698</u>
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Deferred tax assets in respect of deductible temporary differences are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. For the above amounts the recognition of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

All deferred taxes are non-current by nature.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

10. INVESTMENTS

	2023	2023	2023
	US\$'000	US\$'000	US\$'000
	Insurance contracts without direct part.	Non- Insurance	Total
Financial assets measured at FVOCI — With recycling	986,606	-	986,606
Financial assets measured at FVPL — mandatory	19,867	-	19,867
Total investments, excluding derivatives	1,006,473	-	1,006,473

	2023	2023	2023	2023
	US\$'000	US\$'000	US\$'000	US\$'000
	FVOCI (with recycling) US\$'000	FVPL (mandatory) US\$'000	Total US\$'000	Fair value US\$'000
Debt securities	813,071	19,867	832,938	832,938
Money market and other short-term investments	173,535	-	173,535	173,535
December 31, 2023	986,606	19,867	1,006,473	1,006,473

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

10. INVESTMENTS (CONTINUED)

	Notes	2022 US\$'000
Total financial investments:		
Policy loans		1,480
Available-for-sale financial assets	(i)	1,320,843
Financial assets at fair value through profit or loss	(ii)	7,276
		<u>1,329,599</u>
Current portion:		
Available-for-sale financial assets		380,593
Financial assets at fair value through profit or loss		7,276
		<u>387,869</u>
Non-current portion:		
Policy loans		1,480
Available-for-sale financial assets		940,250
Financial assets at fair value through profit or loss		-
		<u>941,730</u>
		<u>1,329,599</u>

On June 23, 2022, the Company reclassified 88 securities with a fair value of US\$301,444,000 out of available-for-sale and into held-to-maturity. The fair value at the time of the reclassification became the new amortized cost of these securities and any unrealized gain or loss is amortized over the remaining lives of the securities in accordance with the effective interest method. Reclassifying available-for-sale assets to held-to-maturity will help asset and liability volatility matching on HK Global basis.

For the securities reclassified in 2022, the cumulative loss of US\$15,072,000 in other comprehensive income as at June 30, 2022 (that is, the difference between the fair value of US\$301,444,000 and the amortized cost of US\$316,516,000)

On October 31, 2022, as part of the total consideration paid under a continuation and new coinsurance reinsurance agreement with TLIC, approximately 73% of the Company's held-to-maturity investments were transferred to TLIC. As the transfer was considered as significant and triggered the tainting rule under *IAS 39 Financial Instruments: Recognition and Measurement*, all remaining held-to-maturity investments were reclassified into the available-for-sale category and measured at fair value. The Company reclassified all 298 securities with a fair value of US\$948,535,356 out of held-to-maturity and into available-for-sale.

TRANSAMERICA LIFE (BERMUDA) LTD.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year ended December 31, 2023

10. INVESTMENTS (CONTINUED)

- (i) The available-for-sale financial assets analyzed by category of instrument and issuer as at the reporting date is as follows:

	<u>2022</u>
	US\$'000
Fixed rate bonds, at market value:	
Listed government bonds	96,032
Unlisted government bonds	1,285
Listed others	654,240
Unlisted others	516,580
Variable rate bonds, at market value:	
Listed others	38,582
Unlisted others	14,122
Equity	
Listed	<u>2</u>
Total available-for-sale financial assets	<u><u>1,320,843</u></u>

- (ii) The financial assets at fair value through profit or loss analyzed by category of instrument and issuer as at the reporting date is as follows:

	Notes	<u>2022</u>
		US\$'000
Variable rate bonds, at market value:		
Listed others		7,222
Derivative financial instruments	(a)	<u>54</u>
Total financial assets at fair value through profit or loss		<u><u>7,276</u></u>

TRANSAMERICA LIFE (BERMUDA) LTD.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year ended December 31, 2023

10. INVESTMENTS (CONTINUED)

(a) Derivative financial instruments are measured at fair value through profit or loss.

	Contractual notional amount	Fair value asset
	US\$'000	US\$'000
December 31, 2022		
Derivatives held for hedging		
Equity option	2,901	54
Total (restated)	<u>2,901</u>	<u>54</u>

The amount of fair value asset is on net basis. During 2022, on gross basis, the amount of derivatives assets is US\$109,000 and the amount of derivatives liabilities is US\$54,000.

	<u>2022</u> US\$'000
Quoted fixed-interest securities, at fair value:	
Hong Kong	-
Elsewhere	1,149,683
	<u>1,149,683</u>
Other listed financial investments:	
Hong Kong	-
Elsewhere	171,160
	<u>171,160</u>
Total available-for-sale financial investments	<u>1,320,843</u>
Current portion	380,593
Non-current portion	<u>940,250</u>
	<u>1,320,843</u>

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

10. INVESTMENTS (CONTINUED)

Other listed financial investments mainly represent securities, common stock, and beneficial interest in transit with no fixed maturity date.

The available-for-sale financial investments included in the Statement of financial position analyzed by category of issuer as at the reporting date were as follows:

	<u>2022</u> US\$'000
Governments or public authorities	97,317
Banks and other financial institutions	440,450
Corporate entities	<u>783,076</u>
Total	<u><u>1,320,843</u></u>

The maturity profile of the available-for-sale financial investments as at the reporting date was as follows:

	<u>2022</u> US\$'000
With a residual maturity of:	
One year or less	380,593
One to five years	396,578
Five to ten years	150,136
Over ten years	<u>393,536</u>
Total available-for-sale financial investments	<u><u>1,320,843</u></u>

11. OTHER ASSETS AND RECEIVABLES

	2023	2022 (restated)
	US\$'000	US\$'000
Receivables	4,455	2,366
Accrued income	9,659	14,355
Prepayments	2,107	1,769
Other debtors	<u>1,603</u>	<u>6,376</u>
	<u><u>17,824</u></u>	<u><u>24,866</u></u>

The carrying amounts disclosed above reasonably approximate to their fair values at the reporting date.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

12. CASH AND CASH EQUIVALENTS

	2023	2022 (restated)
	US\$'000	US\$'000
Cash at bank	81,372	58,108

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts disclosed above reasonably approximate to their fair values at the reporting date.

13. FAIR VALUE HIERARCHY

The Company's financial assets and liabilities carried at fair value are classified, for disclosure purposes, based on a hierarchy defined by IFRS 13. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

	2023	2023	2023	2023
	US\$'000	US\$'000	US\$'000	US\$'000
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets carried at fair value				
Financial assets measured at FVOCI				
Debt securities	35,271	777,800	-	813,071
Money markets and Other short-term instruments	173,535	-	-	173,535
Total Financial assets measured at FVOCI	208,806	777,800	-	986,606
Financial assets measured at FVPL				
Debt securities	-	19,867	-	19,867
Total Financial assets measured at FVPL	-	19,867	-	19,867
Total financial assets at measured at fair value	208,806	797,667	-	1,006,473

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

13. FAIR VALUE HIERARCHY (CONTINUED)

As at December 31, 2022, the Company held the following financial instruments measured at fair value:

	2022 (restated) US\$'000	2022 (restated) US\$'000	2022 (restated) US\$'000	2022 (restated) US\$'000
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed-interest securities:				
Governments or public authority	39,970	57,347	-	97,317
Other fixed-interest listed	125,872	1,044,948	-	1,170,820
	<u>165,842</u>	<u>1,102,295</u>	<u>-</u>	<u>1,268,137</u>

Significant transfers between Level 1, Level 2 and Level 3

There have been no significant transfers between Level I, II and III for financial assets and financial liabilities recorded at fair value on a recurring basis during the year.

Movements in Level 3 financial instruments measured at fair value

The following table summarizes the change of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level III), including realized and unrealized gains (losses) of all assets and liabilities still held at the end of the respective period.

	2022 (restated) US\$'000
Available-for-sale investments – unlisted:	
At January 1	19,281
Total gains/(losses) recognized in profit or loss	(360)
Total gains/(losses) recognized in other comprehensive income	(1,346)
Transfer in	4,405
Transfer out	(10,571)
Disposals	<u>(11,409)</u>
At December 31	<u>-</u>

13. FAIR VALUE HIERARCHY (CONTINUED)

Management has assessed that the fair values of assets and liabilities not measured at fair value including, receivables for securities, reinsurance receivables, prepayments and other debtors, accrued income, balances with related companies, cash and cash equivalents, accrued expenses and other creditors approximate their carrying amounts largely due to the short term maturities of these instruments.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General risks

As a life insurance company, the Company is in the “risk” business, and as a result is exposed to a variety of risks. The Company manages risk where business is transacted, based on principles and policies established at the TLIC and Aegon Ltd. level.

The operations of the Company are subject to local regulatory requirements in Bermuda, Hong Kong, and Singapore. The regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters and that the risk levels are at acceptable levels.

Results of the Company’s sensitivity analyses are presented throughout this section to show the estimated sensitivity of net income and equity to various scenarios. For each type of market risk, the analysis shows how net income and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Each sensitivity analysis reflects the extent to which the shock tested would affect management’s critical accounting estimates and judgment in applying the Company’s accounting policies. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. The shock may also affect the measurement of assets and liabilities based on assumptions that are not observable in the market. Although management’s short-term assumptions may change if there is a reasonable change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses provided below.

The sensitivities do not reflect what the net income for the period would have been if risk variables had been different because the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. Nor are the results of the sensitivities intended to be an accurate prediction of future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects do not tend to be linear. No risk management process can clearly predict future results.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance risk

The Company is in the business of insuring against the risk of mortality, disability, accidents, and related risks.

Generally speaking, the Company retained all of the first US\$1,000,000 face amount per policy, namely, First Dollar Retention. For face amount in excess of US\$1,000,000, the Company had a 50:50 quota share with third party reinsurers (TPR), subject to a maximum retention of \$10,000,000 per life. The form of reinsurance arrangements are yearly renewal term (YRT). This retention structure applies to both UL and Term business.

As part of the Company's quality control process, the Company regularly allows reinsurers to audit its underwriting and claim practices and procedures to ensure that they meet the highest industry standards.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Underwriting risk

The Company's earnings depend upon the extent to which actual claims experience is consistent with the assumptions used in setting the prices for products and establishing the technical liabilities. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, income would be reduced. Furthermore, if these higher claims were part of a permanent trend, the Company might be required to increase liabilities, which could reduce income. Note that the impact of mortality changes is largely offset by significant use of third-party reinsurance and affiliate coinsurance.

Sensitivity analysis of net income and shareholder's equity to various underwriting risks is shown in the table that follows. The sensitivities represent an increase or decrease of lapse and mortality rates. The impact on benefit payments from changes in lapse rates will be offset by changes in provisions. Increases in mortality rates lead to an increase in the level of benefits and claims and liabilities.

Sensitivity analysis of CSM, net income and shareholders' equity to changes in various underwriting risks

	2023	2023	2023	2023	2023	2023
	US\$ Million	US\$ Million	US\$ Million	US\$ Million	US\$ Million	US\$ Million
Estimated approximate effect	On CSM	On CSM	On Shareholders' equity	On Shareholders' equity	On net income	On net income
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
20% increase in lapse rates	-	12	(33)	(16)	(33)	(16)
20% decrease in lapse rates	28	3	16	6	16	6
5% increase in mortality rates	(48)	(2)	(7)	(1)	(7)	(1)
5% decrease in mortality rates	66	1	(11)	2	(11)	2
10% increase in morbidity rates	-	-	-	-	-	-
10% decrease in morbidity rates	-	-	-	-	-	-
5% increase in expenses	(8)	(9)	-	-	-	-
5% decrease in expenses	8	8	-	-	-	-

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Underwriting risk (continued)

	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)	2022 (restated)
	US\$ Million	US\$ Million	US\$ Million	US\$ Million	US\$ Million	US\$ Million
Estimated approximate effect	On CSM	On CSM	On Shareholders' equity	On Shareholders' equity	On net income	On net income
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
20% increase in lapse rates	(18)	16	(49)	(16)	(49)	(16)
20% decrease in lapse rates	45	6	45	8	45	8
5% increase in mortality rates	(104)	(3)	20	(1)	20	(1)
5% decrease in mortality rates	108	3	(22)	-	(22)	-
10% increase in morbidity rates	(1)	(1)	-	-	-	-
10% decrease in morbidity rates	1	1	-	-	-	-
5% increase in expenses	(18)	(12)	1	2	1	2
5% decrease in expenses	45	12	(2)	(2)	(2)	(2)

A shock in mortality rates will generally not lead to a change in the assumptions underlying the measurement of the insurance contract liabilities, as management will recognize that the shock is temporary. However, a long-term expected change in mortality expectations will lead to a change in liabilities.

Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk), whether such changes in price are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. These risks have been discussed in the aforesaid sections.

Credit risk

Premium receivables (included in premiums deferred and uncollected)

The credit risk in respect of customer balances, incurred on the non-payment of premiums or contributions, will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or changed to reduced paid-up or term cover according to the provision of the policy.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Investment securities

The Company limits its exposure by setting minimum limits of its portfolio mix in fixed-interest securities and maximum limits of its portfolio mix in equities and other investments. The Company also sets maximum limits on currency, maturity, and credit limit on its fixed-income portfolios. The Company only deals with institutions with high creditworthiness.

It is the Company's investment policy to invest in investment-grade fixed-interest securities to limit exposure to credit risk. The Company allows a maximum of 15% of invested assets to be invested in non-investment-grade (below Standard & Poor's rating BBB-) fixed-interest securities. At December 31, 2023 and 2022, the amount of the non-investment-grade fixed-interest securities held by the Company was approximately 5.24% and 6.56% of its invested assets, respectively.

Reinsurance

Certain premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The Company reinsures portions of the risk on certain insurance policies which exceed its established limits, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Company remains primarily liable with respect to any insurance ceded and would not be relieved of this liability in the event that the assuming insurance company became unable to meet its obligation under the reinsurance treaty.

TRANSAMERICA LIFE (BERMUDA) LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Credit rating

The ratings distribution of the Company's invested assets, organized by rating category, is presented in the table below. Disclosures of ratings follow the Company's Credit Name Limit Policy ("CNLP"). Under the CNLP, a composite rating is used which is based on a combination of the ratings received from external rating agencies.

	2023	2022 (restated)
	US\$'000	US\$'000
AAA	33,041	87,801
AA+	33,673	41,832
AA	45,304	36,193
AA-	10,431	8,229
A+	223,166	258,464
A	119,209	134,156
A-	109,677	135,926
BBB+	97,972	148,351
BBB	137,385	209,019
BBB-	143,862	181,047
BB+	13,745	29,977
BB	4,852	9,467
BB-	18,772	29,851
B+	6,867	3,696
B	750	5,360
B-	1,244	3,606
CCC+	618	-
CCC	5,136	3,836
CCC-	-	58
CC	284	409
C	-	-
D	485	784
Not rated	-	57
Total invested assets	<u>1,006,473</u>	<u>1,328,119</u>

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Past due but not impaired assets

An asset is past due when a counterparty has failed to make a payment when contractually due. Assets are impaired when there is objective evidence of impairment which results in an impairment charge to profit or loss relating to this asset. After the impairment loss is reversed in subsequent periods, the asset is no longer considered to be impaired. When the terms and conditions of financial assets have been renegotiated, the terms and conditions of the new agreement apply in determining whether the financial assets are past due. Securities in the amount of US\$196,370 were past due but not impaired as at December 31, 2022.

	2022 (restated) US\$'000
Past due	
0 – 6 months	191
6 – 12 months	5
More than 12 months	-
Total	<u>196</u>

Recognition and measurement of ECL

IFRS 9 outlines a 'three-stage' model for impairment based on relative changes in credit quality since initial recognition:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Credit risk is continuously monitored by the Company in all the above stages.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Recognition and measurement of ECL (continued)

Following this assessment, IFRS 9 requires the incorporation of multiple, forward looking macro- scenarios to derive the ECL provision. IFRS 9 requires that the measurement of ECL represents an unbiased probability-weighted amount that is to be determined by:

- evaluating a range of possible outcomes;
- use reasonable and supportable information available without undue cost and effort about past events;
- current conditions; and
- forecasts of future economic conditions

When incorporating forward looking information, consideration should be given to the relevance of the information (and the availability of more relevant information) for each specific financial instrument or group of financial instruments. Forward looking information that is relevant for one financial instrument may not be relevant or as relevant for other financial instruments depending on the specific drivers of credit risk. To the extent relevant, forward-looking information used for the measurement of ECLs it needs to be consistent with that used for the assessment of a significant increase in credit risk. The models used by the Company generally employ a Probability of Default (PD) / Loss Given Default (LGD) / Exposure at Default (EAD) methodology; each model consists of multiple sub-models that are used to generate the measurement of ECL.

Credit losses are calculated as the product of projected PD, LGD and EAD and are discounted using an appropriate discount rate. The ECL is determined as the probability weighted discounted credit losses that are determined for different scenarios (i.e., base, positive, adverse).

Given the need to adapt the models to the different portfolio characteristics, all ECL models have different key judgements and assumptions. As such, the below paragraphs outline the key judgements and assumptions made by the Company in addressing the key requirements on a model-by-model basis.

Aegon Ltd. employs separate models to calculate ECL on each category of financial assets.

For bonds and private placements, Aegon Ltd. applies a global correlation model. It provides correlations of credit quality movements across different asset classes, linked with movements in the macro economy. Global correlation model is therefore used for determining the conditional PD and LGD, given a macroeconomic scenario. Unconditional PD and LGD curves are modelled with use of different methods for sovereign debt, corporate bonds and private placements.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Recognition and measurement of ECL (continued)

For mortgage-backed securities the parameters are estimated with commercial mortgage metrics which uses corporate bond PD and LGD estimates further adjusted with other assumptions based on debt service coverage and loan-to-value ratios.

Aegon Ltd. applies a separate model for asset-backed securities, which pools the instruments based on the underlying collateral and estimates credit loss parameters collectively. Collateralized debt (loan) obligations (CDOs and CLOs) are special types of asset-backed securities to which a different set of models are applied depending on region of the exposure.

Significant increase in credit risk

Aegon Ltd. considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Asset Class	Quantitative criteria	Qualitative criteria	Backstop criteria
Debt securities	Relative changes in rating	Watchlist approach	No other backstop applied
Structured finance	Relative changes in rating	Watch list approach	30 days past due backstop
Deposits with financial institutions	Relative changes in rating	Watch list approach	No other backstop applied

Depending on the original credit rating, a decline in rating by 6 notches from AAA; 5 from AA+ - A+; 4 from A – BB; 3 from BB- - B-; 2 from CCC+ and 1 from CCC is deemed significant increase in credit risk.

Quantitative criteria

For debt securities, structured finance securities and deposits with financial institutions the relative change of the credit rating is used as primary indicator to assess significant increase in credit risk, for this purpose external credit ratings are used.

Qualitative criteria

For debt securities, structured finance securities and deposits with financial institutions the watch-list approach is applied as an additional qualitative criterion. The watch-list approach means exposure of instruments on the watch list are intensively monitored.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Qualitative criteria (continued)

Financial assets are added to the watch-list based on if their relative change in fair value has surpassed a predetermined threshold:

- The fair value either drops to 80% and below the (amortized) cost price and stays there for six months; or
- The fair value falls by 20% over 3 months; or
- The fair value falls to 60% and below the (amortized) cost price.

In relation to debt securities where a watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Aegon Ltd.

Backstop

A backstop is applied to exposures considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments in case of structured finance. No backstop is applied to the other asset classes. Aegon Ltd has used the low credit risk exemption for debt instruments. Debt instruments that have a credit rating which responds with 'investment grade' (rating 'BBB' or higher) are considered as having low credit risk. As such, external and internal credit ratings are used respectively for these assets to assess whether a significant increase in credit risk has occurred.

Low credit risk exemption is applied for staging purposes on instruments rated BBB and higher. (IFRS 9 provides an exception for financial instruments that have low credit risk at the reporting date, commonly referred to as the "low credit risk exemption" or LCRE, it is an exception to the general model where entities have an option not to assess whether credit risk has increased significantly since initial recognition if the credit risk is considered low.)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Definition of default and credit-impaired assets

Aegon Ltd. assesses a financial instrument to be in default or credit-impaired using the following criteria:

Asset Class	Quantitative criteria	Qualitative criteria
Debt securities	No backstop applied	Rating falling to "D" (external or internal) Breach of significant covenants without reasonably supportable waiver obtained Distressed restructuring taking place Bankruptcy or an equivalent of an injunction for the obligor was filed Obligor was classified as default internally
Deposits with financial institution	No backstop applied	Rating falling to "D" (external or internal) Breach of significant covenants without reasonably supportable waiver obtained Distressed restructuring taking place Bankruptcy or an equivalent of an injunction for the obligor was filed Obligor was classified as default internally
Structured securities	90 days past due backstop	Rating falling to "D" (external or internal) Loss coverage ratio (Ratio of credit-related losses to the par value of a debt security is below 1
Receivables	90 days past due backstop	

Distressed restructuring means material forgiveness, or postponements of principal, interest, or where relevant, fees which is likely to result in a diminished financial obligation. In addition to the criteria included in the table above, Aegon Ltd. identifies other indicators of unlikeliness to pay, which include but are not limited to the following:

- a borrower's sources of recurring income are no longer available to meet the payments of instalments;
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows;
- the borrower's overall leverage level has significantly increased beyond applicable limits or there are justified expectations of such changes to leverage;
- for the exposures to an individual: default of a company fully owned by a single individual where this individual provided the institution with a personal guarantee for all obligations of a company;
- material fraud; or
- death of a client.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Definition of default and credit-impaired assets (continued)

All the criteria above have been applied to the financial instruments held by TLB and are consistent with the definition of default used for internal credit risk management purposes. The definition of default has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) throughout the Aegon Ltd.'s expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have 'cured') when it no longer meets any of the default criteria for a consecutive period of six months and an assessment has shown the obligor is no longer unlikely to pay. This period of six months considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring ECL – inputs, assumptions and estimation techniques

The ECL is measured on either a '12-month basis' (Stage 1) or 'lifetime basis' (Stages 2 and 3), depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Aegon Ltd. expects to be owed at the time of default.
- Loss Given Default (LGD) represents Aegon's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. The lifetime PD is calculated for a financial instrument that results in default by summing the probabilities of all future developments which end-up in the ECL. All possible future developments are enumerated and for each future development a probability is calculated.

The possibility of full prepayment is included among all possible future developments. For each possible future development, the probability is estimated using statistical modelling techniques.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Measuring ECL – inputs, assumptions and estimation techniques (continued)

Forward-looking economic information is included in determining the 12-month and lifetime ECL, and lifetime PD by using a set of variables describing the state of the macro economy as input in the calculation of the probability of default and prepayment. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which TLB is exposed to credit risk, even if the Aegon Ltd. considers a longer period.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit risk (SICR) and the calculation of ECL both incorporate forward-looking information. TLB has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on the ECL and Lifetime PD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") give the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of three years. Statistical regression analysis has been performed to understand the impact changes in these macroeconomic variables have had historically on default and prepayment rates.

Using the base scenario as a starting point, three macro-economic scenarios are generated by applying shocks to the macro-economic variables in a positive and negative direction, taking into account their correlation as historically observed, resulting in a positive, neutral and negative scenario. The shocks applied correspond to the historical average deviance from the long term mean observed in the best/worst 10% of the historically observed quarters. The ECL is calculated for each of the three scenarios, multiplied by the scenario weighting, and summed. The use of multiple economic scenarios ensures that the ECL represents the best estimate of ECL and is not merely the credit loss in the most likely scenario.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Write-off policy

The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) where TLB's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. There is no write-off in 2023. The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Information about amounts arising from ECL

TLB regularly monitors industry sectors and individual debt securities for sources of changes in the ECL allowance. These sources may include one or more of the following:

- Transfers between Stages 1, 2 and 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and,
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. Furthermore, quality ratings of investment portfolios are based on a composite of the main rating agencies (S&P, Moody's and Fitch) and Aegon Ltd. 's internal rating of the counterparty. The following tables explain the changes in the loss allowance changes between the beginning and the end of the annual period due to these factors:

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Information about amounts arising from ECL (continued)

	2023	2023	2023	2023	2023	2023	2023	2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Gross amount Stage 1 (12month ECL)	Gross amount Stage 2 (Lifetime ECL)	Gross amount Stage 3 (Lifetime ECL)	Total gross amount	ECL Stage 1 (12month ECL)	ECL Stage 2 (Lifetime ECL)	ECL Stage 3 (Lifetime ECL)	Total ECL
Debt securities								
Balance at December 31, prior year	1,151,959	7,427	1,102	1,160,488	(3,871)	(2,062)	(5,159)	(11,092)
Acquis/addition/acquired/deposits-Operating	120,510	-	-	120,510	(915)	-	-	(915)
Disposal/redemption/repayment/withdrawal/sale-Operating	(486,541)	(3,744)	(263)	(490,548)	1,169	65	339	1,573
Transfers:	(1,981)	1,923	58	-	34	24	(58)	-
ECL transfer From stage 1 to stage 2	(1,981)	1,981	-	-	34	(34)	-	-
ECL transfer From stage 1 to stage 3	-	-	-	-	-	-	-	-
ECL transfer From stage 2 to stage 1	-	-	-	-	-	-	-	-
ECL transfer From stage 2 to stage 3	-	(58)	58	-	-	58	(58)	-
ECL transfer From stage 3 to stage 2	-	-	-	-	-	-	-	-
ECL transfer From stage 3 to stage 1	-	-	-	-	-	-	-	-
Impact on year end ECL	-	-	-	-	-	(356)	(240)	(596)
Amortizations through income statement	(516)	(22)	244	(294)	-	-	-	-
Unrealized gains/losses through equity	23,542	1,580	(582)	24,540	-	-	-	-
Movements related to fair value hedges	-	-	-	-	-	-	-	-
Change in models	-	-	-	-	727	155	46	928
Transfer to/from other headings	(1,625)	-	-	(1,625)	-	-	-	-
Ending balance	805,348	7,164	559	813,071	(2,856)	(2,174)	(5,072)	(10,102)

The total amount of undiscounted ECL at December 31, 2023 for purchased or originated credit-impaired financial assets recognized during the period was nil.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Sensitivity on ECL to future-economic conditions

ECL are sensitive to judgments and assumptions made regarding the formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. Aegon Ltd. performs a sensitivity analysis on the ECL recognized on material classes of its assets. As ECL is not material at the end of 2023 and 2022, sensitivity on ECL is being assessed to be not material for 2023 and 2022 either

Interest rate risk

Interest rate risk is the risk that the value or the future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

An analysis of TLB's sensitivity to a 100 basis points parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below:

Estimated approximate effects on:	2023	2023	2023
	US\$'Million CSM	US\$'Million Net Income	US\$'Million Shareholders' equity
100 bps increase - Yield curve			
Financial instruments	-	-	(43)
Insurance and reinsurance assets	-	-	(350)
Insurance and reinsurance contract liabilities	-	-	373
100 bps decrease - Yield curve			
Financial instruments	-	-	43
Insurance and reinsurance assets	-	-	514
Insurance and reinsurance contract liabilities	-	-	(534)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

Estimated approximate effects on:

	2022 (restated)	2022 (restated)	2022 (restated)
	US\$ Million	US\$ Million	US\$ Million
	CSM	Net Income	Shareholders' equity
100 bps increase - Yield curve			
Financial instruments	-	-	(44)
Insurance and reinsurance assets	1	(8)	(235)
Insurance and reinsurance contract liabilities	(1)	2	244
100 bps decrease - Yield curve			
Financial instruments	-	-	44
Insurance and reinsurance assets	-	(3)	476
Insurance and reinsurance contract liabilities	-	(4)	(498)

Foreign currency risk

The Company's policy is to match its assets and liabilities by currency to minimize its exposure to currency risk. The Company sells policies denominated in United States dollars, and its assets are appropriately invested to meet these liabilities. As at the reporting date, there were no investments denominated in foreign currency. The Company's foreign currency exposure is from transactions denominated in Hong Kong dollar and other foreign currencies. While Hong Kong dollar is pegged to the United States dollar, the balance of other foreign currency liabilities is not material.

Equity risk

The Company's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments and diversification plans and to limit the investment in each country, sector, and market.

Significant changes in equity markets are not expected to have a material impact on the Company's net income or equity due to limited equity investments.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is inherent in the Company's business. Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at their fair values, counterparty failing to repay contractual obligation, insurance liability falling due for payment earlier than expected or inability to generate cash inflows as anticipated.

The major liquidity risks the Company confronts are the daily calls on its available cash resources in respect of claims arising from insurance.

The Company manages liquidity through a company liquidity risk policy, which includes determining what constitutes liquidity risk for the Company and the minimum proportion of funds to meet emergency calls, the setting up of contingency funding plans, specifying the sources of funding and the events that would trigger the plan, specifying the concentration of funding sources, the reporting of liquidity risk exposures and breaches to the monitoring authority, monitoring the compliance with liquidity risk policy, and the reviewing of the Company's liquidity risk policy for pertinence and changing environment.

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14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The following table provides a maturity analysis of TLB's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. The cash flows presented below represent the best estimate liability for the relevant periods.

2023

Liabilities arising from (re)insurance contracts	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	Total Best estimate liability
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Insurance contracts:							
- Without direct participation contracts	(535,438)	(369,486)	(291,786)	(257,389)	(232,675)	(4,388,473)	(6,075,247)
Reinsurance contracts held, in a liability position	(11,250)	(11,921)	(11,193)	(11,240)	(11,209)	(254,360)	(311,173)
At December 31, 2023	(546,688)	(381,407)	(302,979)	(268,629)	(243,884)	(4,642,833)	(6,386,420)

2022

Liabilities arising from (re)insurance contracts	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	Total Best estimate liability
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Insurance contracts:							
- Without direct participation contracts	(438,203)	(417,636)	(348,765)	(284,503)	(243,567)	(4,571,346)	(6,304,020)
Reinsurance contracts held, in a liability position	(14,176)	(12,970)	(12,640)	(12,397)	(12,150)	(281,525)	(345,858)
At December 31, 2022	(452,379)	(430,606)	(361,405)	(296,900)	(255,717)	(4,852,871)	(6,649,878)

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The tables below analyze certain non-derivative financial liabilities of the Company as at December 31, 2023 and 2022, into their relevant maturity group based on their remaining periods at the reporting date to their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. (For Structured Securities, expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.)

At December 31, 2023

	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities:	1 year or less	2 years or less but > 1 year	3 years or less but > 2 years	4 years or less but > 3 years	5 years or less but > 4 years	> 5 years	Total
Accrued expenses and other creditors	6,305	-	-	-	-	-	6,305
Lease liabilities	2,385	1,275	387	171	6	-	4,224
Payable to related companies	1,746	-	-	-	-	-	1,746
	10,436	1,275	387	171	6	-	12,275

**At December 31, 2022
(restated)**

	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities:	1 year or less	2 years or less but > 1 year	3 years or less but > 2 years	4 years or less but > 3 years	5 years or less but > 4 years	> 5 years	Total
Accrued expenses and other creditors	13,185	-	-	-	-	-	13,185
Lease liabilities	2,370	2,191	907	1	-	-	5,469
Payable to related companies	3,909	-	-	-	-	-	3,909
	19,464	2,191	907	1	-	-	22,563

Capital management

Externally imposed capital requirements are set and regulated by the Hong Kong Insurance Ordinance. These requirements are put in place to ensure sufficient solvency margins and to safeguard the Company's ability to continue as a going concern.

The Company discloses its capital as equity in the Statement of Financial Position. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis, in accordance with the Hong Kong Insurance Ordinance.

The Company fully complied with the externally imposed capital requirements during the reported period, and no changes were made to its objectives, policies and processes from the previous period.

TRANSAMERICA LIFE (BERMUDA) LTD.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD

Contracts by measurement model

The following tables show the assets and liabilities for groups of insurance contracts issued and reinsurance contracts held by measurement model.

	US\$'000
Insurance contracts	
Portfolios in an asset position	(3,717)
Portfolios in a liability position	6,501,278
Net closing balance at December 31, 2023	<u>6,497,561</u>
Portfolios in an asset position	-
Portfolios in a liability position	6,859,433
Net closing balance at December 31, 2022 (restated)	<u>6,859,433</u>
Reinsurance contracts held	
Portfolios in an asset position	6,239,770
Portfolios in a liability position	(233,162)
Net closing balance at December 31, 2023	<u>6,006,608</u>
Portfolios in an asset position	6,682,676
Portfolios in a liability position	(210,693)
Net closing balance at December 31, 2022 (restated)	<u>6,471,983</u>

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movements in carrying amounts on insurance contracts and reinsurance contracts held

The following tables show the movement in the net carrying amounts of insurance contracts issued, investment contracts with discretionary participating features issued and reinsurance contracts held. Two types of tables are presented:

- Tables that analyze movements by type of liabilities and reconciles them to the income statement and the statement of comprehensive income
- Tables that analyze movements by measurement component

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by type of liability

Insurance contracts

	US\$'000	US\$'000	US\$'000	US\$'000
	Remaining coverage	Remaining coverage		
	Excluding loss	Loss component	Incurred claims	Total
Opening assets	-	-	-	-
Opening liabilities	6,757,576	37,028	64,829	6,859,433
Net opening balance at January 1, 2023	6,757,576	37,028	64,829	6,859,433
Insurance revenue	(139,952)	-	-	(139,952)
Incurred claims and other insurance service expenses	-	(2,381)	72,546	70,165
Amortization of insurance acquisition cash flows	3,542	-	-	3,542
Losses on onerous contracts	-	23,937	-	23,937
Insurance service expenses	3,542	21,556	72,546	97,644
Investment components	(893,075)	-	893,075	-
Insurance service result	(1,029,485)	21,556	965,621	(42,308)
Insurance finance (income) / expenses (P&L and OCI)	556,247	(1,273)	-	554,974
Cash flows	84,637	-	(959,237)	(874,600)
Net exchange differences	62	-	-	62
Net closing balance at December 31, 2023	6,369,037	57,311	71,213	6,497,561
Closing assets	(3,717)	-	-	(3,717)
Closing liabilities	6,372,754	57,311	71,213	6,501,278

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by type of liability (continued)

Insurance contracts

	US\$'000	US\$'000	US\$'000	US\$'000
	Remaining coverage	Remaining coverage	Incurred claims	Total
	Excluding loss component	Loss component		
Opening assets	-	-	-	-
Opening liabilities	8,901,739	42,645	42,196	8,986,580
Net opening balance at January 1, 2022 (restated)	8,901,739	42,645	42,196	8,986,580
Insurance revenue	(141,076)	-	-	(141,076)
Incurred claims and other insurance service expenses	-	(3,664)	73,069	69,405
Amortization of insurance acquisition cash flows	3,886	-	-	3,886
Losses on onerous contracts	-	9,303	-	9,303
Insurance service expenses	3,886	5,639	73,069	82,594
Investment components	(420,922)	-	420,922	-
Insurance service result	(558,112)	5,639	493,991	(58,482)
Insurance finance (income) / expenses (P&L and OCI)	(1,667,456)	(11,258)	-	(1,678,714)
Cash flows	81,410	-	(471,296)	(389,886)
Net exchange differences	(67)	2	-	(65)
Net closing balance at December 31, 2022 (restated)	6,757,514	37,028	64,891	6,859,433
Closing assets	-	-	-	-
Closing liabilities	6,757,514	37,028	64,891	6,859,433

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by type of liability (continued)

Reinsurance contracts held

	US\$'000 Asset for remaining coverage Excluding loss recovery component	US\$'000 Asset for remaining coverage Loss recovery component	US\$'000 Asset for Incurred claims	US\$'000 Total
Opening assets	6,552,420	22,478	107,778	6,682,676
Opening liabilities	(210,693)	-	-	(210,693)
Net opening balance at January 1, 2023	6,341,727	22,478	107,778	6,471,983
Net expenses from reinsurance contracts	(89,757)	1,636	51,612	(36,509)
Other reinsurance finance income / (expenses)	492,953	(1,209)	-	491,744
Investment components	(851,026)	-	851,026	-
Effect of changes in risk of non-performance of reinsurers	22,907	-	-	22,907
Total changes in the statements of P&L and OCI	(424,923)	427	902,638	478,142
Cash flows	15,039	-	(958,556)	(943,517)
Net exchange differences	-	-	-	-
Net closing balance at December 31, 2023	5,931,843	22,905	51,860	6,006,608
Closing assets	6,165,005	22,905	51,860	6,239,770
Closing liabilities	(233,162)	-	-	(233,162)

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by type of liability (continued)

Reinsurance contracts held

	US\$'000 Asset for remaining coverage Excluding loss recovery component	US\$'000 Asset for remaining coverage Loss recovery component	US\$'000 Asset for Incurred claims	US\$'000 Total
Opening assets	2,893,675	4,147	50,178	2,948,000
Opening liabilities	(373,349)	-	-	(373,349)
Net opening balance at January 1, 2022 (restated)	2,520,326	4,147	50,178	2,574,651
Net expenses from reinsurance contracts	(81,398)	20,105	38,547	(22,746)
Other reinsurance finance expenses	(813,584)	(1,775)	-	(815,359)
Investment components	(264,841)	-	264,841	-
Effect of changes in risk of non-performance of reinsurers	38,759	-	-	38,759
Total changes in the statements of P&L and OCI	(1,121,064)	18,330	303,388	(799,346)
Cash flows	4,942,463	-	(245,788)	4,696,675
Net exchange differences	3	-	-	3
Net closing balance at December 31, 2022 (restated)	6,341,727	22,477	107,778	6,471,983
Closing assets	6,552,421	22,477	107,778	6,682,676
Closing liabilities	(210,693)	-	-	(210,693)

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by measurement component

Insurance contracts

	US\$'000 Best estimate liability	US\$'000 Risk adjustment	US\$'000 Contractual service margin	US\$'000 Total
Opening assets	-	-	-	-
Opening liabilities	6,304,020	121,213	434,200	6,859,433
Net opening balance, at January 1, 2023	6,304,020	121,213	434,200	6,859,433
Changes in estimates that adjust contractual service margin	121,606	35,914	(157,520)	-
Changes in estimates that result in onerous contracts	4,633	1,766	-	6,399
New contracts issued — non-onerous	(6,892)	1,594	5,298	-
New contracts issued — onerous	15,213	2,325	-	17,538
Changes that relate to future service	134,560	41,599	(152,222)	23,937
Earnings released from contractual service margin	-	-	(35,573)	(35,573)
Release of risk adjustment	-	(10,663)	-	(10,663)
Experience adjustments on current service	(20,009)	-	-	(20,009)
Changes that relate to current service	(20,009)	(10,663)	(35,573)	(66,245)
Insurance service result	114,551	30,936	(187,795)	(42,308)
Interest accreted to insurance contracts	300,118	6,439	13,130	319,687
Changes in interest rates and other financial assumptions	141,314	15,645	-	156,959
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	82,982	(4,654)	-	78,328
Insurance finance income	524,414	17,430	13,130	554,974
Premiums received	131,268	-	-	131,268
Claims, benefits and expenses paid	(959,841)	-	-	(959,841)
Acquisition costs paid	(46,727)	-	-	(46,727)
Other	700	-	-	700
Cash flows	(874,600)	-	-	(874,600)
Net exchange differences	1	(1)	62	62
Net closing balance, at December 31, 2023	6,068,386	169,578	259,597	6,497,561
Closing assets	(6,861)	781	2,363	(3,717)
Closing liabilities	6,075,247	168,797	257,234	6,501,278

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by measurement component (continued)

Insurance contracts

	US\$'000	US\$'000	US\$'000	US\$'000
	Best estimate liability	Risk adjustment	Contractual service margin	Total
Opening assets	-	-	-	-
Opening liabilities	8,354,242	205,843	426,495	8,986,580
Net opening balance, at January 1, 2022 (restated)	8,354,242	205,843	426,495	8,986,580
Changes in estimates that adjust contractual service margin	7,940	(40,315)	32,375	-
Changes in estimates that result in (a reversal of) onerous contracts	2,204	(1,491)	-	713
New contracts issued — non-onerous	(801)	320	481	-
New contracts issued — onerous	8,143	447	-	8,590
Changes that relate to future service	17,486	(41,039)	32,856	9,303
Earnings released from contractual service margin	-	-	(38,359)	(38,359)
Release of risk adjustment	-	(9,148)	-	(9,148)
Experience adjustments on current service	(20,278)	-	-	(20,278)
Changes that relate to current service	(20,278)	(9,148)	(38,359)	(67,785)
Insurance service result	(2,792)	(50,187)	(5,503)	(58,482)
Interest accreted to insurance contracts	274,851	6,485	13,273	294,609
Changes in interest rates and other financial assumptions	(2,011,163)	(61,213)	-	(2,072,376)
Revaluation of changes in non-financial assumptions and experience adjustments to current interest rates	78,768	20,285	-	99,053
Insurance finance income / (expenses)	(1,657,544)	(34,443)	13,273	(1,678,714)
Premiums received	97,752	-	-	97,752
Claims, benefits and expenses paid	(471,308)	-	-	(471,308)
Acquisition costs paid	(17,059)	-	-	(17,059)
Other	729	-	-	729
Cash flows	(389,886)	-	-	(389,886)
Net exchange differences	-	-	(65)	(65)
Net closing balance, at December 31, 2022 (restated)	6,304,020	121,213	434,200	6,859,433
Closing assets	-	-	-	-
Closing liabilities	6,304,020	121,213	434,200	6,859,433

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by measurement component (continued)

Reinsurance contracts held

	US\$'000 Best estimate liability	US\$'000 Risk adjustment	US\$'000 Contractual service margin	US\$'000 Total
Opening assets	6,451,719	26,345	204,612	6,682,676
Opening liabilities	(345,858)	54,736	80,429	(210,693)
Net opening balance, at January 1, 2023	6,105,861	81,081	285,041	6,471,983
Changes in estimates that adjust contractual service margin	149,734	36,033	(185,767)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	-	-	2,748	2,748
New reinsurance contracts issued / acquired recognized in the year	(1,191)	920	271	-
Initial recognition of onerous underlying contracts	-	-	1,144	1,144
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	(230)	(230)
Changes that relate to future service	148,543	36,953	(181,834)	3,662
CSM recognized for service received	-	-	(17,674)	(17,674)
Release of risk adjustment	-	(6,544)	-	(6,544)
Experience adjustments on current service	(15,953)	-	-	(15,953)
Changes that relate to current service	(15,953)	(6,544)	(17,674)	(40,171)
Net income / (expenses) of reinsurance held	132,590	30,409	(199,508)	(36,509)
Reinsurance finance income	493,461	12,649	8,541	514,651
Premiums paid, net of received fixed commission	89,132	-	-	89,132
Amounts received	(1,030,042)	-	-	(1,030,042)
Other	(2,607)	-	-	(2,607)
Cash flows	(943,517)	-	-	(943,517)
Net exchange differences	-	-	-	-
Net closing balance, at December 31, 2023	5,788,395	124,139	94,074	6,006,608
Closing assets	6,099,568	77,885	62,317	6,239,770
Closing liabilities	(311,173)	46,254	31,757	(233,162)

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules by measurement component (continued)

Reinsurance contracts held

	US\$'000 Best estimate liability	US\$'000 Risk adjustment	US\$'000 Contractual service margin	US\$'000 Total
Opening assets	2,905,631	18,498	23,871	2,948,000
Opening liabilities	(559,356)	79,617	106,390	(373,349)
Net opening balance, at January 1, 2022 (restated)	2,346,275	98,115	130,261	2,574,651
Changes in estimates that adjust contractual service margin	49,707	(42,195)	(7,512)	-
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	-	-	(256)	(256)
New reinsurance contracts issued / acquired recognized in the year	(217,799)	63,417	154,382	-
Initial recognition of onerous underlying contracts	-	-	26,671	26,671
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	(7,580)	(7,580)
Changes that relate to future service	(168,092)	21,222	165,705	18,835
CSM recognized for service received	-	-	(16,156)	(16,156)
Release of risk adjustment	-	(5,621)	-	(5,621)
Experience adjustments on current service	(19,804)	-	-	(19,804)
Changes that relate to current service	(19,804)	(5,621)	(16,156)	(41,581)
Net income / (expenses) of reinsurance held	(187,896)	15,601	149,549	(22,746)
Reinsurance finance income / (expenses)	(749,193)	(32,635)	5,228	(776,600)
Premiums paid, net of received fixed commission	4,842,241	-	-	4,842,241
Amounts received	(147,460)	-	-	(147,460)
Other	1,894	-	-	1,894
Cash flows	4,696,675	-	-	4,696,675
Net exchange differences	-	-	3	3
Net closing balance, at December 31, 2022 (restated)	6,105,861	81,081	285,041	6,471,983
Closing assets	6,451,719	26,345	204,612	6,682,676
Closing liabilities	(345,858)	54,736	80,429	(210,693)

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Maturity analysis contractual service margin

	2023	2022 (restated)
	US\$'000	US\$'000
Maturity analysis CSM insurance contracts	Discounted CSM	Discounted CSM
< 1 year	(15,283)	(26,942)
1-2 years	(13,322)	(23,600)
2-3 years	(12,076)	(20,517)
3-4 years	(11,193)	(18,024)
4-5 years	(10,672)	(16,360)
5-10 years	(47,386)	(73,976)
10-20 years	(67,698)	(109,926)
> 20 years	(81,967)	(144,855)
On December 31	(259,597)	(434,200)

	2023	2022 (restated)
	US\$'000	US\$'000
Maturity analysis CSM reinsurance contracts held	Discounted CSM	Discounted CSM
< 1 year	(4,758)	(14,195)
1-2 years	(4,440)	(13,249)
2-3 years	(4,120)	(11,774)
3-4 years	(3,910)	(11,102)
4-5 years	(3,777)	(11,053)
5-10 years	(17,406)	(50,778)
10-20 years	(23,653)	(71,979)
> 20 years	(32,010)	(100,911)
On December 31	(94,074)	(285,041)

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Movement schedules contractual service margin by transition method

	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Insurance contracts	Insurance contracts	Insurance contracts	Insurance contracts	Reinsurance contracts held	Reinsurance contracts held	Reinsurance contracts held	Reinsurance contracts held
	MRA	FVA	Other	Total CSM	MRA	FVA	Other	Total CSM
At January 1, 2023	202,552	158,448	73,200	434,200	-	85,804	199,237	285,041
Changes in estimates that adjust CSM	(52,736)	(91,352)	(13,432)	(157,520)	-	(52,637)	(133,130)	(185,767)
Changes in estimates that result in onerous contracts	-	-	-	-	-	232	2,516	2,748
New contracts issued — non-onerous	-	-	5,298	5,298	-	-	271	271
New contracts issued — onerous	-	-	-	-	-	-	1,144	1,144
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-	-	(230)	(230)
Earnings released from contractual service margin	(17,247)	(12,165)	(6,161)	(35,573)	-	(4,016)	(13,658)	(17,674)
(Re)Insurance finance income	7,887	2,623	2,620	13,130	-	1,229	7,312	8,541
Net exchange differences	-	62	-	62	-	-	-	-
At December 31, 2023	140,456	57,616	61,525	259,597	-	30,612	63,462	94,074
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Insurance contracts	Insurance contracts	Insurance contracts	Insurance contracts	Reinsurance contracts held	Reinsurance contracts held	Reinsurance contracts held	Reinsurance contracts held
	MRA	FVA	Other	Total CSM	MRA	FVA	Other	Total CSM
At January 1, 2022 (restated)	210,847	140,312	75,336	426,495	-	108,315	21,946	130,261
Changes in estimates that adjust CSM	670	30,635	1,070	32,375	-	(15,084)	7,572	(7,512)
Changes in estimates that result in (a reversal of) onerous contracts	-	-	-	-	-	(90)	(166)	(256)
New contracts issued — non-onerous	-	-	481	481	-	-	154,382	154,382
New contracts issued — onerous	-	-	-	-	-	-	26,671	26,671
Changes in the contractual service margin due to reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	-	-	-	-	(2,278)	(5,302)	(7,580)
Earnings released from contractual service margin	(17,865)	(14,297)	(6,197)	(38,359)	-	(6,364)	(9,792)	(16,156)
(Re)Insurance finance income	8,900	1,864	2,509	13,273	-	1,304	3,924	5,228
Net exchange differences	-	(66)	1	(65)	-	-	3	3
At December 31, 2022 (restated)	202,552	158,448	73,200	434,200	-	85,803	199,238	285,041

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Critical judgements and estimates

The fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows and
- A risk adjustment for non-financial risk.

Each measurement element requires the use of significant judgement and estimates

Valuation methods

TLB's objective in estimating future cash flows is to determine a range of scenarios that reflects the full range of possible outcomes. Each scenario specifies the amount and timing of the cash flows for a particular outcome, and the estimated probability of that outcome. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

When determining the expected value of the full range of possible outcomes, the objective is to incorporate all reasonable and supportable information available without undue cost or effort in an unbiased way, rather than to identify every possible scenario. In some cases, relatively simple modelling provides an answer within an acceptable range of precision. In other cases, more complex valuation methods are required to satisfy the measurement objective. For example, if cash flows reflect a series of interrelated (implicit or explicit) options and respond in a non-linear fashion to changes in economic conditions, then TLB often uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. Other methods that are used to measure non-linear cash flows include closed form solutions and replicating portfolio techniques.

Actuarial assumptions

When estimating future cash flows, TLB sets actuarial assumptions for underwriting risk including policy claims (such as mortality, longevity or morbidity), policyholder behavior (such as lapses, surrender of policies or partial withdrawals) and expenses. Actuarial assumptions are set annually.

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Critical judgements and estimates (continued)

Underwriting assumptions

Mortality tables applied are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation for in-force groups of contracts where appropriate. For contracts insuring survivorship or mortality, allowance is made for further longevity or mortality improvements. Morbidity assumptions are based on own claims severity and frequency experience, adjusted where appropriate for industry information. Industry survey is used for judgement-based assumptions like for example morbidity improvement and cost of long-term care (LTC) inflation.

Surrender and lapse rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor behavior. For policies where policyholders are expected to have financial incentive to choose a favorable lapse timing based on the market conditions, a dynamic lapse assumption is utilized to reflect expected policyholder behavior when applying multiple scenarios in measurement. Own experience, as well as industry published data, are used to in establishing assumptions. Lapse experience is correlated to mortality and morbidity levels, as higher or lower levels of surrenders may indicate future claims will be higher or lower than anticipated. Such correlations are accounted for in the mortality and morbidity assumptions based on the emerging analysis of experience.

Policyholder benefits that are directly linked to asset performance are projected at rates that are consistent with the discount rates applied. For cash flows like crediting rates, the projected cash flows reflect how the reporting unit would determine crediting rates in a given scenario based on the Company's crediting policies. Other management actions are taken into account to the extent that they are part of TLB's regular policies and procedures.

Expense assumptions

Expenses that are attributable to the fulfilment of cash flows include acquisition expenses, maintenance expenses and claims settlement costs, as well as overhead costs that TLB considers to be unavoidable when fulfilling the in-force contracts. Investment expenses are included in the fulfilment cash flows for contracts that provide investment-related or investment-return services, as well as for contracts where TLB performs investment activities that enhance the policyholders' benefits from insurance coverage. TLB's expense assumptions are based on the current level of expenses, adjusted for future expense inflation and the impact of known one-off projects (such as planned cost saving initiatives or projects to implement additional regulatory reporting requirements). In not-at-scale units, further adjustment is made to reflect a long-term scale of business.

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Critical judgements and estimates (continued)

Expense assumptions (continued)

When allocating the attributable expenses to groups of contracts, TLB leverages allocation approaches used for pricing or regulatory reporting. Where IFRS requires a greater level of granularity, additional allocation keys are applied that have been defined based on, for example, further expense studies. The expense inflation assumption is split into a financial component that is calibrated to market observables and a non-financial component that is set as an actuarial assumption. The non-financial component of the expense inflation assumption represents the estimated difference between general market inflation implied by the market and expense inflation that is specific to TLB's product characteristics. Some inflation assumptions do not include a financial component but are entirely set as an actuarial assumption, given that they are weakly correlated with general inflation indices and there is no hedge market for such rates.

Discount rates and other financial assumptions

TLB adjusts the estimated future cash flows of a group of contracts to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows. The discount rates applied to the estimates of the future cash flows:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- Are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

No implicit adjustments for non-financial risk are included in the discount rates, as the risk adjustment for non-financial risks is explicitly included in the fulfilment cash flows.

When determining the discount rates at the date of initial recognition of a group of contracts, TLB uses weighted-average discount rates over the period that contracts in that group are issued (i.e. six months).

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Critical judgements and estimates (continued)

Discount rates and other financial assumptions (continued)

IFRS explicitly mentions two calibration options for the discount rate, namely the 'top-down approach' and 'bottom-up' approach. TLB has generalized both approaches into a direct discounting technique in which discount rates are determined as the sum of the risk-free rate plus a percentage of the illiquidity premium (ILP). The ILP is an extra spread that an investor can earn by investing in a security that offers limited or no ability for the investor to exit the investment prior to its maturity. If an insurance liability is illiquid (meaning that the policyholder has limited or no ability to cash it in prior to maturity or contingency-base payment), the liability is discounted at a rate that includes an ILP because illiquid assets (earning an illiquidity premium) may be purchased to back or replicate that liability.

Risk-free yield curve

TLB has identified rate available in the USD markets that can be used as a basis for the risk-free yield curve, including Secured Overnight Funding Rates (SOFR) and US Treasury rates for USD. No adjustment is made to overnight swap rates and US Treasury rates, as the credit risk of these instruments is deemed negligible.

A full risk-free yield curve is derived by first interpolating between tenors for which market data is available, and then extrapolating the yield curve beyond market observable maturities. Discount rates converge linearly in 10 years to an ultimate forward rate. A uniform last liquid point for USD is set at 30 years. The ultimate forward rates reflect a long-term view on nominal interest rates and is set by management per currency, considering expected real interest rates and long-term inflation together with the current market environment. The ultimate forward rates have been reviewed as part of the annual Group economic assumptions update and revised to a common level of 3.45% effective Dec 31, 2023. (December 31, 2022: 3.50% for USD)

TLB reviews the risk-free last liquid point and ultimate forward rates quarterly which, although expected to be infrequent, may lead to assumption updates if there are significant changes in market conditions.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Risk-free yield curve (continued)

Yield curves (zero coupon rates excluding ILP) USD	December 31, 2023	1 year	5 years	10 years	15 years	20 years
		4.83%	3.89%	3.90%	4.00%	4.39%
Yield curves (zero coupon rates excluding ILP) USD	December 31, 2022	1 year	5 years	10 years	15 years	20 years
		4.97%	4.03%	3.83%	3.94%	4.31%

Illiquidity premium

TLB has set ILPs by coinsured and retained block which has resulted in 2 ILP curves. For each block, an ILP curve is constructed that is based on the market-observables returns on a reference portfolio of assets. The reference portfolio is based on the block's investment policy target mix of fixed interest securities and excludes alternative investments (such as equities and real estate investments)

To derive the ILP curve for respective block, market observable spreads are sourced and adjusted for expected and unexpected default losses. The ILP is based on the line of business reference portfolio and investment strategy.

The full ILP curve is derived by interpolating between the observable tenors and then extrapolating the yield linearly beyond the ILP last liquid point to the ultimate forward ILP. The last liquid point can be set separately for each duration bucket, or as a practical simplification, as a single point in time for the entire reference portfolio. The ultimate forward spread is set based on historical average spread adjusted for differences between the current and long-term asset mix and default risk.

TLB updates the reference portfolio quarterly, and the ILP last liquid point and ILP ultimate forward rate are revised accordingly.

ILP by portfolio

December 31, 2023	1 year	5 years	10 years	15 years	20 years	30 years
Coinsured Business	0.98%	0.98%	0.98%	0.98%	0.98%	1.08%
Retained Business	0.95%	0.95%	0.95%	0.95%	0.95%	1.01%

TRANSAMERICA LIFE (BERMUDA) LTD.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year ended December 31, 2023

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Illiquidity premium (continued)

ILP by portfolio

December 31, 2022	1 year	5 years	10 years	15 years	20 years	30 years
Coinsured Business	1.28%	1.28%	1.28%	1.28%	1.28%	1.07%
Retained Business	1.18%	1.18%	1.18%	1.18%	1.18%	0.98%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is included explicitly as a separate component of the fulfilment cash flows. It reflects the compensation that TLB requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as it fulfils insurance contracts.

The non-financial risks considered include mortality, morbidity, policyholder behavior, expense, and product specific operational risk. Non-financial risks that do not arise from the insurance contracts, such as general operational risk, are not reflected in the risk adjustment. The risk adjustment reflects both the risk that actual experience differs from the best estimate assumption used to project future cash flows due to mis-estimation (parameter risk), as well as the risk of random fluctuations around the true estimates (contagion risk).

Diversification benefits are recognized at the Company level. To align with market practice, TLB only reflects the degree of diversification between non-financial risks, and contrary to its pricing methodology, ignores diversification benefits between financial and non-financial risks. Diversification effects include the impact of reinsurance ceded, as well insurance contracts classified as held for sale.

TLB generally applies a simplified confidence interval technique which estimates the risk adjustment for non-financial risk using a confidence level (probability of sufficiency) approach at the 80th percentile. Under this approach, a probability distribution is assumed for each particular risk and the amount above the expected present value of future cash flows determined (using a shock factor). The impacts for each risk are then aggregated using a correlation matrix, reflecting diversification between the various non-financial risk types.

Changes in methods and inputs used to measure fulfilment cash flows

Actuarial assumptions are reviewed periodically in the fourth quarter, based on historical experience, observable market data, including market transactions such as acquisitions and reinsurance transactions, anticipated trends and legislative changes. Similarly, the models and systems used for determining our liabilities and reinsurance assets are reviewed periodically, and if deemed necessary, updated based on emerging best practice and available technology.

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)

Changes in methods and inputs used to measure fulfilment cash flows (continued)

TLB did not make any significant changes to the contract boundaries in the current reporting period, nor did it update the approaches used to determine the discount rate or estimate the risk adjustment for nonfinancial risk.

Relevant other significant judgements

In addition to the judgments and estimates made in measuring the fulfilment cash flows that are described above, other significant judgments are applied in determining:

- The relative weighting of coverage units when multiple services are provided;
- The non-distinct investment component, which is excluded from insurance revenue; and
- The adjustment for non-performance risk that is applied to reinsurance contracts held.

Weighting of coverage units

Often one single metric can be defined that captures multiple services provided under one contract. Different approaches are used by TLB when assessing the relative weighting of the benefits of different services. In some cases, the weighting is done in a way that directly flows from the composition of the benefits under the contract. For example, for a life insurance product with an account value that can be surrendered, coverage units can be based on the total death benefit as this amount comprises both the account value (investment service) and the excess death benefits (insurance service). In other cases, significant judgement is required.

Investment component

TLB reports insurance revenue and insurance service expenses excluding non-distinct investment components. An investment component is defined as the amount that an insurance contract requires TLB to repay to a policyholder, even if the insured event does not occur.

TLB determines the investment component, when a claim is incurred as an amount is released from the liability for remaining coverage. When doing so it considers which payments would have been possible immediately prior to the claims date. For example, a payment might have needed to be made to the policyholder in light of policy surrender, the uptake of a policy loan or the partial withdrawal, or the transfer of an insurance policy to another insurer. The investment component is defined net of any penalty or similar charges.

15. INSURANCE CONTRACTS, REINSURANCE CONTRACTS HELD (CONTINUED)*Adjustment to reinsurance contracts held for non-performance risk*

The non-performance risk by the reinsurer is based on TLB's credit exposure, net of collateral, and the perceived counterparty default risk. In assessing the credit exposure, TLB takes into account treaty provisions for non-performance, such as the automatic recapture of the reinsured business on default of the reinsurer.

When estimating a reinsurer's default risk, TLB considers the current financial condition and credit standing of the reinsurer, expert judgment specific to the local reinsurance market and historical data (such as Moody's Loss Given Default rates). The ultimate adjustment reflects the risk of potential reinsurance counterparty failure due to default (i.e. credit events), as well as disputes resulting in reduced payments and the potential for current conditions to change over time.

16. INTANGIBLE ASSETS

	Computer software <u>US\$'000</u>
Cost	
At January 1 2022	6,597
Additions	<u>1,288</u>
At December 31 2022	7,885
Additions	<u>496</u>
At December 31 2023	<u>8,381</u>
 Accumulated amortization	
At January 1 2022	(1,385)
Charge for the year	<u>(1,424)</u>
At December 31 2022	(2,809)
Charge for the year	<u>(1,575)</u>
At December 31 2023	<u>(4,384)</u>
 Net book value	
At December 31 2022	<u>5,076</u>
At December 31 2023	<u>3,997</u>

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

17. Right-of-use assets and Lease liabilities

This note provides information for leases where the Company is a lessee.

(i) Amounts recognized in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

	2023	2022
	US\$'000	US\$'000
Right-of-use assets		
Properties	3,577	4,917
Equipment	233	14
Leasehold improvements	242	-
	<u>4,052</u>	<u>4,931</u>
Lease liabilities		
Current lease liabilities	2,385	2,370
Non-current lease liabilities	1,839	3,099
	<u>4,224</u>	<u>5,469</u>

Additions to the right-of-use assets during the 2023 financial year were US\$1,204,000 (2022: US\$5,827,000).

(ii) Amounts recognized in the statement of profit or loss and other comprehensive income

	2023	2022
	US\$'000	US\$'000
Depreciation charge of right-of-use assets		
Properties	2,124	2,321
Equipment	57	4
Leasehold improvements	18	-
	<u>2,199</u>	<u>2,325</u>
Interest expense (included in finance cost)	<u>75</u>	<u>75</u>
Expense relating to short-term leases (included in operating expenses)	<u>-</u>	<u>-</u>

(iii) The Company's leasing activities and how these are accounted for

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

18. OTHER LIABILITIES

	2023	2022 (restated)
	US\$'000	US\$'000
Other payables	4,353	13,351
Accruals	3,698	3,743
	<u>8,051</u>	<u>17,094</u>

19. NET RECEIVABLE/(PAYABLE) TO RELATED COMPANIES

	2023	2022
	US\$'000	US\$'000
Receivable related to coinsurance agreement	15,167	78,371
Receivable related to service agreements	543	3,247
	<u>15,710</u>	<u>81,618</u>
Payable related to service agreements	<u>(1,125)</u>	<u>(3,909)</u>
	<u>(1,125)</u>	<u>(3,909)</u>

Amount receivables/payable to related companies are unsecured, interest free and repayable on demand.

20. RETIREMENT AND COMPENSATION PLANS

All Hong Kong full-time employees are eligible to participate in a defined contribution retirement plan to which both the Company and the employee contribute. The Company and employee contributions are calculated and accrued according to Mandatory Provident Fund Scheme rules or exempted Occupational Retirement Schemes Ordinance whichever is applicable. The Company's expense was US\$703,000 and US\$870,000 for 2023 and 2022, respectively.

As required by law, the Company makes contributions to the Singapore statutory pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognized as expense in the same period as the employment that gives rise to the contributions. The Company's expense was US\$267,000 and US\$237,000 for 2023 and 2022, respectively.

21. DIVIDENDS

The directors approved an interim dividend of US\$455,559,000 which was paid to TLIC in the year ending December 31, 2023.

The directors approved an interim dividend of US\$57,529,000 of which US\$54,118,000 was paid to TLIC and US\$3,411,000 to AIBV in the year ending December 31, 2022.

22. CONTINGENT LIABILITIES

As at December 31, 2023, the Company has undertaken a Letter of Credit with Landesbank HessenThüringen Girozentrale for policies ceded by a 3rd party insurer for an amount of US\$2,000,000. The Letter of Credit shall be automatically extended, without written amendment, to December 7 in each succeeding calendar year, unless with a written notice and be at least 90 calendar days after the date of written notification.

As at December 31, 2023, the Company has undertaken a Letter of Credit with Citi Bank, N.A. for policies ceded by a 3rd party insurer for an amount of US\$2,000,000. The Letter of Credit shall be automatically extended, without written amendment, to July 31 in each succeeding calendar year, unless with a written notice and be at least 60 calendar days after the date of written notification.

As at December 31, 2022, the Company has undertaken a Letter of Credit with Citi Bank, N.A. for policies ceded by a 3rd party insurer for an amount of US\$2,000,000. The Letter of Credit shall be automatically extended, without written amendment, to July 31 in each succeeding calendar year, unless with a written notice and be at least 60 calendar days after the date of written notification.

TRANSAMERICA LIFE (BERMUDA) LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 2023

23. RELATED PARTY TRANSACTIONS

Details of the material transactions with companies related to the Company were as follows:

	Notes	2023 US\$'000	2022 US\$'000
Transactions with fellow subsidiaries:			
Aegon USA Investment Management LLC			
Investments handling fee	(i)	1,276	7,122
Aegon Insights Limited			
Management fee	(iii)	(10)	(86)
Aegon Asia			
Management fee	(iii)	(129)	1,172
Aegon Asset Management			
Management fee	(iii)	(1)	(3)
Aegon Investment Management B.V.			
Investment handling fee	(iii)	-	319
Transamerica (Bermuda) SVC CTR			
Management fee	(iii)	503	321
MONEY SERVICES, INC.			
Other expense allocation transaction	(iii)	1,631	1,614
Transactions with ultimate holding company:			
Aegon Ltd.			
Management fee	(iii)	3,012	3,054
Transactions with immediate holding company:			
Transamerica Life Insurance Company ("TLIC")			
Coinsurance net income	(ii)	(893,833)	(30,183)
Investment handling fee	(iii)	-	(2,840)
Other expense allocation transaction	(iii)	1,356	2,255

TRANSAMERICA LIFE (BERMUDA) LTD.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2023

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (i) Aegon USA Investment Management, LLC charges a fee to manage the Company's assets. Fees are based on assets under management. The terms of the arrangement were agreed between the Company and its counterparty.
- (ii) Net coinsurance expense (income) with TLIC under a coinsurance agreement. The terms of the arrangement were agreed between the Company and its counterparty.
- (iii) Member companies in Aegon group have engaged in an Expenses Allocation Agreement (the "Agreement"). Expenses incurred that are allocable according to the Agreement are allocated through intercompany transactions. The terms of the arrangement were agreed between the Company and its counterparties.

24. EVENTS AFTER THE REPORTING PERIOD

The directors approved an interim dividend of US\$77,003,720 which was paid to TLIC on 17 Apr 2024.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on **23 APR 2024**