



The Board of Directors
HCOB Residual Value Ltd.
c/o Marsh Management Services (Bermuda) Ltd.
Power House
7 Par-la-Ville Road
Hamilton HM11

Attention: Davis Maranga

February 23, 2024

Reference: DCG/RR/cd 0.1991147.001

Subject: HCOB Residual Value Ltd.

Dear Recipient,

We enclose the Condensed General Purpose Financial Statements of HCOB Residual Value Ltd., for the year ended December 31, 2023. We draw your attention to Appendix A attached, which includes matters that the auditor is required to communicate to those charged with governance in accordance with generally accepted auditing standards.

Very truly yours,

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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Appendix A

As required by AU-C 260, 'The Auditor's Communication with Those Charged with Governance', we are writing to report the following significant matters which were identified as a consequence of our audit and that we, as the auditors of the Company, wish to draw to your attention.

We note that our requirement to report significant matters is restricted to include only those audit matters of governance interest that have come to our attention as a result of the performance of the audit.

An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

This appendix has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as this appendix has not been prepared for, and is not intended for, any other purpose.

<i>Matter to be communicated</i>	<i>Our response</i>
Relationships between PwC (or any affiliates of the Firm) and the Company (and its affiliates) and other matters that might reasonably be thought to bear on independence - We are required to report on relationships and other matters between the Company, its management and ourselves that may reasonably be thought to bear on our independence.	There were no relationships or other matters identified that might reasonably be thought to bear on independence.
Auditor's responsibility under Generally Accepted Auditing Standards – We are required to communicate our responsibility under generally accepted auditing standards. We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles. We are required to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. An audit is not designed to detect error or fraud that is immaterial to the financial statements. An audit is not designed to provide assurance on internal control or to identify material weaknesses. An audit does not relieve management or those charged with governance of their responsibilities.	These standards are discussed in the Company's engagement letter.

Appendix A (cont'd)

<i>Matter to be communicated</i>	<i>Our response</i>
<p>Audit scope and timing – We are required to communicate an overview of our planned audit scope and timing.</p>	<p>There has been no change in the scope of our audit since previously communicated on November 2, 2023 during our client planning meeting.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles, and the auditor’s judgment about the quality of accounting policies – We are required to communicate our views about qualitative aspects of the Company’s significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.</p>	<p>The Company’s accounting policies are in accordance with generally accepted accounting principles and are considered to be appropriate.</p> <p>During the year, we have not discussed with management any significant alternative treatments for accounting policies and practices.</p> <p>There were no significant changes in accounting policies from the prior year.</p> <p>We have not identified any other matters required to be communicated.</p>
<p>Management judgments and accounting estimates – We are required to communicate significant areas requiring the use of management judgments and accounting estimates and our conclusions regarding the reasonableness of those judgments and estimates.</p>	<p>The most significant area requiring the use of judgments and accounting estimates is IBNR.</p> <p>We have concluded that judgments and accounting estimates in this area are reasonable.</p>
<p>Audit Adjustments – All significant audit adjustments and uncorrected misstatements, individually or in the aggregate, should be communicated.</p>	<p>There were no significant audit adjustments arising from the audit.</p> <p>Additionally, there were no uncorrected misstatements aggregated by us during the audit that were determined by management to be immaterial, both individually and in the aggregate.</p>

Appendix A (cont'd)

<i>Matter to be communicated</i>	<i>Our response</i>
Potential effect on the financial statements of any significant risks and exposures – We are required to communicate the potential effect on the financial statements of any significant risks and exposures.	We are not aware of any significant risks and exposures, such as pending litigation, which could materially affect the financial statements.
Material uncertainties related to events and conditions that may cast doubt on the ability to continue as a going concern – We are required to communicate material uncertainties related to events and conditions that may cast doubt on the Company's ability to continue as a going concern.	We are not aware of any material uncertainties related to events and conditions that may cast doubt on the Company's ability to continue as a going concern.
Disagreements with management – We are required to communicate any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements, the effectiveness of internal control or our audit report.	There were no disagreements with management.
Consultation with other accountants – We are required to communicate when management has consulted with other accountants about significant accounting or auditing matters.	Management has advised us that they have not relied on consultations with other accounting firms regarding any significant accounting matters in 2023.
Significant issues discussed, or subject to correspondence, with management prior to retention – We are required to communicate any issues discussed.	No such issues were discussed with management.
Significant difficulties encountered during the audit – We are required to communicate any significant difficulties encountered.	No difficulties were encountered while performing our audit that are required to be communicated.
Fraud and illegal acts – We are required to communicate any irregularities, frauds or illegal acts involving senior management or that would cause a material misstatement to the financial statements.	No such matters came to our attention as a result of our audit procedures.

Appendix A (cont'd)

<i>Matter to be communicated</i>	<i>Our response</i>
Other material written communications – We are required to communicate other material written communications.	Other material written communications as part of our audit, include: <ul style="list-style-type: none">▪ Engagement letter▪ Management representation letter
Audit report – We are required to report any expected modifications to our audit report.	There were no modifications to our audit report.
Other matters – We are required to communicate any significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including the existence of any material weaknesses. We are also responsible, where applicable, for communicating particular matters required by laws or regulations.	We have not identified any other matters required to be communicated.



February 23, 2024

Report of Independent Auditors

To the Board of Directors of HCOB Residual Value Ltd.

Opinions

We have audited the accompanying condensed financial statements of HCOB Residual Value Ltd. (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2023 and December 31, 2022, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the "condensed financial statements").

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 31, 2022, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and December 31, 2022, or the results of its operations for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the condensed financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.



Responsibilities of management for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the condensed financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the condensed financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the condensed financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the condensed financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Private Home Coopers Ltd.

Chartered Professional Accountants

CONDENSED CONSOLIDATED BALANCE SHEET

HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**

expressed in \$ **United States Dollars**

LINE No.		2023	2022
1.	CASH AND CASH EQUIVALENTS	4,936,860	4,882,950
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates	-	-
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection		
(b)	Deferred - not yet due		
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS		

CONDENSED CONSOLIDATED BALANCE SHEET

HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**

expressed in \$ **United States Dollars**

LINE No.		2023	2022
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs	38,690	62,011
(g)	Net receivables for investments sold		
(h)	Other Sundry Assets (Specify)		
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	38,690	62,011
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	4,975,550	4,944,961
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	356,298	545,315
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	356,298	545,315
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	147,430	147,430
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	147,430	147,430
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	503,728	692,745
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**

expressed in \$ **United States Dollars**

LINE No.		2023	2022
(d)	Total Net Long-Term Business Insurance Reserves	-	-
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE		
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES		
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	30,544	45,324
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments		
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**expressed in \$ **United States Dollars**

LINE No.		2023	2022
38.	TOTAL OTHER LIABILITIES	30,544	45,324
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	534,272	738,069
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	4,441,278	4,206,892
41.	TOTAL	4,975,550	4,944,961
		TRUE	TRUE

CONDENSED CONSOLIDATED STATEMENT OF INCOME

HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**
expressed in \$ **United States Dollars**

LINE No.	2023	2022
GENERAL BUSINESS UNDERWRITING INCOME		
1. GROSS PREMIUMS WRITTEN		
(a) Direct gross premiums written		
(b) Assumed gross premiums written		
(c) Total gross premiums written	-	-
2. REINSURANCE PREMIUMS CEDED		
3. NET PREMIUMS WRITTEN	-	-
4. INCREASE (DECREASE) IN UNEARNED PREMIUMS	189,018	108,548
5. NET PREMIUMS EARNED	189,018	108,548
6. OTHER INSURANCE INCOME		
7. TOTAL GENERAL BUSINESS UNDERWRITING INCOME	189,018	108,548
GENERAL BUSINESS UNDERWRITING EXPENSES		
8. NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	-	(44,016)
9. COMMISSIONS AND BROKERAGE	23,321	12,660
10. TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	23,321	(31,356)
11. NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	165,697	139,904
LONG-TERM BUSINESS INCOME		
12. GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
(a) Direct gross premiums and other considerations		
(b) Assumed gross premiums and other considerations		
(c) Total gross premiums and other considerations	-	-
13. PREMIUMS CEDED		
14. NET PREMIUMS AND OTHER CONSIDERATIONS:		
(a) Life		
(b) Annuities		
(c) Accident and health		
(d) Total net premiums and other considerations	-	-
15. OTHER INSURANCE INCOME		
16. TOTAL LONG-TERM BUSINESS INCOME	-	-
LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17. CLAIMS - LIFE		
18. POLICYHOLDERS' DIVIDENDS		
19. SURRENDERS		
20. MATURITIES		
21. ANNUITIES		
22. ACCIDENT AND HEALTH BENEFITS		
23. COMMISSIONS		
24. OTHER		
25. TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-
26. INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
(a) Life		
(b) Annuities		
(c) Accident and health		
(d) Total increase (decrease) in policy reserves	-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**
expressed in \$ **United States Dollars**

LINE No.	2023	2022
27. TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28. NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	<u>-</u>	<u>-</u>
29. COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	<u>165,697</u>	<u>139,904</u>
UNDERNOTED ITEMS		
30. COMBINED OPERATING EXPENSE		
(a) General and administration	147,225	139,163
(b) Personnel cost		
(c) Other		
(d) Total combined operating expenses	<u>147,225</u>	<u>139,163</u>
31. COMBINED INVESTMENT INCOME - NET	<u>234,625</u>	<u>70,777</u>
32. COMBINED OTHER INCOME (DEDUCTIONS)		
33. COMBINED INCOME BEFORE TAXES	<u>253,097</u>	<u>71,518</u>
34. COMBINED INCOME TAXES (IF APPLICABLE):		
(a) Current		
(b) Deferred		
(c) Total	<u>-</u>	<u>-</u>
35. COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	253,097	71,518
36. COMBINED REALIZED GAINS (LOSSES)		
37. COMBINED INTEREST CHARGES		
38. NET INCOME	<u>253,097</u>	<u>71,518</u>

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS
HCOB RESIDUAL VALUE LTD.

As at **December 31, 2023**
 expressed in \$ **United States Dollars**

LINE No.		2023	2022
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares	120,000	120,000
	authorized	120,000	
	value	\$ 1,000	
	fully paid	120,000	
		shares of par	
		each issued and	
		shares	
	(ii)		
	(A) Preferred shares:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2023		
	2022		
	(B) Preferred shares issued by a subsidiary:		
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2023		
	2022		
	(iii) Treasury Shares		
	repurchased		
	value		
		shares of par	
		each issued	
(b)	Contributed surplus	4,880,000	4,880,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	5,000,000	5,000,000
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	(793,108)	(881,990)
(b)	Add: Income for the year	253,097	71,518
(c)	Less: Dividends paid and payable		
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus	(18,711)	17,364
(f)	Surplus - End of Year	(558,722)	(793,108)
3.	MINORITY INTEREST		
4.	TOTAL CAPITAL AND SURPLUS	4,441,278	4,206,892

**NOTES TO CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL
STATEMENTS**

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

1. HCOB Residual Value Ltd. (the "Company") was incorporated under the laws of Bermuda on July 17, 2006. The Company is a wholly owned subsidiary and is ultimately controlled by Hamburg Commercial Bank AG.
2. The Company is a registered Class 3A Direct Insurer Company whose sole activity is to write residual value insurance business on U.S. commercial real estate financings. In 2009, the Company decided to discontinue its US real estate business. No new policies will be issued and the existing policies will run off.
3. These condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America ("US GAAP"). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:
 - The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016;
 - Statement of Cash Flows or equivalent is not included; and
 - Certain disclosures required by US GAAP are not included.

The effects of the foregoing variances from US GAAP on the accompanying condensed general purpose financial statements have not been determined, but are presumed to be material.

4. The following are significant accounting policies adopted by the Company.
 - a. Cash and cash equivalents
Cash and cash equivalents include cash, money market funds and all highly liquid debt instruments with an original maturity of less than ninety days when purchased. The carrying amount approximates fair value.
 - b. Premiums
Premiums assumed are recorded on an accrual basis and are included on a pro-rated basis over the life of the policies with the unearned portion deferred on the balance sheet.
 - c. Losses and loss adjustment expenses
The provision for losses and loss expenses represents estimates of the ultimate net cost of incurred losses, including a provision of development of reported losses and for claims incurred but not reported based on recommendation of an independent actuary using the past loss experience of the company and industry data. Management believes, based on the recommendations of the independent actuary, that this provision will be accurate to cover the ultimate net cost of losses incurred to the balance sheet date, but the provision is necessarily an estimate and may be ultimately settled for a significant greater or less amount. It is at least reasonably possible that management will revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.
 - d. Investment Income
Interest income comprises interest on cash held in money market funds. Investment income is recognized on an accrual basis.
 - e. Use of estimates
US Generally Accepted Accounting Principles require management to make estimates and assumptions that affect the amount reported in the financial statement and accompanying notes. Actual results may differ from estimates.

5. Premiums assumed are recorded on an accrual basis and are included on a pro-rated basis over the life of the policies with the unearned portion deferred on the balance sheet.
Commission Income N/A
Investment Income is recognized on an accrual basis.
6. N/A.
7. N/A
8. N/A
9. N/A
10. N/A.
11. N/A
12. N/A
13. We are aware of the Bermuda Corporate Income Tax Legislation enacted in 2023, however, we have not commenced analysis to determine the impact on the company, therefore the Condensed Financial Statements are not reflective of the impact of this legislation, to the Company. However, the impact is not expected to be material.
14. N/A
15. The Company has access to an unlimited parental guarantee from its parent, Hamburg Commercial Bank AG (Parent). The Parental Guarantee is in the form of a "Harte Patronatsertlaerung" (Letter of Comfort), a German legal mechanism by which the Parent is obligated to ensure that the Company is financially equipped so that it can meet its obligations which have been entered into during Hamburg Commercial Bank AG's shareholding in HCOB Residual Value Ltd. as and when they fall due. The BMA's approval dated January 2, 2007 for the Company's \$5,000,000 parental guarantee to be included as a relevant asset was revoked effective August 31, 2018. In the event the Company will require an approval going forward in order to meet the liquidity requirement, the Company will need to make an application to the BMA for the same. Currently, the Company does not require the parental guarantee to meet its liquidity requirements.
16. N/A
17. Restricted assets supporting current liabilities \$Nil (2022: \$Nil).

Matters to be set forth in Notes to the Consolidated Statement of Capital and Surplus

- 1(a) Capital Stock
The Company's Authorized share capital is \$120,000 (2022-\$120,000) divided into 120,000 common shares of par value \$1; 120,000 shares issued and fully paid.
- 1(b) Contributed surplus
N/A
- 1(c) N/A
- 2(c) N/A

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

1. Cash and cash equivalents
The Company considers cash funds readily convertible into cash, including money market funds, as equivalent to cash. There is no encumbrance on cash or cash equivalents.
2. Quoted investments
N/A
3. Unquoted investments
N/A
4. Investment in and advances to affiliates
N/A
5. Investments in mortgage loans on real estate
N/A
6. Policy loans
N/A
7. Real estate
N/A
8. Collateral loans
N/A
9. Investment income due and accrued
N/A
10. Accounts and premiums receivable
N/A
11. Reinsurance balances receivable
N/A
12. Funds held by ceding reinsurers
N/A
13. Sundry assets
Deferred acquisition costs represent the portion of the costs of acquiring insurance that will be expensed in the future. The costs of acquiring insurance are expensed on a pro rata basis over the term of the policies to which they relate.
14. Letters of credit, guarantees and other
N/A
16. Unearned premium reserve
Premiums assumed are recorded on an accrual basis and are included on a pro-rated basis over the life of the policies with the unearned portion deferred on the balance sheet.

17. Loss and loss expense provisions

	2023	2022
	\$	\$
Gross Loss and Loss expense provision at beginning of year	147,430	191,446
Less: Reinsurance recoverable at beginning of year	-	-
Net loss expense provision at beginning of year	<u>147,430</u>	<u>191,446</u>
Losses incurred related to:		
Current year	-	-
Prior years	-	(44,016)
Total incurred net incurred losses and Loss expenses	<u>-</u>	<u>(44,016)</u>
Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	-	-
Total losses and loss expenses paid or payable	<u>-</u>	<u>-</u>
Foreign exchange and other	-	-
Net Loss and loss expense provision at end of year	<u>147,430</u>	<u>147,430</u>
Add Reinsurance recoverable at end of year	-	-
Gross Loss and Loss expense provision at end of year	<u><u>147,430</u></u>	<u><u>147,430</u></u>

Movement on prior year loss and loss expense provisions arises due to the reassessment of incurred but not reported (IBNR) loss estimates on policies written before the company entered run off in 2009, primarily driven by changes in US property prices. No additional premiums are accrued as a result of these changes.

The \$147,430 (2022: \$147,430) of carried reserves are unsecured with no asset set aside to support the obligation.

- 20. Reserves for reported claims
N/A
- 21. Reserves for unreported claims
N/A
- 22. Policy reserves – life
N/A
- 23. Policy reserves accident and health
N/A
- 24. Policyholders’ funds on deposit
N/A
- 25. Liability for future policyholders’ dividends
N/A
- 26. Other insurance reserves - long term
N/A
- 27. Total long-term business insurance reserves
N/A
- 28. Insurance and reinsurance balances payable
N/A

- 29. Commissions, expenses, fees and taxes payable
N/A
- 30. Loans and notes payable
N/A
- 31. Income taxes payable
N/A
- 32. Amounts due to affiliates
N/A
- 33. Accounts payable and accrued liabilities
Accounts payable and accrued liabilities are the expenses incurred in the current period that are yet to be settled.
- 34. Funds held under reinsurance contracts
N/A
- 35. Dividends payable
N/A
- 36. Sundry liabilities
N/A
- 37. Letters of credit, guarantees and other instruments
N/A

Matters to be set forth in Notes to the Consolidated Statement of Income

- 6. Other insurance income
N/A
- 15. Other insurance income
N/A
- 32. Combined other income (deductions)
N/A
- 36. Combined realized gains (loss)
N/A