Decart Re Ltd.
(Incorporated in Bermuda)

Independent Auditor's Report on the financial statements

Year ended December 31, 2023

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Independent Auditor's Report on the financial statements

Year ended December 31, 2023
(expressed in U.S. dollars)

To the Shareholder
Decart Re Ltd.

We have audited the accompanying financial statements of Decart Re Ltd., which comprise the balance sheet as at December 31, 2023 and the statement of changes in shareholder's equity, income statement and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements were approved by the Board of Directors on August 8, 2024 based on information available at that date.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Decart Re Ltd. as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Neuilly-sur-Seine, August 12, 2024

PricewaterhouseCoopers Audit

Ridha Ben Chamek

Decart Re Ltd.
(Incorporated in Bermuda)

Financial Statements
December 31, 2023
(expressed in U.S. dollars)

Decart Re Ltd.

Balance Sheet

As at December 31, 2023

(expressed in U.S. dollars)

	2023	2022 (restated)
	$	$
Assets		
Cash and cash equivalents	1,102,235	775,613
Derivative balance receivable (Note 4)	6,893,201	14,144,535
Segregated account assets (Notes 4, 8, 12)	214,304,792	396,694,300
Prepaid expenses	27,191	-
	222,327,419	411,614,448
Liabilities		
Accounts payable and accrued liabilities	220,064	128,700
Segregated account liabilities (Note 4, 8, 12)	214,272,532	396,641,087
Derivative balance payable (Note 4)	6,893,201	14,144,535
	221,385,797	410,914,322
Shareholder's equity		
Share capital (Note 6)	1,450,000	1,450,000
Share premium	125,000	125,000
Accumulated deficit	(633,378)	(874,874)
	941,622	700,126
	222,327,419	411,614,448

Approved by the Board of Directors

DocuSigned by:
Louise Charleson
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_________________________ Director

_________________________ Alternate Director

The accompanying notes are an integral part of these financial statements.

Decart Re Ltd.

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2023

(expressed in U.S. dollars)

	Share capital $	Share premium $	Accumulated deficit $	Total $
Balance at December 31, 2021	950,000	125,000	(615,173)	459,827
Share Capital issued and paid	500,000	-	-	500,000
Net result			(259,701)	(259,701)
Balance at December 31, 2022	1,450,000	125,000	(874,874)	700,126
Net result			241,496	241,496
Balance at December 31, 2023	1,450,000	125,000	(633,378)	941,622

The accompanying notes are an integral part of these financial statements.

Decart Re Ltd.

Income Statement

For the year ended December 31, 2023

(expressed in U.S. dollars)

	2023 $	2022 (restated) $
Revenue		
Segregated account gain/(loss) (Note 8)	(81,749)	30,638
Other income (Note 7, 9)	632,461	(54,387)
Change in fair value of derivative assets	8,795,688	218,234
Change in fair value of derivative liabilities	(8,795,688)	(218,234)
Total operating (loss)/income	550,712	(23,749)
Expenses		
General and administrative expenses	(240,507)	(193,923)
Other expenses (Note 9)	(68,709)	(42,029)
Net result	241,496	(259,701)
Accumulated deficit, beginning of year	(874,874)	(615,173)
Accumulated deficit, end of year	(633,378)	(874,874)

The Company does not have any Other Comprehensive Income

The accompanying notes are an integral part of these financial statements.

Decart Re Ltd.

Statement of Cash Flows

For the year ended December 31, 2023

(expressed in U.S. dollars)

	2023 $	2022 (restated) $
Cash flows from operating activities		
Net result for the year	241,496	(259,701)
Adjustments to reconcile net income to net cash used in operating activities:		
Accounts payable and accrued liabilities	91,364	(12,080)
Prepaid expenses	(27,191)	-
Change in fair value of segregated account liabilities	(182,368,555)	(116,382,795)
Fair value adjustment derivative liabilities	(7,251,334)	(11,158,225)
Change in fair value of segregated account assets	182,389,508	116,268,584
Fair value adjustment derivative assets	7,251,334	11,158,225
Net cash used by operating activities	326,622	(385,992)
Cash flows from financing activities		
Issuance of shares	-	500,000
Net cash from financing activities	-	500,000
Increase/(Decrease) in cash and equivalents	326,622	114,008
Cash and cash equivalents - beginning of year	775,613	661,605
Cash and cash equivalents - end of year	1,102,235	775,613

The accompanying notes are an integral part of these financial statements.

1. The Company and its activities

Decart Re Ltd. (the "Company") was incorporated on February 14, 2008, under the laws of Bermuda and is licensed as a Class C Long term Insurer under the Insurance Act, 1978 of Bermuda and related regulations effective May 5, 2008 and is also registered under the Segregated Accounts Companies Act, 2000 ("SAC Act") as amended, effective May 8, 2008.

The Company is a wholly-owned subsidiary of BNP Paribas SA ("BNPP"). BNPP is a French société anonyme registered with the Registre du Commerce et des Sociétés in Paris under number 662 042 449, licensed to conduct banking operations under the Monetary and Financial Code (Code Monétaire et Financier, Livre V, Titre 1er).

The activity of the Company is generally to provide reinsured parties with life reinsurance coverage in respect of selected risks arising from selected books of life insurance policies written under the reinsured parties' variable annuities policies' programs.

To mitigate both mortality and non-mortality risks, the Company enters simultaneously into swaps transactions and/or reinsurance contracts.

The Company currently has four active segregated accounts, formed under the provisions of the SAC Act; "Cell Green 2", "Cell Red", "Cell Purple" and "Cell Turquoise". Cell Turquoise was formed on July 20, 2022.

2. Basis of preparation

These financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Standing Interpretations Committee. They have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, which are recognized at fair value through profit and loss in accordance with IFRS 9 "Financial Instruments" and insurance contracts which are recognized in accordance with IFRS 17 "Insurance Contracts".

The financial statements incorporate the financial statements of the General Account of the Company and the segregated accounts controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Company did not early adopt any standards, amendments to published standards or interpretations.

2.1 Changes in accounting policies and disclosures

2.1.1. IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023.

The Company has restated comparative information for 2022 applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

(a) Changes to classification, measurement
The adoption of IFRS 17 changed the classification of certain insurance contracts of the Company's.

The Company was previously permitted under IFRS 4 to remeasure its Insurance Contracts to reflect current market interest rates and recognizes changes in the liabilities relating to the Insurance Contracts in the Income Statement. However, IFRS 17 establishes specific principles for the recognition and measurement of Insurance Contracts issued and Reinsurance Contracts held by the Company.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 3.

(b) Changes to presentation and disclosure

With the introduction of IFRS 17, "Insurance Contract Assets" and "Insurance Contract Liabilities" that were previously not required to be presented by the Company as the Company classified all Insurance Contracts under fair value are now presented in Note 8.

(c) Transition

On transition date, 1 January 2022, the Company has identified, recognized and measured its insurance contracts by applying the fair value approach as obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.

The Company has determined the contractual service margin (CSM) of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. The fair value of the group of insurance contracts was equal to the fulfilment cash flows at that date, as a result the CSM was nil. In determining fair value, the Company has applied the requirements of IFRS 13 Fair Value Measurement.

There was no impact on the Company's Shareholders' equity due to the transition.

2.1.2. IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments": IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement", related to the classification and measurement of financial instruments. It sets out that the classification and measurement of financial instruments should based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment should be based on an expected loss model; and hedge accounting should incorporate the risk management practices of an entity. As permitted under IFRS 9, the Company has elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9.

3. Significant accounting policies

Outlined below are the significant accounting policies adopted by the Company:

3.1 Cash and cash equivalents

Cash and cash equivalents represent cash held in current accounts with BNP Paribas Group. The carrying amount approximates fair value.

3.2 Investment income

Investment income is comprised of interest income on cash and cash equivalents.

3.3 Derivative and insurance contracts

(a) **Derivative instruments**
Derivative instruments are measured based on their market value when the instrument is traded on a listed market. In the absence of any listed markets, financial instruments are measured based on BNP Paribas Group in-house models. For certain instruments, valuation parameters other than directly accessible listed prices are determined based on the prices of instruments traded on active markets, while for others they are based on statistical estimates or other quantitative methods. See Note 4 for further analysis of fair valuation of financial instruments.

(i) **Classification**
The derivative contracts are classified as financial assets or liabilities at fair value through profit or loss, which are designated at inception. Financial assets and financial liabilities designated at fair value through profit or loss at inception are

those that are managed and their performance evaluated on a fair value basis in accordance with the BNP Paribas Group valuation techniques.

(ii) **Recognition**
Financial assets and liabilities at fair value through profit or loss are recognized when the General Account or segregated cell becomes party to the contractual provisions of the instrument. Recognition takes place on the date on which the exposure period for each individual instrument commences.

(iii) **Measurement**
At initial recognition, financial asset and liability are measured at fair value. Transaction costs on financial asset and liability at fair value through profit or loss are expensed as incurred in the income statement.

Subsequent to initial recognition, financial asset and liability at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in profit or loss for the period in which they arise.

(iv)**De-recognition**
Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the General Account or segregated cell has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expires. When the risk exposure period is complete, the income or expense is recognized in realized gains or losses on the income statement.

(v) **Offsetting**
Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

(b) **Insurance contracts**

(i) **Classification**
The Company classifies all contracts of insurance or reinsurance that transfer a significant amount of mortality or morbidity risk as insurance contracts in the financial statements. Contracts which do not transfer a significant amount of morbidity or mortality risk are considered to be financial instruments.

(ii) **Recognition**

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date
- for a group of onerous contracts, when the group becomes onerous

(iii) **Measurement**

IFRS 17 provides a consistent accounting model for all insurance contracts. The basic approach consists in applying the general model.

The general model measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A CSM representing the unearned profit the Company will recognise as it provides insurance contract services under the insurance contracts in the group

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions. This cash flow estimation should reflect the different possible scenarios and the effect of the options and guarantees included in the contracts within the limit or "contract boundary". The determination of this contract boundary requires an analysis of the rights and obligations arising from the contract and, in particular, of the insurer's ability to change its price to reflect the risks.

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in the Income Statement, because it relates to future service to be provided.

The release of expected fulfillment flows (cash flow estimates and risk adjustments) for the period, is recorded in insurance service results. The change in estimates related to past service is recognised in insurance service results. The change in the adjustment for non-financial risk is recognised in its entirety in the insurance service result.

In addition to the general model, the standard authorises simplified measurement model ("Premium Allocation Approach – PAA") under certain circumstances. Short-term contracts (less than one year) may be measured using a simplified approach known as the premium allocation approach, also applicable to longer-term contracts if it leads to results similar to those of the general model in terms of liability for the remaining coverage. For such contracts, the liability for the remaining coverage is measured based on the deferral of premiums collected according to a logic similar to that used under IFRS 4.

The assets, liabilities, gains and losses of the contract are re-measured at year end and recognized within the segregated account assets and liabilities lines on the balance sheet to distinguish them from other assets, liabilities, gains and losses held in the General Account.

(iv) **De-recognition**

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired) Or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

3.4 Scope of IFRS 17 Transactions

(i) **Inward contracts under IFRS 17**

The Company accepts business from life insurance companies under inward contracts. As of January 1, 2022, certain contracts were assessed to embed a material transfer of insurance risk to the Company and were classified as insurance contracts under IFRS 4. These contracts were measured using the provisions of IFRS 4.24, which justified a "fair value" measurement approach.

With the transition to IFRS 17, these contracts are now within the scope of IFRS 17 due to the significant transfer of insurance risk. The financial and insurance elements of these contracts are accounted for under IFRS 17.

The default accounting model applied is the "general model", as the variable fee approach (VFA) and the simplified accounting model for short-duration contracts are not applicable to these contracts. The VFA is not applicable to reinsurance contracts (per IFRS 17.B109), and the financial features embedded in these treaties preclude the use of the simplified approach.

(ii) **Inward contracts under IFRS 9**
Inward Contracts that do not embed a material transfer of insurance risk remain classified as derivative contracts under IFRS 9. These contracts will continue to be accounted for as financial instruments within the scope of IFRS 9.

(iii)**Outward Contracts**
The Company retrocedes the insurance risk embedded in its inwards contracts through outward contracts. These outward contracts were previously classified as insurance contracts under IFRS 4 and will continue to be classified as insurance contracts under IFRS 17. The general model (Building Block Approach or "BBA") is applicable to ceded reinsurance under IFRS 17, as the VFA does not apply to reinsurance contracts, and the Premium Allocation Approach ("PAA") is only an option if the coverage period is 12 months or less.

Although the general model is the primary choice, these outward contracts include an early termination clause at the Company's discretion, subject to a 3-month notice period. This clause defines the boundary of the projected cash flows and allows for the application of the Premium Allocation Approach – PAA for these contracts.

3.5 Foreign currency

(iv)**Functional and presentation currency**
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in U.S. dollars.

(v) **Transactions and balances**
Foreign currency transactions are translated into the functional currency at the year-end exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

4. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets held by the general or segregated accounts is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used for non-standardised financial instruments such as options and total return swaps, include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the segregated accounts hold.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data, including the Company's own assumptions in determining the fair value of investments.

The Company classifies the fair value estimates of their derivative instruments and insurance contracts under Level 3 as the fair value is determined using an internal model with some non-observable inputs.

(expressed in U.S. dollars)

The following table presents the Company's assets and liabilities measured at fair value at December 31, 2023:

	2023			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	$	$	$	$
Assets				
General account:				
Derivative assets	-	-	6,893,201	6,893,201
Segregated account:				
Derivative assets	-	-	214,177,041	214,177,041
Total assets	-	-	221,070,242	221,070,242
Liabilities				
General account:				
Derivative liabilities	-	-	6,893,201	6,893,201
Segregated account:				
Derivative liabilities	-	-	228,180,131	228,180,131
Total liabilities	-	-	235,073,332	235,073,332

(expressed in U.S. dollars)

The following table presents the Company's assets and liabilities measured at fair value at December 31, 2022:

	2022 (restated)			
	Fair value Level 1	**Fair value Level 2**	**Fair value Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
General account:				
Derivative assets	-	-	14,144,535	14,144,535
Segregated account:				
Derivative assets	-	-	396,616,758	396,616,758
Total assets	-	-	410,761,293	410,761,293
Liabilities				
General account:				
Derivative liabilities	-	-	14,144,535	14,144,535
Segregated account:				
Derivative liabilities	-	-	422,717,420	422,717,420
Total liabilities	-	-	436,861,955	436,861,955

The following table presents the Company's assets and liabilities measured at fair value as at December 31, 2023:

(expressed in U.S. dollars)

	2023			
	Opening balance	**Changes in fair value**	**Gains & losses recognised in OCI**	**Closing balance**
	$	**$**	**$**	**$**
Assets				
General account:				
Derivative assets	14,144,535	(7,251,334)	-	6,893,201
Segregated account:				
Derivative assets	396,616,757	(182,439,717)	-	214,177,041
Total assets	410,761,292	(189,691,051)	-	221,070,242
Liabilities				
General account:				
Derivative liabilities	14,144,535	(7,251,334)	-	6,893,201
Segregated account:				
Derivative liabilities	422,751,507	(194,571,376)	-	228,180,131
Total liabilities	436,896,042	(201,822,710)	-	235,073,332

The following table presents the Company's assets and liabilities measured at fair value as at December 31, 2022:

(expressed in U.S. dollars)

	2022 (restated)			
	Opening balance $	**Changes in fair value** $	**Gains & losses recognised in OCI** $	**Closing balance** $
Assets				
General account:				
Derivative assets	25,302,760	(11,158,225)		14,144,535
Segregated account:				
Derivative assets	405,797,141	(9,180,383)		396,616,758
Total assets	431,099,901	(20,338,608)	-	410,761,293
Liabilities				
General account:				
Derivative liabilities	25,302,760	(11,158,225)		14,144,535
Segregated account:				
Derivative liabilities	512,901,862	(90,184,442)		422,717,420
Total liabilities	538,204,622	(101,342,667)	-	436,861,955

As the derivative instruments and certain insurance contracts classified as financial instruments are valued using non-observable inputs, the amounts relating to these contracts are classified within Level 3.

Regarding the back-to-back transactions, market risk can be estimated as zero since there is no retained risk, and no value adjustment is thus necessary.

IFRS 13 requires the Company to disclose information regarding sensitivity to changes in unobservable inputs. The Company's sensitivity to unobservable inputs are limited to the unobservable parameters that are used in the valuation of the back-to-back transactions which are mainly mortality and lapse rates.

5. Risk management

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Part of the derivative contracts entered into by the

Company are denominated in foreign currencies resulting in an exposure to potential fluctuations in foreign currency.

(b) **Interest rate risk**
Interest rate risk is the exposure to various risks associated with the effect of fluctuation in the prevailing interest rates on the general or segregated accounts' financial position and cash flows. Management assesses that there is no risk of significant losses occurring due to interest rate fluctuations.

(c) **Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

(d) **Liquidity risk**
Liquidity risk is the risk that the Company and its segregated cells will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

(e) **Market risk**
The Company and its segregated cells, in the normal course of its investing and trading activities, may enter into transactions in financial instruments based on expectations of future market movements and conditions. These transactions usually have market risk.

(f) **Price risk and price sensitivity**
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

Management manages its exposures to market price or price sensitivity risk arising from its investments in the derivative contracts.

(g) **Capital risk management**
The Company's objective when managing its capital is to maintain an appropriate amount to support its operations. The Company also monitors its capital in the context of its working capital relative to its ongoing liquidity requirements to safeguard the entity's ability to continue as a going concern, to honour any insurance obligations when they arise, and to provide returns for the shareholder.

The Company regularly updates its near term and long term financial projections to consider the latest available market data in order to preserve the desired capital structure.

The Company may adjust the amount of dividends paid to the shareholder, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Company's objective is to minimise capital exposure by entering only into transactions which are fully hedged, are backed by guarantees or are reinsured.

(h) **Insurance risk management**

The Company offers term life as well as life reinsurance contracts. The main risks that the Company is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The objective of the Company is to ensure that insurance risks and non-insurance risks are completely mitigated through derivative transactions and/or reinsurance contracts.

As of December 31, 2023, the insurance risk exposure is completely offset by the use of outwards reinsurance arrangements. All financial and liquidity risks relating to the Insurance Contracts are completely offset by the use of derivatives. This offset ensure that the sensibility of the profit and loss and of Equity, to financial and insurance parameters stays remote on a net basis.

The nature of the Company's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

(expressed in U.S. dollars)

6. Share capital

	2023 $	2022 $
Common shares		
Authorized share capital par value $1.00 each	1,450,000	1,450,000
Issued and fully paid common shares	1,450,000	1,450,000
Total common share capital	1,450,000	1,450,000

Since 2008, the Company had issued 950,000 common shares of $1.00 par value bringing the share capital to $950,000. On June 6, 2022, the Company created and issued an additional 500,000 common shares of $1.00 par value bringing the total share capital to $1,450,000.

The excess of the proceeds over the par value of the issued share capital ($0.50 on 250,000 shares) is recorded as a share premium account for $125,000.

7. Related party transactions

BNPP has provided a number of guarantees on behalf of the Company which are summarized as follows:

Guarantees have been provided for the benefit of the Reinsured to secure all amounts due and payable by the Company arising out of any failure to comply with its contractual obligations.

Guarantees have been provided for the benefit of a Reinsurer to guarantee all amounts due and payable by the Company arising out of any failure to comply with its contractual obligations under the mortality hedging contracts.

8. Segregated accounts

8.1 General account and segregated account

As at December 31, 2023, the Company has four active segregated accounts, Cell Green 2, Cell Purple, Cell Red and Cell Turquoise. Assets and liabilities held in the segregated accounts are directly related to the certain contracts with a Japanese counterparty and the associated derivative contracts with BNPP.

The following table shows the split between the General Account, Cell Green 2, Cell Purple, Cell Red and Cell Turquoise, as of December 31, 2023.

(expressed in U.S. dollars)

	General Account $	Cell Green 2 $	Cell Purple $	Cell Red $	Cell Turquoise $
Assets					
Cash and cash equivalents	1,102,235	117,461	3,513	6,777	-
Derivative balance receivable	6,893,201	204,270,951	3,646,044	4,622,690	1,637,357
Prepaid expenses	27,191				
Total	8,022,627	204,388,412	3,649,557	4,629,467	1,637,357
Liabilities					
Accounts payable and accrued liabilities	220,064	-	-	-	-
Derivative balance payable	6,893,201	218,322,858	3,633,464	4,588,421	1,635,388
Insurance contract liabilities	-	(14,062,149)	12,580	33,243	1,754
Cash and cash equivalents	-	49,733	128	-	57,112
Member's equity	941,622				
Total	8,054,887	204,310,442	3,646,172	4,621,664	1,694,254

(expressed in U.S. dollars)

The following table shows the split between the General Account, Cell Green 2, Cell Purple, Cell Red and Cell Turquoise, as of December 31, 2022 (restated).

	General Account $	Cell Green 2 $	Cell Purple $	Cell Red $	Cell Turquoise $
Assets					
Cash and cash equivalents	775,613	63,373	6,772	7,397	-
Derivative balance receivable	14,144,535	387,725,852	3,132,127	4,574,079	1,184,700
Insurance contract assets	-	-	-	-	-
Total	14,920,148	387,789,225	3,138,899	4,581,476	1,184,700
Liabilities					
Accounts payable and accrued liabilities	128,700	17,756	9,177	7,155	-
Derivative balance payable	14,144,535	413,889,664	3,126,591	4,516,466	1,184,700
Insurance contract liabilities	-	(26,171,741)	5,535	55,784	-
Member's equity	700,126	-	-	-	-
Total	14,973,361	387,735,679	3,141,303	4,579,405	1,184,700

(expressed in U.S. dollars)

8.2 Balance sheet and income statement of the Segregated Accounts

Assets and liabilities of the Segregated Accounts are as follows:

	2023	2022 (restated)
	$	$
Assets		
Derivative balance receivable	214,177,041	396,616,757
Cash and cash equivalents	127,752	77,542
Total assets	214,304,793	396,694,300
Liabilities		
Derivative balance payable	228,180,131	422,717,420
Insurance contract liabilities	(14,014,572)	(26,110,421)
Accounts payable	-	34,087
Cash and cash equivalents	106,973	-
Total liabilities	214,272,532	396,641,087

Segregated Account gain/(loss) is comprised as follows

	2023	2022 (restated)
	$	$
Revenue		
Insurance service results	4,780,798	8,946,998
Financial instruments at fair value	289,123,787	323,081,462
Other income	(614,282)	21,732
Total operating income	293,290,303	332,050,193
Expenses		
Financial instruments at fair value	(293,372,052)	(332,019,555)
Segregated account gain/(loss)	(81,749)	30,638

(expressed in U.S. dollars)

8.3 Insurance contract assets/liabilities and insurance service results of the Segregated Accounts

The IFRS 17 measurement model basis of the net insurance contract assets and liabilities are as follows:

	2023	2022 (restated)
	$	$
Insurance contract liabilities		
General Measurement Model	14,017,093	26,127,323
Premium Allocation Approach	(2,521)	(16,902)
Total insurance contract liabilities	**14,014,572**	**26,110,421**

The IFRS 17 measurement model basis of the insurance service results are as follows:

	2023	2022 (restated)
	$	$
Insurance service results		
General Measurement Model	4,758,694	8,998,658
Premium Allocation Approach	22,104	(51,660)
Total insurance service result	**4,780,798**	**8,946,998**

9. Other income and other expenses

Other income includes internal recharge from the General Account to the Segregated Account.

Other expenses mostly include brokerage fees, custodian fees and safekeeping fees.

10. Taxation

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (the "Act") which establishes a 15% corporate income tax (CIT) effective January 1, 2025. The CIT would apply to Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of €750m or more. Transition provisions included within the Act do not have a material impact on the Company's financial statements.

(expressed in U.S. dollars)

11. Statutory requirements

The Act requires the Company to maintain a minimum margin of solvency ("MMS"), being, effectively, the value of statutory capital and surplus. As at December 31, 2023, the Company was required to maintain a MMS of $500,000 (2022: $500,000).

The Act also requires Class C Insurers to have a minimum paid up share capital of $500,000.

As at December 31, 2023, the Company's Statutory Capital and Surplus was $914,431 (2022: $700,126) and therefore its MMS requirement was met (2022: met).

Statutory Capital and Surplus is reconciled to shareholder's equity as follows:

	2023	2022
	$	$
Shareholder's equity	941,622	700,126
Less: prepaid expenses	(27,191)	-
Statutory Capital and Surplus	914,431	700,126

12. Significant judgements and estimates

12.1 Insurance Contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

12.1.1 Methods to measure Insurance Contracts

The Company primarily uses deterministic projections to estimate the present value of future cash flows and for some groups it uses stochastic modelling techniques. A stochastic model is a tool for estimating probability distributions of potential outcomes by allowing for random variation in one or more inputs over time. The random variation is usually based on fluctuations observed in historical data for a selected period using standard time-series techniques.

(expressed in U.S. dollars)

The following assumptions were used when estimating future cash flows:

Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

Lapse and surrender rates
Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

12.1.2 Discount rates

Life insurance contract liabilities are valued by discounting expected future cash flows at a rate reflecting the funding cost of the transaction, taking into account the collateral exchanged. This rate is determined by reference to repurchased agreement market on the bonds used as collateral as well as to observable interest rate and currency swap in the currency of such bonds as well as insurance liabilities.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years		20 years	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
AUD	4.32%	4.02%	4.18%	4.38%	4.29%	4.60%	4.72%	5.01%	4.59%	4.72%
USD	4.91%	5.00%	4.14%	4.39%	4.02%	4.17%	4.04%	4.00%	4.03%	3.92%
JPY	(0.03%)	(0.01%)	0.18%	0.27%	0.35%	0.46%	0.75%	0.77%	1.27%	1.15%
EUR	3.13%	3.00%	2.23%	2.95%	2.09%	2.83%	2.19%	2.80%	2.33%	2.62%

12.1.3 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers non-financial risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

(expressed in U.S. dollars)

The Company has estimated the risk adjustment using an internal risk model. The risk adjustment was computed based on the Death Sum at Risk (DSAR) for each policyholder, using historical mortality data and expected future cash flows, calibrated to ensure a high level of confidence in covering non-financial risks. The level of risk adjustment for non-financial risk used by the Company corresponds to a confidence level above 90% over a one year period.

The company retains no risk, and in particular no insurance risk. The existence of a Risk Adjustment is due to a different accounting treatment between the group of insurance contracts and its hedges which remain in Simplified Approach.

13. Insurance Contracts

The Company measures the insurance contracts issued in accordance with the general model. The roll-forward of the net asset or liability for insurance contracts issued is disclosed in the table below:

	2023 **$**	**2022** **$**
Carrying amount at January 1 (net)	26,127,323	107,149,417
Insurance service result	4,758,694	8,998,658
Net finance expenses from insurance contracts	-	-
Cash flows	(16,464,644)	(84,685,547)
Effects of movements in exchange rates	(404,279)	(5,335,205)
Carrying amount at December 31 (net)	**14,017,093**	**26,127,323**

(expressed in U.S. dollars)

The table below presents a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the flows and risk adjustment for portfolios as at December 31, 2023.

	2023			2022		
	PVFCF $	RA $	TOTAL $	PVFCF $	RA $	TOTAL $
Carrying amount at January 1 (net)	**26,571,821**	**(444,499)**	**26,127,323**	**109,127,374**	**(1,977,957)**	**107,149,417**
Insurance service result						
Change that relates to future services services	-	-	-	-	-	-
Change that relates to past services	4,450,608	308,086	4,758,694	7,465,199	1,533,459	8,998,658
Net finance expenses from insurance contracts						
Cash flows	(16,464,644)	-	(16,464,644)	(84,685,547)	-	(84,685,547)
Effects of movements in exchange rates	(404,279)	-	(404,279)	(5,335,205)	-	(5,335,205)
Carrying amount at December 31 (net)	**14,153,506**	**(136,413)**	**14,017,093**	**26,571,821**	**(444,499)**	**26,127,323**

The roll-forward include the variation of the opening carrying amounts due to the foreign-exchange rate change between USD and AUD between open and close date. It also includes, for 2023, the foreign-exchange rate effect due to the accounting movements not being counter-valued at end-of-year close rate.

(expressed in U.S. dollars)

Symmetrical foreign-exchange rate effects are observed on the hedging derivative transactions leading to a nil effect on the entity.

The table below presents the breakdown of the cash flows :

	2023	2022
	$	$
Insurance revenue - premiums	9,817,281	22,280,329
Insurance revenue - surrenders	6,756,734	63,681,779
Insurance service expenses - ceding commissions	(70,541)	(1,276,561)
Other	(38,830)	-
Total	**16,464,644**	**84,685,547**

14. Subsequent events

There were no subsequent events from December 31, 2023, through August 8, 2024, the date the financial statements were available to be issued.

15. Approval of the financial statements

The financial statements were approved by the Board of Directors on August 8, 2024. The Board of Directors does not have the power to amend these statements after issuance.