NISSAN

# Nissan Global Reinsurance, Ltd.

## Consolidated Audited Financial Statements

## With Report of Independent Auditors

Year ended March 31, 2024

Contents

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# Independent Auditor's Report

The Board of Directors
Nissan Global Reinsurance, Ltd.

## Report on the Audit of the Consolidated Financial Statements

## Opinion

We have audited the consolidated financial statements of Nissan Global Reinsurance, Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

Without qualifying the above conclusion, we draw your attention to the change in accounting principles relating to the Insurance contracts, described in Note 1 to the consolidated financial statements presenting the impacts of IFRS 17 "Insurance Contracts" first time application from April 1, 2023.

**Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young Ltd.

Hamilton, Bermuda
July 29, 2024

# Consolidated Statements of Financial Position

(Expressed in Thousands of United States Dollars)

| Line Item | Note | March 31, 2024 | March 31, 2023 (Restated) | April 1, 2022 (Restated) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash in bank and cash on hand | 9 | 1,752,181 | 1,667,416 | 1,914,836 |
| Reinsurance contract assets | 7 | - | - | - |
| Loans receivable from affiliates | 10 | 820,145 | 792,270 | 1,241,782 |
| Due from Nissan affiliates | 11 | 41,957 | 32,985 | 40,008 |
| Accrued interest | 10 | 14,896 | 9,788 | 2,533 |
| Accounts receivable miscellaneous | 12 | 118,248 | 112,946 | 105,884 |
| Prepaid expenses | | 1,103 | 1,643 | 920 |
| Deferred tax asset | 20 | 116,940 | 6 | 4 |
| Other assets | 13 | 1,295 | 11,586 | 1,339 |
| Intangible assets, net of amortization | 14 | 1,493 | 831 | 1,742 |
| ***Total Assets*** | | **2,868,258** | **2,629,471** | **3,309,048** |
| **Equity and Liabilities** | | | | |
| Deferred revenue | 7 | 174,173 | 142,473 | 132,379 |
| Reinsurance contract liabilities | 7 | 1,248,301 | 1,145,466 | 1,162,890 |
| Due to Nissan affiliates | 11 | 13,349 | 15,522 | 9,937 |
| Accrued expenses and accounts payable | 16 | 99,588 | 80,351 | 93,986 |
| Pension liability | | 1,041 | 3,279 | 2,813 |
| Deferred tax liability | 20 | 7,759 | 41,701 | 49,866 |
| Income taxes payable | 20 | 105,798 | 98,718 | 82,640 |
| ***Total Liabilities*** | | **1,650,009** | **1,527,510** | **1,534,511** |
| Issued capital | 17 | 120 | 120 | 120 |
| Contributed surplus | 18 | 99,880 | 99,880 | 99,880 |
| Cumulative translation reserve | 22 | (2,495) | (4,928) | (6,379) |
| Retained earnings | 19 | 1,120,744 | 1,006,889 | 1,680,916 |
| ***Total Equity*** | | **1,218,249** | **1,101,961** | **1,774,537** |
| **Total Equity and Liabilities** | | **2,868,258** | **2,629,471** | **3,309,048** |

# Consolidated Statements of Comprehensive Income

(Expressed in Thousands of United States Dollars)

| Line Item | Note | March 31, 2024 | March 31, 2023 (Restated) |
|---|---|---|---|
| Insurance revenue | 6 | 667,978 | 702,772 |
| Insurance service expense | 6 | (625,015) | (593,933) |
| Reinsurance service expense | 6 | (12,311) | (46,668) |
| **Insurance service result** | | **30,652** | **62,171** |
| Net interest income | 10 | 135,161 | 85,916 |
| Insurance finance income and expenses | 6 | 61,346 | 61,805 |
| **Net financial result** | | **227,159** | **209,892** |
| Service contract revenue | | 90,980 | 76,711 |
| Other income (MSA / FX) | 21, 22 | 26,564 | 27,966 |
| General and administrative expenses | 23 | (31,101) | (25,078) |
| **Profit Before Tax** | 22 | **313,602** | **289,491** |
| Income tax (expense) benefit | 20 | 76,253 | (38,518) |
| **Profit for the Year** | | **389,855** | **250,973** |

# Consolidated Statements of Cash Flows

| Line Item | March 31, 2024 | March 31, 2023 (Restated) |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Profit for the year | 389,855 | 250,973 |
| Adjustments for: | | |
| Interest income | (135,161) | (85,916) |
| Amortization expense | 948 | 1,293 |
| Changes in: | | |
| Due from Nissan affiliates | (8,972) | 7,023 |
| Prepaid expenses | 540 | (723) |
| Accounts receivable miscellaneous | (5,302) | (7,062) |
| Deferred tax asset | (116,934) | (2) |
| Other assets | 10,291 | (10,247) |
| Accrued expenses and accounts payable | 19,237 | (13,635) |
| Due to Nissan affiliates | (2,173) | 5,585 |
| Liability for incurred claims | 74,129 | 45,690 |
| Liability for remaining coverage | 28,706 | (63,114) |
| Income taxes payable | 7,080 | 16,078 |
| Deferred tax liability | (33,942) | (8,165) |
| Deferred revenue | 31,700 | 10,094 |
| Pension liability | (2,238) | 466 |
| *Net Cash Flows from Operating Activities* | **257,764** | **148,338** |
| | | |
| Cash Flows from Investing Activities | | |
| Proceeds from sale (purchase) of asset | (1,610) | (381) |
| Interest received | 130,053 | 78,661 |
| Issuance of loans receivable to related parties | (2,080,575) | (1,709,165) |
| Repayment of loans receivable from related parties | 2,052,700 | 2,158,677 |
| *Net Cash Flows from Investing Activities* | **100,568** | **527,792** |
| | | |

| | | |
|---|---|---|
| **Cash Flows from Financing Activities** | | |
| Dividend paid to the parent | (276,000) | (925,000) |
| ***Net Cash Flows from Financing Activities*** | **(276,000)** | **(925,000)** |
| | | |
| Net Increase (decrease) in cash before effect of foreign currency translation | 82,332 | (248,870) |
| Effect of foreign currency translation | 2,433 | 1,451 |
| | | |
| Net Increase (decrease) in cash and cash equivalents | 84,765 | (247,419) |
| **Cash and Cash Equivalents at Beginning of Year** | **1,667,416** | 1,914,835 |
| **Cash and Cash Equivalents at End of Year** | **1,752,181** | **1,667,416** |
| Income taxes paid, net of recoveries | 67,512 | 34,343 |

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# Consolidated Statements of Changes in Shareholder's Equity

(Expressed in Thousands of United States Dollars)

| | | Issued Capital | | Contributed Surplus | | Cumulative Translation Reserve | | Retained Earnings | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, March 31, 2022, as previously reported | $ | 120 | $ | 99,880 | $ | (6,354) | $ | 1,695,623 | $ | 1,789,269 |
| Impact of initial application of IFRS 17 | | – | | – | | (25) | | (14,707) | | (14,732) |
| Restated balance, March 31, 2022 | $ | 120 | $ | 99,880 | $ | (6,379) | $ | 1,680,916 | $ | 1,774,537 |
| Foreign currency translation gain | | – | | – | | 1,451 | | – | | 1,451 |
| Profit for the year | | – | | – | | – | | 250,973 | | 250,973 |
| Dividend Paid | | – | | – | | – | | (925,000) | | (925,000) |
| Restated balance, March 31, 2023 | $ | 120 | $ | 99,880 | $ | (4,928) | $ | 1,006,889 | $ | 1,101,961 |
| Foreign currency translation gain | | – | | – | | 2,433 | | – | | 2,433 |
| Profit for the year | | – | | – | | – | | 389,855 | | 389,855 |
| Dividend paid | | – | | – | | – | | (276,000) | | (276,000) |
| Balance, March 31, 2024 | $ | 120 | $ | 99,880 | $ | (2,495) | $ | 1,120,744 | $ | 1,218,249 |

On behalf of the Board:

Director

Director

# Executive summary

## Introduction

Nissan Global Reinsurance, Ltd. (the Company or NGRe) was incorporated in Bermuda on March 15, 2005, and was registered as a Class 3 insurer under The Bermuda Insurance Act 1978, amendments thereto and related Regulations (the Act and Regulations). The Company's insurance license has been effective since March 28, 2005. The Insurance Amendment Act 2008 introduced three Class 3 sub-classes and the Company re-registered as a Class 3B insurer pursuant to Section 4 of the Act and Regulations. The principal place of the Company is located at Wessex House, 45 Reid Street, 5th Floor, Hamilton, Bermuda, HM12.

The Company is a wholly-owned subsidiary of Nissan Assurance Holding Company NV (NAH, the Parent), a company registered in Netherlands Antilles. The Parent is a wholly-owned subsidiary of Nissan Motor Co., Ltd. (NML) is publicly traded on the Tokyo Stock Exchange (ticker symbol 7201) and NASDAQ (ticker symbol NSANY).

| Subsidiaries | Country of Incorporation | Equity Holdings |
|---|---|---|
| Nissan Global Reinsurance Trust (NGRe Trust) | USA | 100% |
| Nissan extended Services, North America G.P. (NESNA G.P.) | USA | 100% |
| Nissan Extended Services, North America Inc. (NESNA Inc.) | USA | 100% |
| Nissan Reinsurance International, Inc. (NRI) | USA | 100% |
| Nissan Motor Insurance Services Corporation (NMISC) | USA | 100% |
| Nissan Canada Extended Services, Inc. (NCESI) | Canada | 100% |
| Nissan International Insurance, Ltd. (NII) | Malta | 99% |
| Nissan International Service Company Sarl (NISCS) | Switzerland | 100% |
| Nissan International Services Ltd. (NIS) | Malta | 99.9% |
| Nissan Auto Receivables 2017 – A Grantor Trust Asset Backed Certificates (Grantor Trust) | USA | 100% |
| Nissan Auto Receivables 2017 – B Grantor Trust Asset Backed Certificates (Grantor Trust) | USA | 100% |
| Nissan Auto Receivables 2018 – A Grantor Trust Asset Backed Certificates (Grantor Trust) | USA | 100% |
| Nissan Auto Receivables 2018 – B Grantor Trust Asset Backed Certificates (Grantor Trust) | USA | 100% |

Nissan Global Reinsurance, Ltd. (NGRe) reinsures NML and its subsidiaries' product liability risk, credit insurance and extended warranty from Nissan non-affiliated companies.

Nissan Extended Services North America, G.P. (NESNA G.P.) is a partnership with 99% ownership by Nissan Global Reinsurance (NGRe) and 1% ownership by Nissan Global Reinsurance Trust (NGRT). Nissan Extended Services North America, Inc. (NESNA Inc) is a Delaware company incorporated on April 17, 2006, 100% owned by NESNA G.P. collectively referred to as NESNA.

NESNA sells and underwrites vehicle service and maintenance contracts on vehicles in the US. A vehicle service contract provides various coverages for a vehicle during and after the warranty has expired. In addition, NESNA offers branded ancillary products underwritten by 3rd parties for fee income. Through March 2018, NESNA reinsured the extended service contracts through a 100% Quota share arrangement. NENSA moved to an excess loss structure relationship with NGRe for sales occurring after March 2018.

Nissan Motor Insurance Services, Co. (NMISC) was incorporated on February 25, 1991, in the state of California. NESNA G.P. acquired 100% of the ownership on August 1, 2014. NMISC is a licensed property and casualty insurance agency for the sale of insurance to authorized Nissan and Infiniti dealers. The Company receives commission payments from 3rd party motor insurance provider.

NRI was incorporated in the State of Tennessee on March 15, 2016, as a wholly owned subsidiary of NESNA Inc. effective April 1, 2016, NRI reinsures the marine and property risks of NGRe and insures workers' compensation and employers' liability risks of NNA. Effective April 1, 2018, NRI directly reinsures the property and marine cargo risks of NML and its subsidiaries with third-party insurers.

NESNA GP has entered into reinsurance agreements with unaffiliated Dealer Reinsurance companies to reinsure specific portfolios of service contracts. All relationships with Dealer Reinsurance were established through NESNA GP, NESNA INC, and NRI as of April 1, 2018. Reinsurance commission fee is earned by the NESNA companies respectively.

Nissan Canada Extended Services Canada, Inc. (NCESI) is a Canadian company incorporated on March 6, 2008, and 100% owned by NGRe. NCESI offer vehicle service and maintenance contracts in Canada for Nissan and Infiniti vehicles. The Company assumes 90% of the risk for the vehicle service contracts under a risk transfer agreement. In addition, NCESI offers branded ancillary products underwritten by 3rd parties for fee income.

Nissan International Insurance Ltd (NII) was incorporated on July 9, 2008 with its registered office in Malta is a regulated insurance company under Malta Financial Services Authority (MFSA), Nissan International Services Company Sarl (NISC) was incorporated March 31, 2015 with its registered office at Geneva, and Nissan International Services Ltd (NIS) was incorporated on March 15, 2021 with its registered office in Malta collectively referred to as "NII"

NII and NISC (Currently in run off) offer a variety of extended warranty contracts within Europe. NIS and NCESI offers branded ancillary products underwritten by 3rd parties for fee income and support the business to develop and maintain usage fees for computer software for external and Nissan group companies.

## Acronyms and their descriptions

| Acronym | Description |
|---|---|
| ACE | Actuarial Central Estimate |
| BBNI | Bound-but-not-incepted |
| BECFs | Best estimate cash flows |
| BEL | Best estimate liability |
| BMA | Bermuda Monetary Authority |
| BSCR | Bermuda Solvency Capital Requirement |
| CoC | Cost of Capital |
| CDS | Credit default swap |
| CPO | Certified pre-owned |
| DLT | Deep, liquid and transparent |
| DPF | Discretionary Participation Features |
| EBS | Economic Balance Sheet |
| ECR | Enhanced Capital Requirement |
| EIOPA | European Insurance and Occupational Pensions Authority |
| ENID | Events-not-in-data |

| | |
|---|---|
| ESC | Extended service contracts |
| GMM | General Measurement Model |
| GWP | Gross written premium |
| IAS 1 | IAS 1 Presentation of Financial Statements |
| IAS 8 | IAS 8 Accounting Policies, Changes in Accounting Estimates & Errors |
| IBNR | Incurred But Not Reported |
| IFRS | International Financial Reporting Standards |
| IFRS 3 | IFRS 3 Business Combinations |
| IFRS 7 | IFRS 7 Financial Instruments: Disclosures |
| IFRS 9 | IFRS 9 Financial Instruments |
| IFRS 13 | IFRS 13 Fair Value Measurement |
| IFRS 17 | IFRS 17 Insurance Contracts |
| ISA | International Standards on Auditing |
| ISA 320 | ISA 320 Materiality in Planning and Performing Audit |
| LIC | Liability for incurred claims |
| LRC | Liability for remaining coverage |
| MFSA | Malta Financial Services Authority |
| NCI | Nissan Canada, Inc. |
| NCF | Nissan Canada Finance |
| NGRe | Nissan Global Reinsurance Ltd. |
| NISA | Nissan International SA (Europe) |
| NLTH | Nissan Leasing Thailand |
| NMAC | Nissan Motor Acceptance Corporation |
| NNA | Nissan North America |
| NRFS | Nissan Renault Financial Services (Mexico) |
| OSLR | Outstanding Loss Reserves |
| PAA | Premium allocation approach |
| PPM | Prepaid Maintenance Contracts |
| PS2 | IFRS Practice Statement 2 Making Materiality Judgements |
| RA | Risk adjustment |
| UoA | Unit of account |
| UWY | Underwriting year |
| VFA | Variable Fee Approach |

# Notes to the Consolidated Financial Statements

## Note 1 – Significant accounting policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which consist of standards issued or adopted by the International Accounting Standards

(IASB) and Interpretations issued by its Standing Interpretations Committee. When IFRS is silent, the Company defers to accounting principles generally accepted in the USA (US GAAP).

The financial statements, including all notes, were authorized for issue by the Board of Directors on July 16, 2024.

### A. Basis of Preparation

The significant accounting policies adopted in preparing the consolidated financial statements are summarized as follows:

The consolidated financial statements are presented in United States Dollars (USD), being at par with Bermudian dollars, as most of the transactions are conducted in USD and reflect the economic substance of the underlying events and circumstances of the Group. The amounts have been rounded to the nearest thousand dollar.

### B. Contracts in scope of IFRS 17

Contracts issued by Nissan are classified as insurance contracts when Nissan accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. This assessment is made at product level at the issue date. In making this assessment, Nissan considers all its substantive rights and obligations, whether they arise from contract, law, or regulation.

Nissan determines whether a product contains significant insurance risk by assessing if an insured event could cause Nissan to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance product.

It should be noted that Nissan does not externally reinsure any of the risks it writes and has indicated that this will be the case in the future as well. Entities within the group will cede risks to other members in the group. At the entity level therefore, it will be necessary for liabilities to be measured gross of any reinsurance arrangements. Reinsurance assets and liabilities from inwards and outwards reinsurance can then be measured separately. Reserve model output will ensure both gross and ceded triangles can be produced at the requisite level of aggregation. At the consolidated group level, it will be relevant only to measure gross liabilities as any reinsurance balances are eliminated through consolidation.

The table below, illustrates those products written by each of the various Nissan entities which are in scope of IFRS 17. Those products that are not in scope of IFRS 17 will typically be accounted for under IFRS 15 and separate accounting policies.

NESNA GP is an operating entity selling extended service contracts.  However, its local stand-alone reporting is done in US GAAP and therefore there will be stand-alone IFRS 17 requirements.  However, those products sold by NESNA are incorporated in NGRe, therefore for completeness we will continue to include it in certain considerations for IFRS 17 implementation.  However, materiality will only be a concern as it relates to this business impact on NGRe.

| Legal Entity ("LE") Name | LE Shortened Name | ESC | CPO | PPM | PPI | GAP | ANC | Property | Marine | Workers Comp | Product Liability |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Nissan Assurance Holding Company N.V. | NAH | X | X | X | X | X | X | X | X | X | X |
| Nissan Global Reinsurance, Ltd. | NGRe | YES | YES | X | YES | YES | X | X | X | X | YES |
| Nissan Global Reinsurance Trust | NGRe Trust | X | X | X | X | X | X | X | X | X | X |
| Nissan International Services Ltd | NIS | X | X | X | X | X | YES | X | X | X | X |
| Nissan Extended Services North America, G.P. | NESNA GP | YES | YES | Yes | X | X | Yes | X | X | X | X |
| Nissan Extended Services North America, Inc. | NESNA INC | YES | YES | N0 | X | X | N0 | X | X | X | X |
| Nissan Motor Insurance Services Corporation | NMISC | X | X | N0 | X | X | Yes | X | X | X | X |
| Nissan Reinsurance International, Inc. | NRI | X | X | X | X | X | X | YES | YES | YES | X |
| Nissan Canada Extended Service Inc. | NCESI | YES | YES | Yes | X | X | Yes | X | X | X | X |
| Nissan International Insurance Ltd | NII | YES | YES | X | X | Yes | X | X | X | X | X |
| Nissan International Services Company Sàrl | NISCS | NO | X | X | X | X | X | X | X | X | X |

Nissan does not enter multiple contracts at the same time with the same or related counterparties to achieve an overall commercial effect. As such, Nissan will not need to combine a set or series of contracts into a single insurance contract.

None of the insurance contracts issued by Nissan have other components such as an investment component, an embedded derivative or the provision of some other distinct goods or non-insurance services. As such, Nissan does not need to separate any components from their insurance contracts.

## C. Level of aggregation

It should be noted that whilst the IFRS 17 units of account (Portfolio, Cohort and Profitability groupings) discussed below are followed, for minimum reporting requirements and to ensure that the required deadlines are met, the various legal entities will be grouped into various "Tax Jurisdictions" (which would reduce the granularity of the reporting required).

### *Portfolios*

Nissan identifies portfolios by aggregating insurance contracts that are subject to "similar risks" and "managed together". As IFRS 17 does not provide explicit guidance as to the meaning of "similar risks" and "managed together", Nissan has decided align its portfolios with the following descriptors (i.e. each one of these bullets would be a component of the portfolio name – resulting in 4 possible dimensions to create a portfolio):

- Legal entity;
- Coverage type;
- Country of origin; and
- Product.

### *Cohorts*

At initial recognition, Nissan allocates its insurance contracts into annual cohorts, based on the underwriting year of those insurance contracts as this aligned to Nissan's financial reporting period (i.e., 1 April 2022 to 31 March 2024).

### *Profitability groups*

Nissan will separate its insurance cohorts into the following profitability groups:

- Onerous; and
- Other profitable.

The third profitability grouping that is mentioned in IFRS 17, "no significant possibility of becoming onerous" will not be used as Nissan does not see a significant difference in accounting treatment between the "no significant possibility of becoming onerous" and "Other profitable" groups. Nissan views this approach as being consistent with the requirements and guidelines set out within IFRS 17 and this decision is not expected to influence the firm's financial statements. In line with the requirements of IFRS 17 and Nissan's interpretation of "facts and circumstances", Nissan will assume that all its insurance contracts are non-onerous (i.e., that they will be included within the "Other profitable" profitability group).

## D. Recognition and contract boundaries

### *Recognition*

Nissan recognizes groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received); or
- The date when a group of contracts becomes onerous.

Nissan recognizes only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period. New contracts are included in the group when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the group have been recognized.

### *Contract boundaries*

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group. Nissan determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which Nissan can compel the policyholder to pay the premiums or Nissan has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when Nissan has the practical ability to reassess the risks of a particular policyholder and, as a result, to change the price charged or the level of benefits provided for the price to fully reflect the new level of risk. If the boundary assessment is performed at a portfolio rather than individual contract level, Nissan must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders. Nissan's pricing must not take into account any risks beyond the next reassessment date.

Nissan assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on Nissan's substantive rights and obligations.

## E. PAA eligibility and methodology

### *PAA eligibility*

Nissan is comfortable that all of its insurance contracts are eligible to be measured, and will be measured accordingly, under the premium allocation approach ("PAA") due to the following considerations:

- For those insurance contracts which are not automatically eligible for measurement under the PAA, the difference between the LRC calculated measured under the GMM and the LRC measured under the PAA were tested and determined to not be materially different; and
- The remainder of the insurance contracts written have a coverage period of one year or less, making them automatically eligible for measurement under the PAA.

### *Liability For Remaining Coverage measurement*

The calculation of Nissan's LRC under the PAA can be summarized as follows, where the expected premium is the total premium estimated to be written over the duration of the contract.

*Opening Balance + Premiums Received + Time Value Of Money - Insurance Revenue Recognized + Amortization of insurance acquisition cash flows*

*= Closing Balance*

Each of these components of this formula will now be discussed below.

*Premium receipts*

Premiums received within a specific time period will be calculated using a combination of gross written premiums within the period as well as the change in premiums receivable over the same period.

*Time Value of Money*

Cash flows considered within the scope of IFRS 17 should be discounted to allow for the time value of money. However, when applying the PAA, the carrying amount of the LRC is not required to be adjusted for the time value of money provided that the time between expected premium receipt and the recognition of revenue is less than one year or if there is no significant financing component. Nissan assumes a significant financing component in the LRC. The LRC will be adjusted for the significant financing component. Any further points on discounting are discussed in Sub-section F. Discounting below.

*Insurance Revenue Recognized*

Nissan expects to use the passage of time method to recognize revenue for its business contracts. Nissan currently has existing processes in place which calculate appropriate earnings patterns in line with IFRS 17. Under IFRS 4, the earnings of unearned premium were based on the applicable risk period in the contract, which is effectively in line with the coverage period as defined in IFRS 17.

*Amortization of insurance acquisition cash flows*

Commissions and other costs incurred in the acquisition of new business and renewal of existing business are deferred and amortized over the terms of the respective policies and contracts of reinsurance to which they relate, in the same manner as the related premiums. Anticipated losses and loss expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs ("DAC").

Deferred dealer dividends are amortized consistent to the premium and earnings curve.

## F. Best estimate cash flows

Nissan will establish the following liabilities that comprise the claims element of the PAA LIC:

- Outstanding loss reserves ("OSLR"), held in respect of claims that have been reported but not yet settled; these will come from Nissan's loss reserving process; and
- Incurred but not reported reserves ("IBNR").

Nissan has ensured that the best estimate reserving process, which is the setting of the best estimate liability ("BEL") under IFRS 17, considers all possible outcomes and not just those within Nissan's data. Overlaying expert judgement in the reserving process (e.g., through selections) and not exclusively following Nissan's data set will be required to ensure that all possible events are adequately considered in an unbiased manner.

The required cash flows for IFRS 17 are to be determined on a best estimate basis. Projections for the LIC should reflect all attributable cash flows within the contract boundary.

Nissan believes its "IFRS 17 best estimate" is aligned with the Actuarial Central Estimate ("ACE") defined in the actuarial reserving methodology and that this methodology will meet the requirements of IFRS 17.

New claims for which the claim event has occurred in the most recent valuation period are required to be disclosed and, therefore, they are clearly separated in the generated cash flows.

In addition, IFRS 17 attributable maintenance expenses will need to be allowed for in addition to the underlying claim amounts mentioned above.

*Cash flows included within Nissan's IFRS 17 fulfilment cash flows*

- Premium-related cash flows (including premium adjustments and installment premiums);
- Claims-related cash flows (including IBNR, reporting claims, future potential claims);
- Payments to policyholders / cedants that depend on returns of underlying items;
- Payments to policyholders / cedants that depend on embedded options;
- Insurance Acquisition Costs allocated to a portfolio level;
- Claims Handling Costs;
- Policy administration and maintenance costs;
- Transaction-based taxes;
- Fixed and Variable overhead expenses directly attributable to fulfilling a contract; and
- Certain investment costs.

None of Nissan's cash flows are to be excluded from the aforementioned reserve calculations as none of them are included within the exclusions list provided within IFRS 17.

Nissan will leverage the cash flow generation process currently employed by its external actuary to produce technical provisions for its Bermuda Solvency Capital Requirement ("BSCR") submission.

Under the PAA, cash flows are only required for the earned portion of Nissan's Insurance Contract Liability (i.e., the LIC). As such only the cash flows derived from the EBS claims provision are leveraged.

To generate the undiscounted cash flows, Nissan will:

- Take the Claims Provision for each underlying segment of the insurance contract, which includes projected expenses;
- Remove the impact of discounting on the EBS basis (as the discount rates may be different);
- Remove the provision for Events Not In Data ("ENIDs") (as IFRS 17 does not require an ENID provision); and
- Apply Loss & Loss Expense provision payout patterns using its historical data by each underlying segment.

*Estimation of allocation rate for insurance finance income or expenses*

Nissan uses either the constant or crediting rate in the systematic allocation of insurance finance income or expenses. The constant rate used in a period is calculated applying the formula which uses three variables: the estimate of future cash flows at the end of the reporting period (not discounted), the present value of future cash flows brought forward discounted by the constant rate used in the previous period, and the expected duration of the group contracts. In determining the constant rate, Nissan estimates the expected insurance finance income or expenses over the remaining duration of the group that is partly implicit in the estimated cash flows.

*Discounting*

The LIC balances will be discounted, based on the payment pattern calculated by external reserving actuaries. Any further points on discounting are discussed in Sub-section F. Discounting below.

*Risk Adjustment*

The inherent variability in the cash flows discussed above will need to be allowed for by the addition of a risk adjustment. The risk adjustment will be allowed for by applying a factor to the above cash flows. This will be applied to the claims cash flows and the claims related expenses. The risk adjustment factors will be an input into the best estimate cash flow modelling.

## G. Discounting

Nissan has decided to discount all of the best estimate cash flows in the calculation of the LIC. Nissan has used a bottom-up approach as the basis for determining the discount rate with which to adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows. This option has been chosen as it is considered simpler than the top-down approach, with the sourcing of risk-free rates and liquidity premiums being considered simpler than the identification of the reference portfolios and determination of adjustments required to remove factors in the reference portfolios that are not related to the insurance cash flows.

In terms of constructing the bottom-up curve, the risk-free interest rates term structures for all available as well as the liquidity premiums were sourced from BMA.

## H. Risk adjustment

The RA applied was calculated using a Cost of Capital ("CoC") approach (with a rate of 6% being used), leveraging Nissan's existing BMA. It should be noted that market and operational risks not related to insurance contracts were excluded from this calculation. The point estimate confidence level associated with the chosen RA figure will be estimated and cannot be set up front (as it is implied from the Cost of Capital calculation). As a result, the confidence level will change year on year; however, it is not expected to change significantly. The implied confidence level using Nissan's 2023 year-end EBS submission implies a confidence level of 70%.

## I Presentation

Nissan disaggregates the amounts recognized in the consolidated statement of profit or loss into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total. Nissan has voluntarily included the net insurance finance income or expenses line in another sub- total: net insurance and investment result, which also includes the income from all the assets backing Nissan's insurance liabilities.

Nissan does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. It includes the entire change as part of the insurance service result.

*Insurance revenue*

As Nissan provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognizes insurance revenue, which is measured at the amount of consideration Nissan expects to be entitled to in exchange for those services. When applying the PAA, Nissan recognizes insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

*Insurance service expenses*

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components;
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service); and
- Other directly attributable insurance service expenses incurred in the period.

*Insurance finance income and expenses*

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of Nissan's insurance contracts. Nissan has decided not to make use of the OCI option and will recognize any insurance finance income and expenses within its comprehensive statement of profit and loss.

## J. Transition

Nissan has concluded that given the short-term nature of its business, no impracticability exists in:

- Determining the LRC for its current in force business; nor does it exist in
- Determining the run-off of its incurred liabilities

This is the case as a similar process is already performed for the purposes of Nissan's EBS submission.

Due to no impracticability existing, Nissan has applied IFRS 17 on a fully retrospective basis and no transitional relief will be utilized by Nissan.

## K. IFRS 15

The Company offers service contracts (Prepaid maintenance) to consumers presented on the Statement of Financial Position deferred liability net of any acquisition costs and service revenue on the income statement net of amortized acquisition cost. This product is offered in two markets US (NESNA) and Canada (NCESI). The product is designed to offered vehicle schedule maintenance based on manufacturer guidelines. The term of this product varies from 12 months to 4 years. The revenue recognition is based on historical expense pattern (earning curves) reviewed by the actuarial team annually for the products, expenses are paid as incurred. If the expense behavior changes, the earning curves are adjusted accordingly. Profit margins are monitored to ensure profitability and customer price is adjusted when required. All Acquisition costs are amortized based on earning patterns.

## L. Pension

NESNA employees participate in a noncontributory qualified retirement plan (Qualified Retirement Plan) and a postretirement benefit plan. These plans are sponsored by NNA.

Effective January 1, 2006, the Qualified Retirement Plan was closed to new hires and rehires. Employees hired after January 1, 2006 receive benefits in a noncontributory defined contribution plan with contributions being made annually based on a benefit matrix tied to years of service times their annual pensionable earnings. In addition to this change, effective January 3, 2006, the assets from NESNA's prior two noncontributory qualified retirement plans were merged into a single plan with the Nissan Employee Retirement Plan being the surviving plan. The benefits that participants had under the two old plans stay the same; the assets were merely merged to form one plan. The benefits are based on years of service and the highest employee compensation during five consecutive years in the employee's last ten years of employment. The assets of the plan consist of guaranteed interest contracts, common stocks, short-term investment funds, and other investments.

The plan sponsor froze the Qualified Retirement Plan effective December 31, 2012. Employees are vested in the accumulated benefit they have in the Qualified Retirement Plan at that point. Employees that were previously in the Qualified Retirement Plan have that benefit replaced with an annual 5% of pensionable wages contribution to the noncontributory defined contribution plan that was established by the Company when it previously closed the plan to new employees. The new contributions for these participants will be immediately vested.

NESNA employees also participate in a post-retirement benefit plan sponsored by NNA for which the Company makes annual contributions. NNA's post-retirement benefit plan currently provides medical, dental, and vision benefits to qualified retirees and their spouses. These benefits are contributory for both retirees and spouses. NNA also provides life insurance and auto leasing to its qualified retirees. The life insurance and auto leasing are noncontributory and contributory, respectively. The benefits are based on years of service and employment with the Company at the time of retirement.

NESNA follows multi-employer plan accounting for the Qualified Retirement Plan and the postretirement benefit plan which provides that NESNA's required contributions to the plans be accrued. Other obligations of the plans are not the responsibility of the Company. For the year ended March 31, 2023, NESNA had no contributions to the Qualified Retirement Plan and contributions of $77,000 to the postretirement benefit plan. For the year ended March 31, 2023, NESNA had no contributions to the Qualified Retirement Plan and contributions of $74,000 to the postretirement benefit plan. These payments are reflected in General and Administrative Expenses in the Consolidated Statements of Comprehensive Income.

## M. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Company as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Payments made under operating leases were charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the period of the lease.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in accrued expenses and accounts payable in the Consolidated Statement of Financial Position.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

NISSAN

## N. Interest Income

Interest income is recorded on the accrual basis.

## O. Income Taxes

As a company organized under the laws of Bermuda, the Company has not historically been subject to taxation in Bermuda, as Bermuda has not imposed any form of taxation. In November 2023, The Bermuda Parliament released draft legislation for public comment, and in December 2023 the legislation was passed to enact a 15% corporate income tax in Bermuda beginning with tax year January 1, 2025.  The Company expects to incur increased taxes in Bermuda beginning in 2025.  Income tax provisions related to the Company and its consolidated subsidiaries are based on the asset and liability method. Deferred federal taxes have been provided for related to temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. A valuation allowance against a deferred tax asset is recorded if it is more likely than not that all, or some portion, of the benefits relating to deferred tax assets will not be realized. In making such determination, the Group considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations.

## P. Principles of Consolidation

The Group's consolidated financial statements include the assets, liabilities, shareholder's equity, revenues, expenses, and cash flows of NGRe and its subsidiaries. A subsidiary is an entity in which the Company owns, directly or indirectly, more than 50% of the voting power of the entity or otherwise has the power to govern its operating and financial policies. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

The results of subsidiaries acquired are included in the consolidated financial statements from the date on which control is transferred to the Company. Intercompany balances, profits and transactions are eliminated upon consolidation. Subsidiaries' accounting policies are consistent with the Company's accounting policies.

## Q. Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported and disclosed amounts at the Consolidated Statements of Financial Position date, and the reported and disclosed amounts of revenues and expenses during the reporting period. Actual results may differ materially from the estimates. The most significant estimate made by management is in relation to the reserve for losses and loss expenses.

## R. IFRS 9

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, although it has been deferred for insurers until January 1, 2023, to align with the implementation of IFRS 17 for entities with activities predominantly connected with insurance within the scope of IFRS 4 and meet the set criteria.  The Company has implemented IFRS 9 into its financial accounting for the current reporting period.

Under IFRS 9, management is required to incorporate forward looking elements into its impairment assessments, moving from an incurred loss model under IAS39 to an Expected Credit Loss (ECL) model under IFRS9. Although historical losses can still be used as a basis for impairment, the incorporation of forward-looking elements will require considerable judgement using economic factors to determine expected lifetime or 12 month expected credit losses.

Management performed a quantitative and a qualitative analysis of each category of assets under the scope of IFRS 9 to assess and quantify any impairment.

### Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds, and short-term time deposits with original maturities of three months or less. All cash and cash equivalents are limited to 90 days or less time deposits with major financial institutions that are Baa1 rated or above with Moody's. Due to the short-term nature, high credit quality of the counterparties, and low risk nature of the investments, no impairment is deemed likely on the Company's cash, or if existing, would be immaterial. The carrying amounts reported in the Consolidated Statements of Financial Position for these instruments approximate their fair values. With various banks being utilized by the NII subsidiary in multiple different currencies, NII has recorded an impairment to its cash accounts and investments of $44 (2023 - $Nil).

### Asset Backed Securities

Asset Backed Security (ABS) deals with material balances receive a third-party valuation annually. The analysis relies on a longer-term historical trend to capture long term economic trends (inflation, recession, unemployment). From there an expected loss curve is developed to forecast future losses. Management considers that the economic trends captured in the data best represents the trends on a forward-looking basis as well as a historical basis. Both material deals in the current fiscal year received an immaterial positive (gain) valuation and were not impaired. All other deals have immaterial principal balances remaining which are beyond the contractual runoff period which eliminates the need for an impairment calculation as of March 31, 2024.

### Derivatives

The Company uses derivatives mainly for the purposes of minimizing its exposure to adverse fluctuations in foreign currency exchange rates on intercompany loans denominated in foreign currencies, but does not enter into such transactions for speculative purposes. Derivative financial assets are stated at fair value. The fair value and unrealized gain or loss on derivative transactions are estimates that are considered appropriate based on the market at the statement of financial position date and, thus, the fair value is not necessarily indicative of the actual amounts that might be realized or settled in the future. Derivatives are revalued using an internal model focused on approximating fair value by applying the impact of fluctuations in currency valuations each month on the hedged item. As of March 31, 2024, the Company had no outstanding derivative transactions.

### Receivables from Affiliates

All loans to affiliates are held for the purpose of collecting principal and interest only, so are classified as measured at amortized cost. There have been no historical defaults on intercompany loans, and the Company has no expectation of future defaults which would warrant an impairment calculation. The Company utilized Moody's credit ratings to compare the affiliate ratings at the time of inception against their ratings as of the current fiscal year end and there have been no changes to the ratings. With no changes to the credit ratings, the Company does not consider any of its loans to affiliates to be impaired as of March 31, 2024.

### Reinsurance balances receivable (3$^{rd}$ Party)

The Company's third-party receivables are held with highly rated fronting insurers with no history of default with NGRe. The Company utilizes AM Best ratings to confirm the financial strength of each vendor. All receivable balances are current, and since there is no observed default history, the Company's quantitative analysis utilizes general market defaults for its forward-looking assessment. Although utilizing market default rates yields a calculated Expected Credit Loss (ECL) value, the assessed impact is deemed immaterial, and it does not warrant a balance sheet adjustment for impairment.

## S. Related party transactions

The Company enters various related party transaction to conduct its business. Related party transactions are with NML, NNA, NMAC, NCI, NRFS and NISA. Related party transactions includes investment activity and services to provide business operational support i.e., information's systems management, claims management, administrative services including back-office support functions, market access fee, support sales of Insurance offers to dealers and consumers. Depending on the nature of the transaction amounts are reported in the respective line items of the financial statements following the accounting treatments per the standards.

## Note 2 - Risk Disclosures

The primary objective of the Company is to manage risks within the Group and protect the various associated companies individually and collectively from determined risks whilst retaining a certain level of risks within the Group subject to management's risk appetite. The Company is exposed to risks from several areas.

### Operational Risk

Operational risks are an inevitable consequence of being in business. Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. The Company has identified its key operational risks which are incorporated in the Risk Management Framework. To manage operational risks, the Group has implemented a robust governance framework which includes a code of conduct, a governance policy, a process manual and a risk management framework. Policies and procedures are documented to identify the key risks and controls within processes. The framework is reviewed by management annually.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company is comprised of three types of risk: exchange rates (currency risk), market interest rates (interest risk), and liquidity risk.

### Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in USD and its exposure to foreign exchange rate risks arises primarily with respect to Japanese Yen (JPY). The Company has two loan receivables from related parties in EUR of which the original currency is USD. The Company has an FX Swap to cover FX exposures on one of these loans. The other loan is offset by a loan payable in EUR to another related party for the same amount. The Company also has transactions in Canadian Dollars (CAD), Euros (EUR), Polish Zloty (PLN), Russian Rubles (RUB), British Pounds (GBP) and Swiss Francs (CHF) through its Canadian, Maltese and Swiss subsidiaries. The Company also has Chinese Yuan (CNY), Mexican Peso (MXN), Thailand Bhat (THB) and Australian Dollar (AUD) exposure through its China ESC, Mexican ESC, Mexican PPI, Mexican Gap, Thailand PPI and ESC Australia businesses. The exposure to foreign exchange risk on these transactions is not material. The Company's financial assets are primarily denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

(All amounts expressed in Thousands of foreign currency units unless otherwise stated)

| March 31, 2024 | CAD | EUR | JPY | CNY | MXN | PLN | RUB | GBP | CHF | THB | AUD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 48,434 | 64,323 | 908,943 | 4 | 336,143 | 5,842 | 503,746 | 3 | 1,450 | 6,582 | - |
| Loans receivable from related parties | 105,889 | - | 5,002,182 | - | - | - | - | - | - | 23,000 | - |
| Insurance balances receivable | 3,846 | 10,321 | 3,061,714 | - | 150,671 | - | - | - | 519 | (19,151) | (59) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accrued interest receivable | 228 | 1,955 | - | - | - | - | - | - | - | - | - |
| Accounts payable and accrued liabilities | (3,755) | (6,036) | - | - | - | - | - | - | (461) | - | - |
| Insurance balances payable | - | - | - | (332) | - | - | - | - | - | - | - |
| Amounts due to affiliates | (280) | - | - | - | - | - | - | - | - | - | - |
| Reserves for losses and loss expenses | (819) | (3,688) | (1,097,665) | (2,684) | (244,146) | - | - | - | - | (15,711) | (15) |
| Gross Consolidated Statement of Financial Position Exposure in original currencies | 153,543 | 66,875 | 7,875,174 | (3,012) | 242,668 | 5,842 | 503,746 | 3 | 1,508 | (5,280) | (74) |
| Gross Consolidated Statement of Financial Position Exposure in U.S. Dollars | 113,392 | 72,098 | 52,012 | (414) | 14,633 | 1,477 | 5,440 | 4 | 1,698 | (144) | (48) |

(All amounts expressed in Thousands of foreign currency units unless otherwise stated)

| March 31, 2023 | CAD | EUR | JPY | CNY | MXN | PLN | RUB | GBP | CHF | THB | AUD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 41,422 | 37,872 | 5,624,772 | 6,397 | 302,266 | 2,472 | 2,272 | 4,673 | 1,774 | 23,593 | - |
| Loans receivable from related parties | 90,865 | - | - | - | - | - | - | - | - | - | - |
| Insurance balances receivable | 4,898 | 6,568 | 3,877,547 | - | 136,418 | - | - | - | 471 | (16,319) | (59) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accrued interest receivable | 472 | 296 | - | - | - | - | - | - | - | - | - |
| Accounts payable and accrued liabilities | (2,935) | (3,485) | - | - | - | - | - | - | (572) | - | - |
| Insurance balances payable | - | (111) | - | - | - | - | - | - | - | - | - |
| Amounts due to affiliates | (300) | - | - | - | - | - | - | - | - | - | - |
| Reserves for losses and loss expenses | (176) | (1,137) | (2,754,153) | (2,460) | (186,428) | - | - | - | - | (13,566) | - |
| Gross Consolidated Statement of Financial Position Exposure in original currencies | 134,156 | 40,003 | 6,748,166 | 3,954 | 252,256 | 2,472 | 2,272 | 4,673 | 1,673 | (6,292) | (59) |
| Gross Consolidated Statement of Financial Position Exposure in U.S. Dollars | 99,208 | 43,655 | 50,537 | 575 | 13,950 | 578 | 30 | 5,794 | 1,854 | (184) | (40) |

The following significant exchange rates were applied during the year:

| | Average rate 2024 | Average rate 2023 | Reporting Date Spot Rate 2024 | Reporting Date Spot Rate 2023 |
|---|---|---|---|---|
| CAD | **0.74** | 0.76 | **0.74** | 0.74 |
| EUR | **1.08** | 1.04 | **1.08** | 1.09 |
| CNY | **0.14** | 0.15 | **0.14** | 0.15 |
| JPY | **0.01** | 0.01 | **0.01** | 0.01 |
| MXN | **0.06** | 0.05 | **0.06** | 0.06 |
| PLN | **0.24** | 0.22 | **0.25** | 0.23 |
| RUB | **0.01** | 0.02 | **0.01** | 0.01 |
| GBP | **1.26** | 1.20 | **1.27** | 1.24 |

| | | | | |
|---|---|---|---|---|
| CHF | **1.13** | 1.05 | **1.13** | 1.11 |
| THB | **0.03** | 0.03 | **0.03** | 0.03 |
| AUD | **0.66** | 0.68 | **0.65** | 0.67 |

A strengthening of the USD, as indicated below, against the foreign currencies at March 31, 2024 and 2023, would have increased (decreased) consolidated shareholder's equity and profit by the amounts shown below. The analysis is based on foreign exchange movement of 10% up and 10% down against the USD at the year-end spot rate. The analysis assumes that other variables, in particular interest rates, remain constant and ignores any impact of forecasted net income. The analysis was performed on the same basis for March 31, 2023.

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

| March 31, 2024 | Strengthening Impact on Equity ($) | Strengthening Impact on Profit ($) | Weakening Impact on Equity ($) | Weakening Impact on Profit ($) |
|---|---|---|---|---|
| CAD | (9,191) | (3,251) | 9,191 | 3,251 |
| EUR | (6,388) | - | 6,388 | - |
| JPY | (5,201) | (5,201) | 5,201 | 5,201 |
| CNY | 41 | 41 | (41) | (41) |
| MXN | (1,463) | (1,463) | 1,463 | 1,463 |
| PLN | (141) | - | 141 | - |
| RUB | (482) | - | 482 | - |
| GBP | - | - | - | - |
| CHF | (162) | - | 162 | - |
| THB | 14 | 14 | (14) | (14) |
| AUD | 4 | 4 | (4) | (4) |
| **Total** | **(22,969)** | **(9,856)** | **22,969** | **9,856** |

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

| March 31, 2023 | Strengthening Impact on Equity ($) | Strengthening Impact on Profit ($) | Weakening Impact on Equity ($) | Weakening Impact on Profit ($) |
|---|---|---|---|---|
| CAD | (8,048) | (2,863) | 8,048 | 2,863 |
| EUR | (3,578) | (244) | 3,578 | 244 |
| JPY | (5,054) | (5,054) | 5,054 | 5,054 |
| CNY | (57) | (57) | 57 | 57 |
| MXN | (1,395) | (1,395) | 1,395 | 1,395 |
| PLN | (47) | - | 47 | - |
| RUB | (2) | - | 2 | - |
| GBP | (469) | - | 469 | - |

| | | | | |
|---|---|---|---|---|
| CHF | (185) | - | 185 | - |
| THB | 18 | 18 | (18) | (18) |
| AUD | 4 | 4 | (4) | (4) |
| **Total** | **(18,813)** | **(9,591)** | **18,813** | **9,591** |

## Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating interest rate instruments expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company is exposed to potential interest rate risk associated with loans receivable from affiliated companies. The Company believes that overall interest rate risk associated with these instruments is not significant.

## Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost. The Company has sufficient funds to meet all current obligations. Liquidity risk is also mitigated by the monthly cash flows from collections of loans receivable from related parties. The monthly cash inflows from investments and new business are usually greater than cash outflows towards accounts payable and accrued liabilities.

The maturity analysis for the financial assets and liabilities on an undiscounted cash flows basis is as follows:

(All amounts expressed in Thousands of United States Dollars unless otherwise stated)

| March 31, 2024 | Carrying Amount | Up to One Year | To 3 Years | To 5 Years | Over 5 Years |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,752,181 | 1,752,181 | - | - | - |
| Loans receivable from affiliates | 820,145 | 820,145 | - | - | - |
| Insurance balances receivable | 195,522 | 195,522 | - | - | - |
| Due from Nissan affiliates | 41,957 | 41,957 | | | |
| Accrued interest receivable | 14,896 | 14,896 | - | - | - |
| Accounts receivable miscellaneous | 118,248 | 118,248 | | | |
| **Total undiscounted financial assets** | **2,942,949** | **2,942,949** | | | |
| **Financial Liabilities** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Insurance balances payable | 6,172 | 6,172 | - | - | - |
| Accounts payable and accrued expenses | 99,588 | 99,588 | - | - | - |
| Due to Nissan affiliates | 13,349 | 13,349 | - | - | - |
| Liability for incurred claims * | 547,750 | 124,773 | 230,097 | 107,679 | 85,201 |
| Income taxes payable | 105,798 | 105,798 | - | - | - |
| Pension liabilities | 1,041 | 1,041 | - | - | - |
| **Total undiscounted financial liabilities** | **$773,698** | **$350,721** | **$230,097** | **$107,679** | **$85,201** |
| **Total liquidity gap** | **$2,169,251** | **$2,592,228** | **$(230,097)** | **$(107,679)** | **$(85,201)** |

*Note – The amount recorded as part of reinsurance contract liabilities ($507,338) is the discounted amount

| March 31, 2023 | Carrying Amount | Up to One Year | To 3 Years | To 5 Years | Over 5 Years |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,667,416 | 1,667,416 | - | - | - |
| Loans receivable from affiliates | 792,270 | 792,270 | - | - | - |
| Insurance balances receivable | 185,890 | 185,890 | - | - | - |
| Due from Nissan affiliates | 32,985 | 32,985 | - | - | - |
| Accrued interest receivable | 9,788 | 9,788 | | | |
| Accounts receivable miscellaneous | 112,946 | 112,946 | | | |
| **Total undiscounted financial assets** | **2,801,295** | **2,801,295** | | | |
| **Financial Liabilities** | | | | | |
| Insurance balances payable | 3,965 | 3,965 | - | - | - |
| Accounts payable and accrued expenses | 80,351 | 80,351 | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Due to Nissan affiliates | 15,522 | 15,522 | - | - | - |
| Liability for incurred claims * | 462,881 | 234,350 | 125,038 | 57,100 | 46,393 |
| Income taxes payable | 98,718 | 98,718 | - | - | - |
| Pension liabilities | 3,279 | 3,279 | - | - | - |
| **Total undiscounted financial liabilities** | **664,716** | **436,185** | **125,038** | **57,100** | **46,393** |
| **Total liquidity gap** | **$2,136,579** | **$2,365,110** | **$(125,038)** | **$(57,100)** | **$(46,393)** |

## Note 3 – Concentration of Credit Risk

The Group is party to financial instruments with concentration of credit risk. These financial instruments include cash and cash equivalents, loans receivable from related parties, insurance balances recoverable and dealer dividend advances.

The Company has cash and cash equivalents in the amount of $1,022,975 (2023 - $1,100,534) with four United States banks, $27,065 (2023 - $25,883) with a Canadian bank and $24,669 (2023 - $10,608) with a Bermudian bank. NESNA holds $584,972 (2023 - $478,719) in three United States banks and in an affiliate investment pool in the United States. NCESI has $3,261 (2023 - $1,937) in a Canadian bank. NII has $10,141 (2023 - $Nil) in a US bank, $3,359 (2023 - $1,983) in a Maltese bank, $27,877 (2023 - $25,430) in three United Kingdom banks, $1,478 (2023 - $577) in a German bank and $44,667 (2023 - $19,740) in two French banks. NISCS has $1,634 (2023 - $1,965) in a Swiss bank. NIS has $83 (2023 - $40) with a Maltese bank.

Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company does not require collateral or other security to support financial instruments with credit risk.

The Company has insurance balances receivable in the amount of $195,035 (2023 - $185,890). All loans are with related parties or affiliates where fixed or determinable payments are measured at amortized cost. Credit risk is mitigated as these amounts are primarily due from related parties and there is no indication that such related parties will be unable to meet their current obligations.

The Company believes that overall credit risk is not significant.

## Note 4 – Management of Insurance and Financial Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The objective of the Company's insurance underwriting strategy is to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Another objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company reinsures product liability risk and NRI reinsures property and marine cargo risks of NML and its subsidiaries worldwide. Premiums are reviewed each year and there is no guaranteed renewal agreement. The greatest likelihood of significant losses on the property risk is due to fire or weather related events. The greatest likelihood of significant losses is due to a large weather event on the marine cargo and a large single event, like a design fault, on the product liability. The Company and NRI have mitigated the risk exposure by limiting the total exposure per claim and per underwriting year. Risks are also mitigated since the risk is spread across various geographical areas. Due to the nature of the risks, the claims develop quickly, and the loss adjusters can estimate the losses accurately within a short period of time after the losses arise.

NRI insures workers compensation and employers' liability risks of NNA. Premium for this program is reviewed each year and there is no guaranteed renewal agreement. The greatest likelihood of significant losses is due to the accumulation of separate events. NRI has mitigated the risk exposure by limiting the total exposure per claim and per underwriting year.

The Company assumes the risks for: (a) vehicle service contracts through risk transfer agreements with NESNA, NCESI and reinsurance agreements from unrelated parties in Japan, Mexico, Philippines, and Middle East; (b) Payment Protection Insurance (PPI) through a reinsurance agreement in Mexico and Thailand, and (c) gap coverage through a reinsurance agreement with Mexico and Europe markets. Premiums for all of these programs are reviewed each year and there are no guaranteed renewal agreements. The greatest likelihood of significant losses is due to an accumulation of separate events. Risks of significant loss under vehicle service contracts, payment protection insurance and gap coverage is mitigated due to the fact that they are spread across thousands of contracts.

The underwriting results are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net premium earned and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

Change in loss ratio or underwriting expense ratio:

| | Change in assumptions - Increase | Change in assumptions - Decrease | Net Premium Earned ($) - Increase | Net Premium Earned ($) - Decrease | Equity ($) - Increase | Equity ($) - Decrease |
|---|---|---|---|---|---|---|
| 2024 | +10% | -10% | (74,377) | 74,377 | (64,426) | 64,426 |
| 2023 | +10% | -10% | (73,135) | 73,135 | (64,918) | 64,918 |

The company is exposed to minimal financial risks due to the nature of its assets.

# Note 5 – Capital Risk Management

## Capital Management Objectives, Policies, and Approach

The Company has established the following capital management objectives, policies, and approach in managing the risks that affect its capital position:

The capital management objectives are to retain financial flexibility by maintaining strong liquidity and to align the profile of assets and liabilities considering risks inherent in the business.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations prescribe not only approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

Management considers the Groups' capital to be net assets on March 31, 2024, of $1,218,249 (2023 - $1,101,961), comprised entirely of consolidated shareholder's equity.

The Company's Capital requirements vary with the insurance cycle.

Management reviews the level and composition of capital on an ongoing basis with a view to:

- Maintain sufficient capital for growth opportunities;
- Maximize the return to the shareholder; and
- Maintain adequate capital to meet regulatory requirements.

Capital can therefore be raised or returned as appropriate. Capital raising can include debt or equity and returns of capital may be made through dividends to the shareholder. Other capital management tools and products available to the Company may be utilized. All capital actions require approval by the Board of Directors.

### Regulatory framework

The operations of the Company are subject to regulatory requirements within the jurisdiction where it operates. Such regulations prescribe approval and monitoring of activities and impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

## Note 6 - Insurance service results

The following tables present an analysis of the insurance service result recognized in the period ending 03/31/2024:

| Line Item | March 31, 2024 | March 31, 2023 |
|---|---|---|
| **Insurance revenue** | **667,978** | **702,772** |
| | | |
| **Income (expenses) from reinsurance contracts held** | | |
| Allocation of reinsurance premium paid | (12,311) | (46,668) |
| | | |
| **Insurance service expense** | | |
| Incurred claims and other incurred insurance service expenses | (503,776) | (466,843) |
| Amortization of insurance acquisition cash flows | (110,680) | (108,823) |
| Insurance acquisition expenses | (10,559) | (18,267) |
| | | |
| **Insurance service result** | **30,652** | **62,171** |
| | | |
| **Net finance expenses from insurance contracts** | | |
| Significant financing component | (4,350) | 3,554 |
| Effect of changes in interest rates and other financial assumptions | 65,696 | 58,251 |
| | | |
| **Total Insurance Service and Finance Result** | **91,998** | **123,976** |

# Note 7 – Insurance contract assets and liabilities

The following table shows the reconciliation from the opening to the closing balances of the net liability for the remaining coverage and the liability for incurred claims for insurance contracts.

| Line item | Excluding loss component | Loss component | Estimates of the present value of cash flows | Risk adjustment for non-financial risk | Total |
|---|---|---|---|---|---|
| Opening insurance contract assets | | | | | |
| Opening insurance contract liabilities | (712,257) | - | (409,482) | (23,727) | (1,145,466) |
| Net opening balance | (712,257) | - | (409,482) | (23,727) | (1,145,466) |
| | | | | | |
| Changes in the statement of profit or loss | | | | | |
| Insurance revenue | 667,978 | - | - | - | 667,978 |
| | | | | | |
| Insurance service expenses | | | | | |
| Incurred claims and other insurance service expenses | - | - | (126,584) | - | (126,584) |
| Adjustments to liabilities for incurred claims | - | - | (134,332) | (1,550) | (135,882) |
| Amortization of insurance acquisition cash flows | (110,680) | - | - | - | (110,680) |
| Insurance acquisition expenses | (10,559) | - | - | - | (10,559) |
| | (121,239) | - | (260,916) | (1,550) | (383,705) |
| Insurance service result | | | | | |
| | | | | | |
| Insurance finance income or expenses from insurance contracts recognized in profit or loss | | | | | |
| Net finance expenses from insurance contracts | - | - | 65,696 | - | 65,696 |
| Significant financing component | (4,350) | - | - | - | (4,350) |
| Effect of movements in exchange rates | 315 | - | 5 | - | 320 |

| | | | | | |
|---|---|---|---|---|---|
| | (4,035) | - | 65,701 | - | 61,666 |
| Cash flows | | | | | |
| Premiums received | (668,148) | - | - | - | (668,148) |
| Claims and other insurance service expenses paid | - | - | 122,637 | - | 122,637 |
| Acquisition cost paid | 96,737 | - | - | - | 96,737 |
| | (571,411) | - | 122,637 | - | (448,774) |
| Closing insurance contract assets | | | | | |
| Closing insurance contract liabilities | (740,964) | - | (482,060) | (25,277) | (1,248,301) |
| Net closing balance | (740,964) | - | (482,060) | (25,277) | (1,248,301) |

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# Note 8 – Claims Development

The following loss development table reflects the cumulative incurred claims for each successive accident year at each Consolidated Statements of Financial Position date, together with cumulative payments to date. For consumer products (ESC, CPO, PPI), since the recorded IBNR is paid within the year, a single outstanding reserve number for the consumer products is included at the bottom of the tables.

**Loss Development/Incurred Losses**

| | Accident Month | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Policy Incurred Year | 12 | 24 | 36 | 48 | 60 | 72 | 84 | 96 | 108 | 120 |
| 2014 | 4,322 | 22,515 | 25,974 | 27,625 | 34,132 | 49,655 | 71,079 | 79,277 | 84,979 | 84,466 |
| 2015 | 3,603 | 32,954 | 46,844 | 65,049 | 83,392 | 103,582 | 111,091 | 115,945 | 113,766 | - |
| 2016 | 12,515 | 51,733 | 85,983 | 111,513 | 112,101 | 111,820 | 112,918 | 113,185 | - | - |
| 2017 | 5,896 | 70,642 | 83,784 | 85,590 | 91,461 | 95,316 | 98,715 | - | - | - |
| 2018 | 32,266 | 107,937 | 118,807 | 141,068 | 133,866 | 131,850 | - | - | - | - |
| 2019 | 7,519 | 98,046 | 131,326 | 192,135 | 211,652 | - | - | - | - | - |
| 2020 | 4,160 | 64,941 | 114,309 | 129,560 | - | - | - | - | - | - |
| 2021 | 16,532 | 113,840 | 136,074 | - | - | - | - | - | - | - |
| 2022 | 12,682 | 129,900 | - | - | - | - | - | - | - | - |
| 2023 | 122,119 | - | - | - | - | - | - | - | - | - |

**Paid Losses**

| | Accident Month | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Policy Year | 12 | 24 | 36 | 48 | 60 | 72 | 84 | 96 | 108 | 120 |
| 2014 | 404 | 6,612 | 14,324 | 19,022 | 23,420 | 27,788 | 29,207 | 29,427 | 82,389 | 82,545 |
| 2015 | 556 | 10,473 | 26,852 | 47,278 | 54,808 | 96,578 | 105,027 | 106,354 | 107,637 | - |
| 2016 | 686 | 16,704 | 73,617 | 82,661 | 107,012 | 108,001 | 109,020 | 110,572 | - | - |
| 2017 | 1,440 | 53,378 | 65,085 | 74,215 | 82,455 | 85,999 | 90,252 | - | - | - |
| 2018 | 1,556 | 82,590 | 98,501 | 105,566 | 114,735 | 117,641 | - | - | - | - |
| 2019 | 2,316 | 85,262 | 109,286 | 138,098 | 148,340 | - | - | - | - | - |
| 2020 | 1,156 | 30,750 | 47,010 | 52,275 | - | - | - | - | - | - |
| 2021 | 4,201 | 35,411 | 48,704 | - | - | - | - | - | - | - |
| 2022 | 3,339 | 32,377 | - | - | - | - | - | - | - | - |
| 2023 | 7,867 | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Case + IBNR | 114,252 | 97,523 | 87,370 | 77,285 | 63,312 | 14,209 | 8,463 | 2,613 | 6,129 | 1,921 |
| Provision for adverse deviation | 5,288 | 6,747 | 5,248 | 3,751 | 5,972 | 1,244 | 701 | 112 | 492 | 136 |
| Total reserve policy year | 119,540 | 104,270 | 92,618 | 81,036 | 69,284 | 15,453 | 9,164 | 2,725 | 6,621 | 2,057 |
| Total P&C | | | | | | | | | | 502,768 |
| Activity prior to 10 years | | | | | | | | | | 2,036 |
| IBNR ESC accident year | 42,946 | | | | | | | | | 42,946 |
| IFRS 17 risk and discount | | | | | | | | | | (40,413) |
| Total reserve | | | | | | | | | | 507,337 |

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## Note 9 – Cash and Cash Equivalents

| | March 31 2024 | March 31 2023 |
|---|---|---|
| Cash | $ 537,908 | $ 383,174 |
| Cash in transit | (1,343) | (877) |
| Money market funds | 19,247 | 95,545 |
| Short-term deposits | 1,196,369 | 1,189,574 |
| | $ 1,752,181 | $ 1,667,416 |

Interest income is recorded on the accrual basis. The effective interest rates earned were as follows:

| | March 31 2024 | March 31 2023 |
|---|---|---|
| Cash | 4.76% | 0.30% |
| Money market funds | 5.83% | 1.64% |
| Short-term deposits | 5.48% | 4.58% |

## Note 10 – Loans Receivable from Affiliates

| | March 31 2024 | March 31 2023 |
|---|---|---|
| NGRE loan to NFS (JPY 5,002,182) – 182-day term with maturity date of April 25, 2024, and interest rate of 0.11% | 33,037 | |
| NGRE loan to NLTH (THB 23,000 – One-year term with maturity date of August 2, 2024, and interest rate of 2.02% | 633 | – |
| NGRE loan to NML (EUR50,000) – One-year term with maturity date of July 11, 2024, and interest rate of 4.6620% | 53,905 | – |
| NGRE loan to NML (EUR60,000) – One year term with maturity date of July 7, 2023, and interest rate of 0.33% | – | 65,478 |
| NGRe loan to NISA – One-year term with maturity date April 14, 2023, and interest rate of 0.26% | – | 546 |
| NGRe ABS loan (investment) to NMAC for purchase of pool of retail installment sale contracts of new and used vehicles | 9,658 | 64,321 |
| NESNA GP loan to NMAC – Three-year term with a maturity date of December 15, 2023, and interest rate of 1.90% | -- | 460,000 |
| NESNA GP loan to NMAC – Three-year term with a maturity date of December 15, 2026, and interest rate of 5.59% | 550,000 | -- |
| NRI loan to NMAC – Three-year term with maturity date of May 1, 2026, and interest rates of 4.82% | 95,000 | -- |
| NRI loan to NMAC – 92-day term with a maturity date of May 2, 2023, and interest rate of 5.65%; | -- | 135,000 |
| NCESI Loan to NCI flexible redemption option loan was issued on May 30, 2012, in current year average Interest rate 5.15% | 77,912 | 66,925 |
| Loans Receivable from Affiliates | $ 820,145 | $ 792,270 |

NGRE Interest income on these loans was $1,488 (2023 – $10,200) and accrued interest receivable of $1,488 (2023 – $46) as at March 31, 2024.

ABS Loan: The Company is a registered owner of a 100% non-assessable, fully paid, fractional undivided interest in the Nissan Auto Receivables 2017-A Grantor Trust, Nissan Auto Receivables 2017-B Grantor Trust, Nissan Auto Receivables 2018-A Grantor Trust and Nissan Auto Receivables 2018-B Grantor Trust (the Trusts) formed by NMAC (the Seller). The Trusts were created pursuant to a Pooling and Servicing Agreement dated as of March 24, 2017, September 22, 2017, March 22, 2018, and September 21, 2018, respectively, (the Agreements), between the Seller, NMAC, as Servicer (the Servicer) in its individual capacity, and Wilmington Trust Company, as Trustee (the Trustee). The accrued interest income on the ABS loans was $88 (2023 – $480), and total gross interest on the ABS loans for the year is $3,796 (2023 – $11,588). Other expenses include provision for doubtful accounts, net of recoveries, of $(3,752) (2023 $(5,629)) and service fee expenses of $293 (2023 – $1,220) related to the loan's receivable from the Trusts, both are included in net interest income on the Statements of Comprehensive Income.

NESNA and NRI maintained notes receivable from NMAC totaling $645,000 as at March 31, 2024, and $595,000 at March 31, 2023, respectively. In addition, NESNA invests operating cash with related parties on an overnight basis into an aggregate sweep account. As of March 31, 2024, and 2023, NESNA had $400,699 and $312,823 invested with related parties and this is classified as cash and cash equivalents.

Interest earned on the NESNA intercompany notes was $43,200 and $22,800 for the years ended March 31, 2024, and 2023, respectively, and is included in Interest income on the consolidated statements of comprehensive income.

NCESI has a flexible redemption option loan issued on May 30, 2012, with an additional issuance of approximately $4,067 in 2022 and $11,078 in 2023 at an interest rate of 5.15%. Interest earned on this loan is $3,510 (2023 – $1,958) for the year ended March 31, 2024. The accrued interest receivable relating to this loan as at March 31, 2024, is $168 (2023 – $349).

## Note 11 – Due from/Due to Nissan Affiliates

During its regular business activities, the Company enters routine transactions with affiliates of the Company. Such transactions are at commercial rates. The table below is a summary of the Company's Receivable balances from affiliates as of March 31, 2024.

| | March 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| NGRe from NNA (IT Recharge) | $ 350 | $ 350 |
| NGRe from NAH (Management & Tax Consulting Fees) | 35 | 35 |
| NESNA from NNA (Dealership ESC and PPM Billings) | 41,288 | 32,330 |
| NCESI from NCI (Trade Receivables) | 284 | 270 |
| | $ 41,957 | $ 32,985 |

The table below is a summary of the Company's payable balances to affiliates as of March 31, 2024.

| | March 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| NESNA to NNA (Market Access Fees, Sales Fees) | $ 11,990 | $ 14,883 |
| NESNA to NMAC (Market Access Fees, Sales Fees) | 483 | 417 |
| NCESI due to NCF (Trade payables and market access fees) | 206 | 222 |
| NRI dealer over remittances | 670 | – |
| | $ 13,349 | $ 15,522 |

## Note 12 – Accounts Receivable Miscellaneous

The following table summarizes the components of the Group's Miscellaneous Accounts Receivable:

| | March 31 2024 | March 31 2023 (Restated) |
|---|---|---|
| Dealer Advances | 91,303 | 99,779 |
| Trade Accounts Receivable | 2,431 | 2,933 |
| Accounts Receivable – General | 24,514 | 10,234 |
| | $ 118,248 | $ 112,946 |

## Note 13 – Other Assets

The following table summarizes the components of the Group's Other Assets:

| | March 31 2024 | March 31 2023 (Restated) |
|---|---|---|
| Company Car, net of depreciation | $ 84 | $ 52 |
| Furniture, Fixture and Office Equipment, net of depreciation | 19 | 35 |
| Leasehold improvements, net of depreciation | 99 | 147 |
| Right of Use Asset (long term office lease), net of amortization | 396 | 554 |
| Restricted Cash Deposit (State of TN) | 250 | 250 |
| Dealer Receivables | 447 | 10,548 |
| | $ 1,295 | $ 11,586 |

Long Term office Lease: During 2019 the Company entered into a new lease agreement for office space with an effective date of December 1, 2019, for a rental period of five years with no option to purchase the asset. In addition, NII also entered into a lease for office space effective 2022 for a period of five years.

## Note 14 – Intangible Assets

Intangible assets, consist of computer software licenses for vehicle service contracts and are capitalized on the basis of the costs incurred to acquire and bring the software into use. These costs are amortized over the asset's useful economic life and assessed for impairment whenever there is an indication that it may be impaired. The amortization period and the amortization method for intangible assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the Consolidated Statements of Comprehensive Income in general and administrative expenses. As of March 31, 2024, the intangible assets net of amortization totaled $1,493 (2023 – $831). The remaining amortization period varies, as each market has capitalized their portion of the software at different points in time. The software was not implemented globally in the same year, rather it has been rolled out to the markets in phases. The NGRe standalone intangible asset will fully amortize by October 2024, whereas NIS has just implemented software in fiscal year 2023 and it will amortize over the next ten years. The table below details the reconciliation of the intangible assets:

| | March 31 2024 | March 31 2023 |
|---|---|---|
| Intangible assets, beginning of the period | $ 831 | $ 1,742 |
| Amortization | (492) | (990) |
| Additions | 1,154 | 79 |
| Intangible assets, end of the period | $ 1,493 | $ 831 |

## Note 15 – Reinsurance

NGRe and NRI have the following irrevocable unsecured letters of credit (LOC):

a) LOC of $14,900 (2023 – $35,000) with Mizuho Corporate Bank, Ltd. issued to American Bankers Insurance Company of Florida as beneficiary for USA vehicle service contracts requiring surety clips.

b) LOC of $20,090 (2023 – $23,636) with NMAC issued to Sompo Japan Nipponkoa Insurance Inc. as beneficiary for global property insurance program.

c) LOC of $8,207 (2023 – $12,468) with NMAC issued to Tokio Marine & Nichido Fire Insurance Co., Ltd. as beneficiary for global marine insurance program.

d) LOC of 1,703 (2023 – $3,896) with NMAC issued to Mitsui Sumitomo Insurance Co., Ltd. as beneficiary for global marine insurance program.

e) LOC of $20,000 (2023 – $20,000) with MUFG Union Bank, N.A. issued to Starr Marine as beneficiary for global marine insurance program.

f) LOC of $1,500 (2023 – $1,420) with Mizuho Corporate Bank, Ltd. issued to American Bankers Insurance Company of Florida as beneficiary for Canada vehicle service contracts on off make vehicles.

g) LOC of $3,000 (2023 – $3,000) with Mizuho Corporate Bank, Ltd. issued to Wesco Insurance Company as beneficiary for ESC NESNA High Mileage insurance risks.

h) LOC of $7,150 (2023 - $Nil) from NGRe (no external banks involved) issued to QBE as beneficiary for NII extended warranty portfolio in the Middle East.

## Note 16 – Accrued Expenses and Accounts Payable

The following table summarizes the components of the Group's accounts payable and accrued liabilities:

| | March 31 2024 | March 31 2023 (Restated) |
|---|---|---|
| Accounts payable | $ 48,828 | $ 15,614 |
| Accruals | 9,954 | 26,134 |
| Commodity and premium taxes payable | 223 | 290 |
| Funds withheld | 39,846 | 37,915 |
| Other | 737 | 398 |
| | $ 99,588 | $ 80,351 |

# Note 17 – Issued Capital

| | March 31 2024 | 2023 |
|---|---|---|
| Capital stock is comprised of: | | |
| Authorized, issued and full paid: | | |
| 120,000 shares of U.S. $1 each par value | $ 120 | $ 120 |

The Company was incorporated with minimum capital of $120. The capital was then issued by the creation of 120,000 common shares with a par value of $1.00 each. All authorized shares were issued at par for cash to the Parent company. Issued capital is included in Share Capital along with Additional Paid-in Capital on the Consolidated Statements of Financial Position.

# Note 18 – Contributed Surplus

Contributed Surplus represents additional contributions to capital made by the Parent company. As of March 31, 2024, contributed surplus totaled $99,880 (2023 – $99,880).

# Note 19 – Statutory Requirements

The Act and Related Regulations require the Company to maintain minimum levels of solvency and liquidity. At March 31, 2024, the minimum required solvency and liquidity level was exceeded by the actual statutory capital and surplus, so the regulatory capital and surplus requirement was met. In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. As at March 31, 2024 and 2023, the liquidity ratio was met.

The Maltese Insurance Business Act 1998 requires that NII hold regulatory capital and maintain minimum levels of solvency. NII is in compliance with the Solvency II capitalization requirements based on the latest unaudited capitalization requirement calculations as at March 31, 2024, and 2023.

The State of Tennessee's Division of Insurance requires that NRI hold cash in a restricted depository account naming the Tennessee Commissioner of Insurance as the beneficiary. NRI is in compliance with this requirement and its restricted cash is with a US bank and is included in cash and cash equivalents.

NGRe has completed its 2024 Bermuda Solvency Capital Requirement and it exceeds the target level of required capital.

There are no statutory requirements applicable to NCESI, NESNA, NMISC and NISCS.

# Note 20 – Income Taxes

Bermuda

As a company organized under the laws of Bermuda, the Company has not historically been subject to taxation in Bermuda, as Bermuda has not imposed any form of taxation on receipts, dividends, capital gains, gifts, or net income. In November 2023, The Bermuda Parliament released draft legislation for public comment, and in December 2023 the legislation was passed to enact a 15% corporate income tax in Bermuda beginning with tax year January 1, 2025. The tax legislation includes a provision referred to as the economic transition adjustment, which is intended to provide a fair and equitable transition into the tax regime with respect to which the Company has recorded a deferred tax asset. The Company recorded a deferred tax asset of $116,938 which it expects to utilize to reduce taxes paid predominantly over a 10-year period. The Company will file the Bermuda tax return for March 2025 closing statements.

United States of America

NGRe does not consider itself to be engaged in trade or business in the USA and, accordingly, does not expect to be subject to USA taxation on its Bermuda operations. The Company's USA-domiciled subsidiaries, NESNA G.P., NESNA Inc., NMISC and NRI are subject to USA taxation. The subsidiaries are treated as insurance companies for federal income tax purposes and accordingly are allowed a deduction for losses and loss expenses and are taxed on premium income as earned.

Other Locations

Canadian, Maltese, and Swiss subsidiaries, NCESI, NII, NIS and NISCS, the subsidiaries of the Company are also subject to Canadian, Maltese, and Swiss taxation respectively.

The provision for income taxes consists of the following:

| | March 31 | |
|---|---|---|
| Income Statement Net Income Taxes | 2024 | 2023 |
| Current: | | |
| Federal | $ 58,455 | $ 38,574 |
| State | 16,166 | 8,018 |
| Total current expense (benefit) | 74,621 | 46,592 |
| Deferred: | | |
| Federal | (144,883) | (7,189) |
| State | (5,991) | (885) |
| Total deferred (benefit) expense | (150,874) | (8,074) |
| **Total Income tax expense** | $ (76,253) | $ 38,518 |

The actual income tax expense attributable to income for the year ended March 31, 2024, differs from the amount computed by applying the combined effective rate of Nil% (2023 – Nil%) under Bermuda law to income before income tax expense, and is a result of the following:

| | March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Computed expected tax expense | $ – | $ – |
| Tax expense effect of foreign taxes | (76,253) | 38,518 |
| Total Income tax expense | $ (76,253) | $ 38,518 |

The components of the deferred income tax assets and liabilities are as follows:

| | March 31 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| Deferred income tax assets: | | | | |
| Deferred ceding commission | $ | 2,332 | $ | 2,239 |
| Accrued vacation | | 68 | | 65 |
| Loss carry-forwards – State | | -- | | 112 |
| Advance maintenance contract payments | | 44,222 | | 35,624 |
| State benefit on unearned premium reserve | | 8,506 | | 8,885 |
| Unearned premiums reserves | | 19,252 | | 21,478 |
| Discount on loss reserve | | 2,331 | | 2,013 |
| NGRe economic transition adjustment | | 116,938 | | -- |
| Other | | 17,351 | | 29,881 |
| Total deferred income tax assets before valuation allowance | $ | 211,000 | $ | 100,297 |
| Valuation allowance | | (404) | | (505) |
| Total deferred income tax assets after valuation allowance | $ | 210,596 | $ | 79,112 |
| Reclassified to deferred tax liability * | | (93,656) | | (79,106) |
| **Total deferred income tax assets after reclassification** | $ | 116,940 | $ | 6 |
| Deferred income tax liabilities: | | | | |
| Deferred reinsurance premiums | $ | 59,603 | $ | 62,584 |
| Deferred acquisition costs | | 33,586 | | 47,666 |
| Other | | 8,226 | | 31,237 |
| Total deferred income tax liabilities | $ | 101,415 | $ | 120,807 |
| Reclassified from deferred tax asset * | | (93,656) | | (79,106) |
| **Total deferred income tax liabilities after reclassification** | $ | 7,759 | $ | 41,701 |
| **Net deferred income tax assets/(liabilities)** | $ | 109,181 | $ | (41,695) |

** NESNA and NCESI net deferred tax liability position*

No federal net operating loss carryforwards per the filed return, including subsequent IRS appeals adjustments, existed at either March 31, 2024, or March 31, 2023. State net operating loss carryforwards at March 31, 2024, and March 31, 2023, totaled $34,500 and $57,900, respectively, resulting in deferred tax benefit of $2,500 and $4,000, which will expire between 2024 and 2037. NESNA's uncertain tax position subsequently eliminates its state net operating loss carryforwards DTA for each year after applying uncertain tax position completely as of March 31, 2024, and to $100 as of March 31, 2023.

NESNA maintained valuation allowances related to the utilization of state net operating losses of $404 and $505 as of March 31, 2024, and March 31, 2023, respectively. Due to changes in the state tax laws, NESNA is more likely than not that it will not recognize the full benefit of its state net operating loss carryforwards. These net loss carryforwards begin to expire in 2024.

The activity related to NESNA's gross unrecognized tax benefit from uncertain tax positions for the years ended March 31, 2024, and 2023, is summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| | *(In Thousands)* | |
| Balance as of April 1 | $ 75,820 | $ 79,112 |
| Additions for tax positions related to: | | |
| Prior years | – | – |
| Current years | – | – |
| Reductions related to: | | |
| Prior years | – | (3,292) |
| Current years | (4,219) | – |
| Balance as of March 31 | $ 71,601 | $ 75,820 |

NESNA continues to maintain a total reserve for uncertain tax positions established in prior year and has decreased the reserve by $4,219 to reflect the impact of their uncertain tax position on current year activity. In total, NESNA maintains a total reserve of $71,601. Approximately $2,500 has been recorded net of deferred tax amounts for federal and state net operating losses and the excess is recorded through current tax expense. The total unrecognized tax benefits that, if recognized, would affect the effective tax rate is $18,300 as of March 31, 2024, and $3,400 as of March 31, 2023. NESNA does not expect a significant change in their liability for uncertain tax positions in the next twelve months.

For purposes of calculating federal income taxes, NESNA has been in a net operating loss position through the tax year ended December 31, 2021. If NESNA's uncertain tax position is not sustained, NESNA will be required to pay Federal income taxes beginning with the tax year ended December 31, 2017. As NESNA made $49,000 federal estimated tax payments for tax year 2023, NESNA accrued federal interest expense of $11,700 related to the uncertain tax position. NESNA has not yet accrued interest for the tax year ended December 31, 2023, as NESNA has not yet filed its income tax return for that period. Similarly, while NESNA is also in a net operating loss position for state income tax purposes, the realization of the uncertain tax position will result in NESNA having current state income tax exposure. As a result, NESNA has recorded $6,100 of state interest expense related to its uncertain tax position. NESNA has not accrued any penalties related to the uncertain tax position as NESNA believes that it is more likely than not that there will not be any assessment of penalties. The Company's policy is to include interest and penalties associated with tax uncertainties within income tax expense.

## Note 21 – Other Income

Other income consists primarily of foreign exchange and derivative income/loss, commission payments on ancillary products, service fees earned from providing administrative support to NNA and contract cancellation fees charged to customers when they cancel a contract. These fees are recorded as the services are provided. The following table summarizes the components of the Group’s Other Income:

| | March 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| NII Tax Refund | $ 1,540 | $ 4,476 |
| NRFS Shared Service Income | 9 | – |
| Foreign Exchange (FX) gain/(loss) | (27,063) | (120,305) |
| Derivative Income/(Loss) | 28,559 | 126,376 |
| Commission Revenue | 22,317 | 16,252 |
| Recharge of G&A | 1,202 | 1,167 |
| | $ 26,564 | $ 27,966 |

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## Note 22 – Foreign Currency Translation

Transactions included in the consolidated financial statements of each of the controlled entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency) at average annual exchange rates. Monetary assets and liabilities are revalued to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are revalued to the functional currency at historical rates. Gains and losses on revaluation are reported in earnings.

The consolidated financial statements are presented in USD, which is the Company's presentation currency. Assets and liabilities of subsidiaries with functional currencies other than USD are translated from the functional currency to USD at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported as part of cumulative translation reserve in the Consolidated Statements of Changes in Shareholder's Equity.

## Note 23 – General and Administrative Expenses

The following table summarizes the components of the Group's general and administrative expenses:

| | March 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| Salaries and employee benefit expenses | $ 10,506 | $ 9,374 |
| Information technology expenses | 5,119 | 4,957 |
| Depreciation (Fixed assets and lease obligations) | 948 | 1,293 |
| Office expenses | 4,009 | 4,120 |
| Consulting fees | 1,759 | 1,403 |
| Management fees | 582 | 614 |
| Legal fees | 268 | 150 |
| Audit fees | 654 | (802) |
| Service contract support costs | 4,370 | 2,729 |
| Sales and marketing | 741 | 634 |
| Government and secretarial fees | 583 | 534 |
| Tax fees | 126 | (14) |
| Other miscellaneous expenses | 1,269 | (100) |
| Letter of credit fees | 167 | 186 |
| | $ 31,101 | $ 25,078 |

## Note 24 – Subsequent Events

Subsequent events were evaluated up to the date the consolidated financial statements were available to be issued. Therefore, there were no subsequent events, other than that disclosed below, that would have a material effect on the consolidated financial statements.

NGRE loaned Nissan Financial Services (NFS) 5,002,000 JPY on October 26, 2023. The loan matured on April 25, 2024, and was not renewed.

NGRe has increased its LOC guarantee to QBE from $7,150 to $14,028 on the Middle East portfolio held with NII. No external banks were involved. The LOC increase took place on April 25, 2024.

NGRe declared a dividend to its parent company, NAH on June 25, 2024. The dividend amount will be $200,000. Furthermore, NAH has declared a dividend in the same amount to its parent company NML. Both dividends were paid on June 26, 2024.

NGRE repaid a EUR50,000 loan to NII on July 11, 2024, and received repayment of a EUR50,000 loan from NML on the same date. Each loan was originally for a one-year term and matured on July 11, 2024.