

Decart Re Ltd
(Incorporated in Bermuda)

Independent Auditor's Report on the financial statements

Year ended December 31, 2020



Independent Auditor's Report on the financial statements

Year ended December 31, 2020
(expressed in U.S. dollars)

To the Shareholder
Decart Re Ltd.

We have audited the accompanying financial statements of Decart Re Ltd., which comprise the balance sheet as at December 31, 2020 and the statement of changes in shareholder's equity, income statement and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements were approved by the Board of Directors on July 26, 2021 based on information available at that date.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Decart Re Ltd. as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Neuilly-sur-Seine, July 27, 2021

PricewaterhouseCoopers Audit

The image shows a blue shield-shaped logo with a white checkmark inside, followed by a handwritten signature in blue ink that reads "R. Ben Chamek".

Ridha Ben Chamek

Decart Re Ltd.

(Incorporated in Bermuda)

Financial Statements

December 31, 2020

(expressed in U.S. dollars)

Decart Re Ltd.
Notes to the financial statements
December 31, 2020
(expressed in U.S. dollars)

	2020	2019
	\$	\$
Assets		
Cash and cash equivalents	887,538	1,027,225
Derivative balance receivable (Note 4)	36,752,874	53,116,144
Segregated account assets (Notes 4, 9, 12)	704,689,434	578,212,205
Related party receivable	-	74,800
	<u>742,329,846</u>	<u>632,430,374</u>
Liabilities		
Accounts payable and accrued liabilities	122,539	108,299
Segregated account liabilities (Note 4)	704,675,630	578,203,809
Derivative balance payable (Note 4)	36,752,874	53,116,144
	<u>741,551,043</u>	<u>631,428,252</u>
Shareholder's equity		
Share capital (Note 6)	950,000	950,000
Share premium	125,000	125,000
Accumulated deficit	(296,197)	(72,878)
	<u>778,803</u>	<u>1,002,122</u>
	<u>742,329,846</u>	<u>632,430,374</u>

Approved by the Board of Directors

Director

Director

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

Decart Re Ltd.
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	Share capital \$	Share premium \$	Accumulated deficit \$	Total \$
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2018	950,000	125,000	73,711	1,148,711
Net loss			(146,589)	(146,589)
Balance at December 31, 2019	<u>950,000</u>	<u>125,000</u>	<u>(72,878)</u>	<u>1,002,122</u>
Net loss			(223,319)	(223,319)
Balance at December 31, 2020	<u><u>950,000</u></u>	<u><u>125,000</u></u>	<u><u>(296,197)</u></u>	<u><u>778,803</u></u>

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

Decart Re Ltd.
Notes to the financial statements
December 31, 2020
(expressed in U.S. dollars)

	2020	2019
	<u>\$</u>	<u>\$</u>
Revenue		
Segregated account gain/(loss) (Note 8)	7,282	387,607
Other income (Note 7, 9)	6,344	86,711
Change in fair value of derivative assets	3,255,854	14,620,977
Change in fair value of derivative liabilities	(3,255,854)	(14,620,977)
	<u>13,626</u>	<u>474,318</u>
Expenses		
General and administrative expenses	(187,316)	(195,884)
Other expenses (Note 9)	(49,629)	(425,023)
	<u>(223,319)</u>	<u>(146,589)</u>
Net loss	<u>(223,319)</u>	<u>(146,589)</u>
Accumulated deficit, beginning of year	(72,878)	73,711
	<u>(296,197)</u>	<u>(72,878)</u>

The Company does not have any Other Comprehensive Income

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

Decart Re Ltd.
Notes to the financial statements
December 31, 2020
(expressed in U.S. dollars)

	2020	2019
	<u>\$</u>	<u>\$</u>
Cash flows from operating activities		
Net loss for the year	(223,319)	(146,589)
Adjustments to reconcile net income to net cash used in operating activities:		
Accounts payable and accrued liabilities	14,240	(20,423)
Due from related parties	74,800	(37,400)
Prepaid expenses	0	20,873
Change in fair value of segregated account liabilities	126,471,821	7,513,520
Fair value adjustment derivative liabilities	(16,363,270)	(8,632,294)
Change in fair value of segregated account assets	(126,477,229)	(7,504,123)
Fair value adjustment derivative assets	16,363,270	8,632,294
Net cash used by operating activities	<u>(139,687)</u>	<u>(174,142)</u>
Decrease in cash and equivalents	(139,687)	(174,142)
Cash and cash equivalents - beginning of year	1,027,225	1,201,367
Cash and cash equivalents - end of year	<u><u>887,538</u></u>	<u><u>1,027,225</u></u>

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

Decart Re Ltd.
Notes to the financial statements
December 31, 2020
(expressed in U.S. dollars)

1. The Company and its activities

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

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

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

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

The Company currently has three active segregated accounts, formed under the provisions of the SAC Act; “Cell Green 2”, “Cell Red” and “Cell Purple”.

2. Basis of preparation

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

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

(i) Standards, amendments to published standards and interpretations effective on or after January 1, 2018

IFRS 9 “Financial Instruments”: IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement”, related to the classification and

measurement of financial instruments. It sets out the new principles for the classification and measurement of financial instruments (Phase 1), for impairment for credit risk on debt instruments measured at amortised cost or at fair value through shareholders' equity, loan commitments given, financial guarantee contracts, lease and trade receivables and contract assets (Phase 2), as well as for general hedge accounting; i.e. micro hedging (Phase 3).

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

None of the above standards had a significant effect on the financial statements of the Company.

(ii) Standards, amendments to published standards and interpretations early adopted by the Company

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

(iii) Standards, amendments and interpretations to existing standards, expected to apply to the Company, that are not yet effective and have not been early adopted by the Company

IFRS 16 "Leases", which will supersede IAS 17 "Leases" and the interpretations relating to the accounting of such contracts for annual periods beginning on or after 1 January 2019.

IFRS 17 "Insurance Contracts", which will replace IFRS 4 "Insurance Contracts" and will become mandatory for annual periods beginning on or after 1 January 2021.

3. Significant accounting policies

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

3.1 Cash and cash equivalents

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

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

3.2 Investment income

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

3.3 Derivative and insurance contracts

(a) Derivative instruments

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

(i) Classification

The derivative contracts are classified as financial assets or liabilities at fair value through profit or loss, which are designated at inception. Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the BNP Paribas Group valuation techniques.

(ii) Recognition

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

(iii) Measurement

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

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

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

(iv) **De-recognition**

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

(v) **Offsetting**

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

(b) **Insurance contracts**

(i) **Classification**

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

(ii) **Recognition**

In accordance with IFRS 4, paragraph 24 the Company re-measures designated insurance liabilities consistently in each period to reflect current market interest rates and other current estimates and assumptions.

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

3.4 Foreign currency

(i) **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in U.S. dollars.

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

(ii) **Transactions and balances**

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

4. Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

Decart Re Ltd.
Notes to the financial statements
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(expressed in U.S. dollars)

The following table presents the Company's assets and liabilities measured at fair value at December 31, 2020:

	2020			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	\$	\$	\$	\$
Assets				
General account:				
Derivative assets	0	0	36,752,874	36,752,874
Segregated account:				
Derivative assets	0	0	499,284,823	499,284,823
Insurance contract			205,396,829	205,396,829
Total assets	0	0	741,434,526	741,434,526
Liabilities				
General account:				
Derivative liabilities	0	0	36,752,874	36,752,874
Segregated account:				
Derivative liabilities	0	0	704,242,811	704,242,811
Insurance contract	0	0	432,819	432,819
Total liabilities	0	0	741,428,504	741,428,504

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

Decart Re Ltd.
Notes to the financial statements
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The following table presents the Company's assets and liabilities measured at fair value at December 31, 2019:

	2019			
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
	\$	\$	\$	\$
Assets				
General account:				
Derivative assets	0	0	53,116,144	53,116,144
Segregated account:				
Derivative assets	0	0	347,782,992	347,782,992
Insurance contract			230,412,612	230,412,612
Total assets	0	0	631,311,748	631,311,748
Liabilities				
General account:				
Derivative liabilities	0	0	53,116,144	53,116,144
Segregated account:				
Derivative liabilities	0	0	577,910,419	577,910,419
Insurance contract	0	0	293,389	293,389
Total liabilities	0	0	631,319,952	631,319,952

There were no transfers into or out of Level 3 during the years ended December 31, 2020 or 2019.

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

Decart Re Ltd.

Notes to the financial statements

December 31, 2020**(expressed in U.S.dollars)**

The following table presents the Company's assets and liabilities measured at fair value as at December 31, 2020:

	2020			
	Opening balance	Changes in fair value	Gains & losses recognised in OCI	Closing balance
	\$	\$	\$	\$
Assets				
General account:				
Derivative assets	53,116,144	(16,363,270)		36,752,874
Segregated account:				
Derivative assets	347,782,992	151,501,831		499,284,823
Insurance contract	230,412,612	(25,015,783)		205,396,829
Total assets	631,311,748	110,122,778	0	741,434,526
Liabilities				
General account:				
Derivative liabilities	53,116,144	(16,363,270)		36,752,874
Segregated account:				
Derivative liabilities	577,910,419	126,332,392		704,242,811
Insurance contract	293,389	139,430		432,819
Total liabilities	631,319,952	110,108,552	0	741,428,504

The following table presents the Company's assets and liabilities measured at fair value as at December 31, 2020. The accompanying notes are an integral part of these financial statements.

Decart Re Ltd
Notes to the financial statements
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(expressed in U.S. dollars)

at December 31, 2019:

	2019			
	Opening balance	Changes in fair value	Gains & losses recognised in OCI	Closing balance
	\$	\$	\$	\$
Assets				
General account:				
Derivative assets	61,748,438	(8,632,294)		53,116,144
Segregated account:				
Derivative assets	314,931,094	32,851,898		347,782,992
Insurance contract	255,770,323	(25,357,711)		230,412,612
Total assets	<u>632,449,855</u>	<u>(1,138,107)</u>	<u>0</u>	<u>631,311,748</u>
Liabilities				
General account:				
Derivative liabilities	61,748,438	(8,632,294)		53,116,144
Segregated account:				
Derivative liabilities	570,598,964	7,311,455		577,910,419
Insurance contract	91,325	202,064		293,389
Total liabilities	<u>632,438,727</u>	<u>(1,118,775)</u>	<u>0</u>	<u>631,319,952</u>

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

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

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

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

5. Risk management

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Part of the derivative contracts entered into by the Company are denominated in foreign currencies resulting in an exposure to potential fluctuations in foreign currency.

(b) Interest rate risk

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

(c) Credit risk

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

(d) Liquidity risk

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

(e) Market risk

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

(f) Price risk and price sensitivity

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

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

(g) Capital risk management

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

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

The Company regularly updates its near term and long term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Company may adjust the amount of dividends paid to the shareholder, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

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

6. Share capital

	2020 \$	2019 \$
Common shares		
Authorized share capital par value \$1.00 each	950,000	950,000
Issued and fully paid common shares	950,000	950,000
Total common share capital	950,000	950,000

Since 2008, the Company has issued 950,000 common shares of \$1.00 par value bringing the share capital to \$950,000. No further capital contributions have been received during 2020 or 2019.

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

7. Related party transactions

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

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

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

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

There is a services agreement, entered into between the Company and an affiliate of the BNP Paribas Group, which allows the Company to recharge 110% of some administrative costs directly related to the General Account. The amount recharged under this agreement for 2020 and 2019 was USD \$0 and USD \$37,400, respectively, and is included in the income statement as Other Income.

8. Segregated accounts

8.1 General account and segregated account

As at December 31, 2020, the Company has three active segregated accounts, Cell Green 2, Cell Purple and Cell Red. Assets and liabilities held in Cell Green 2 are directly related to the certain contracts with a Japanese counterparty and the associated derivative contracts with BNPP. Assets and liabilities held in Cell Purple and Cell Red are directly related to certain contracts, with a new Japanese counterparty and the associated derivative contracts with BNPP.

The following table shows the split between the General Account, Cell Green 2, Cell Purple and Cell Red, as of December 31, 2020.

	General Account	Cell Green 2	Cell Purple	Cell Red
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	887,538	1,860	3,248	2,674
Derivative balance receivable	36,752,874	489,238,814	3,176,435	6,869,574
Fair value of insurance contracts	0	205,397,801	(972)	0
Total	<u>37,640,412</u>	<u>694,638,475</u>	<u>3,178,711</u>	<u>6,872,248</u>
Liabilities				
Accounts payable and accrued liabilities	122,539	0	0	0
Derivative balance payable	36,752,874	694,546,631	3,175,704	6,522,504
Fair value of insurance	0	89,763	(241)	343,298

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

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contracts				
Cash and cash equivalents	0	0	(796)	(1,233)
Member's equity	778,803			
Total	<u>37,654,216</u>	<u>694,636,394</u>	<u>3,174,667</u>	<u>6,864,569</u>

The following table shows the split between the General Account, Cell Green 2, Cell Purple and Cell Red, as of December 31, 2019.

	General Account	Cell Green 2	Cell Purple	Cell Red
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	1,027,225	2,524	13,157	920
Derivative balance receivable	53,116,144	343,218,425	542,654	4,021,914
Fair value of insurance contracts	0	230,412,611	0	0
Related party receivable	74,800	0	0	0
Prepaid expenses	0	0	0	0
Total	<u>54,218,169</u>	<u>573,633,560</u>	<u>555,811</u>	<u>4,022,834</u>
Liabilities				
Accounts payable and accrued liabilities	108,299	0	0	0
Derivative balance payable	53,116,144	573,337,804	541,345	4,021,914
Fair value of insurance contracts	0	292,079	1,309	0
Cash and cash equivalents	0	0	9,358	0
Member's equity	1,002,122			
Total	<u>54,226,565</u>	<u>573,629,883</u>	<u>552,012</u>	<u>4,021,914</u>

8.2 Balance sheet and income statement of the Segregated Accounts

Assets and liabilities of the Segregated Accounts are as follows:

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

Decart Re Ltd.
Notes to the financial statements
December 31, 2020
(expressed in U.S. dollars)

	2020	2019
	\$	\$
Assets		
Derivative balance receivable	499,284,823	347,782,992
Fair value of insurance contracts	205,396,829	230,412,612
Cash and cash equivalents	7,782	16,601
Total assets	704,689,434	578,212,205
Liabilities		
Derivative balance payable	704,244,839	577,901,063
Fair value of insurance contracts	432,819	293,389
Accounts payable	0	0
Cash and cash equivalents	(2,029)	9,358
Total liabilities	704,675,629	578,203,810

Segregated Account gain is comprised as follows

	2020	2019
	\$	\$
Revenue		
Financial instruments at fair value	223,038,600	86,076,703
Insurance contracts at fair value	11,947,557	19,134,609
Total operating income	234,986,157	105,211,312
Expenses		
Financial instruments at fair value	(231,222,881)	(96,708,162)
Insurance contracts at fair value	(3,755,994)	(8,115,542)
Other expenses	0	(1)
Segregated account gain	7,282	387,607

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

9. Other income and other expenses

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

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

10. Taxation

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 28, 2035. At present time, no such taxes are levied in Bermuda.

11. Impact of Covid-19 Pandemic

As noted above, all the reinsurance-related obligations of the Company are fully hedged, such that the Company retains no net risk. Accordingly, on a net basis, the Company is not exposed to any losses arising from the Covid-19 pandemic.

12. Subsequent events

There were no subsequent events from December 31, 2020, through [July] [●], 2021, the date the financial statements were available to be issued.

13. Statutory requirements

The Act requires the Company to maintain a minimum margin of solvency (“MMS”), being, effectively, the value of statutory capital and surplus.

As at December 31, 2020, the Company was required to maintain a MMS of \$500,000 (2019: \$500,000) and its Statutory Capital and Surplus was \$778,803 (2019: \$1,002,122) and therefore its MMS requirement was met.

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

	2020	2019
	\$	\$
Shareholder's equity	778,803	1,002,122
Less: prepaid expenses	0	0

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

Decart Re Ltd.
Notes to the financial statements
December 31, 2020
(expressed in U.S. dollars)

Statutory Capital and Surplus	<u>778,803</u>	<u>1,002,122</u>
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The Act also requires Class C Insurers to have a minimum paid up share capital of \$500,000. The Company also met this requirement as at December 31, 2020 and 2019, and continued to meet this requirement as of the date on which the directors signed the Balance Sheet.

14. Approval of the financial statements

The financial statements were approved by the Board of Directors on [July ●], 2021. The Board of Directors does not have the power to amend these statements after issuance.

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