

Prospero Re Ltd.

(Incorporated in Bermuda)

Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars
except for number of shares)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Prospero Re Ltd.

Opinions

We have audited the accompanying condensed financial statements of Prospero Re Ltd. (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2022, and 2021, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the "condensed financial statements").

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and 2021, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial Statements (the "Legislation").

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2022, and 2021, or the results of its operations for the years then ended.

Basis for Opinions

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

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

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

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

Responsibilities of management for the condensed financial statements

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

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

Auditor's responsibilities for the audit of the condensed financial statements

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

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

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

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

Deloitte Ltd.

April 14, 2023

CONDENSED BALANCE SHEET

Prospero Re Ltd.

As at

expressed in ['000s]

December 31, 2022

United States Dollars

LINE No.

		2022	2021
1.	CASH AND CASH EQUIVALENTS	\$ 96,027	\$ 237,204
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	81,846	-
(b)	Total Bonds and Debentures	81,846	-
(c)	Equities		
	i. Common stocks	7,902	9,066
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	7,902	9,066
(e)	Other quoted investments	-	-
(f)	Total quoted investments	89,748	9,066
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other unquoted investments	10,344	6,375
(f)	Total unquoted investments	10,344	6,375
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	24,823	8,000
(h)	Total investments in and advances to affiliates	24,823	8,000
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	-
6.	NOTES RECEIVABLE	-	-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	735	1
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	-	-
(b)	Deferred - not yet due	-	-
(c)	Receivables from retrocessional contracts	41,518	37,654
(d)	Total accounts and premiums receivable	41,518	37,654
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	-	-
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS	-	-

CONDENSED BALANCE SHEET

Prospero Re Ltd.

As at

expressed in ['000s]

December 31, 2022

United States Dollars

LINE No.

		2022	2021
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	-	-
(d)	Segregated accounts companies - general business		
	i. Cash and cash equivalents	-	-
	ii. Investment income due and accrued	-	-
	iii. Accounts and premiums receivable	-	-
	iv. Reinsurance balances receivable	-	-
	v. Deferred acquisition costs	-	-
	vi. Prepaid expenses	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	12,145	8,230
(g)	Net receivables for investments sold	-	-
(h)	Prepaid Expenses	548	141
(i)	Other Sundry Assets (Specify)	-	-
(j)	Other Sundry Assets (Specify)	-	-
(k)	Total sundry assets	12,693	8,371
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	275,888	306,671
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	37,092	29,712
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	53	478
(c)	Total ceded unearned premium reserve	53	478
(d)	Net unearned premium reserve	37,039	29,234
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	75,628	98,500
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	7,500	1,688
(c)	Total reinsurance recoverable balance	7,500	1,688
(d)	Net loss and loss expense provisions	68,128	96,812
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	105,167	126,046
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS	-	-
21.	RESERVE FOR UNREPORTED CLAIMS	-	-
22.	POLICY RESERVES - LIFE	-	-
23.	POLICY RESERVES - ACCIDENT AND HEALTH	-	-
24.	POLICYHOLDERS' FUNDS ON DEPOSIT	-	-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	-	-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-

CONDENSED STATEMENT OF INCOME

Prospero Re Ltd.

As at

December 31, 2022

expressed in ['000s]

United States Dollars

LINE No.		2022	2021
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	\$ 70,965	\$ 91,272
	(b) Assumed gross premiums written	-	-
	(c) Total gross premiums written	70,965	91,272
2.	REINSURANCE PREMIUMS CEDED	4,764	4,049
3.	NET PREMIUMS WRITTEN	66,201	87,223
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(7,804)	(1,026)
5.	NET PREMIUMS EARNED	58,397	86,197
6.	OTHER INSURANCE INCOME	4,540	2,403
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	62,937	88,600
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	49,698	69,224
9.	COMMISSIONS AND BROKERAGE	15,484	28,632
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	65,182	97,856
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	(2,245)	(9,256)
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	-	-
	(b) Assumed gross premiums and other considerations	-	-
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED	-	-
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	-	-
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME	-	-
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	-	-
18.	POLICYHOLDERS' DIVIDENDS	-	-
19.	SURRENDERS	-	-
20.	MATURITIES	-	-
21.	ANNUITIES	-	-
22.	ACCIDENT AND HEALTH BENEFITS	-	-
23.	COMMISSIONS	-	-
24.	OTHER	-	-
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	-	-

CONDENSED STATEMENT OF INCOME

Prospero Re Ltd.

As at

December 31, 2022

expressed in ['000s]

United States Dollars

LINE No.		2022	2021
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	-	-
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total increase (decrease) in policy reserves	-	-
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(2,245)	(9,256)
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	1,748	1,599
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	1,748	1,599
31.	COMBINED INVESTMENT INCOME - NET	3,395	678
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(1,708)	230
33.	COMBINED INCOME BEFORE TAXES	(2,306)	(9,947)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(2,306)	(9,947)
36.	COMBINED REALIZED GAINS (LOSSES)	-	-
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	(2,306)	(9,947)

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Prospero Re Ltd.

As at
expressed in ['000s]

December 31, 2022
United States Dollars

LINE No.		2022	2021
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 120,000 shares of par	120	120
	value \$ 1,000 each issued and		
	fully paid 120,000 shares		
	(ii)		
	(A) Preferred shares:	332,665	302,256
	authorized 499,880 shares of par		
	value \$ 1,000,000 each issued and		
	fully paid 332,665 shares		
	aggregate liquidation value for —		
	2022 -		
	2021 -		
	(B) Preferred shares issued by a subsidiary:	-	-
	authorized - shares of par		
	value - each issued and		
	fully paid - shares		
	aggregate liquidation value for —		
	2022 -		
	2021 -		
	(iii) Treasury Shares	-	-
	repurchased - shares of par		
	value - each issued		
(b)	Contributed surplus	-	8,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	332,785	310,376
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	(144,273)	(85,447)
(b)	Add: Income for the year	(2,306)	(9,947)
(c)	Less: Dividends paid and payable	-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	-	-
(e)	Add (Deduct) change in any other surplus	(25,934)	(48,879)
(f)	Surplus - End of Year	(172,513)	(144,273)
3.	MINORITY INTEREST	-	-
4.	TOTAL CAPITAL AND SURPLUS	160,272	166,103

Prospero Re Ltd.

Notes to the Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements

1. Nature of business

Prospero Re Ltd. (the "Company") is a Bermuda exempted Class 3A insurance company, registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act"). The Company was incorporated on November 7, 2013 and commenced operations on January 1, 2014.

All of the voting shares of the Company are wholly owned by Resolute Global Partners Ltd. (the "Investment Manager") a Bermuda exempted company. The Company issues non-voting preferred shares to The 1609 Fund Ltd. (the "Fund"), a Bermuda exempted company incorporated on July 7, 2011, which has been classified as an institutional fund by the Bermuda Monetary Authority. The Company also issued non-voting preferred shares to Parliament Street Finance LLC ("Parliament"). Other investors, who enter into note purchase agreements with the Company, are issued principal-at-risk notes.

2. General nature of the risks underwritten by the insurer

The types of business written or assumed by the Company are primarily non-proportional property catastrophe, non-proportional offshore energy and marine as well as quota share reinsurance with its affiliated company the Producers National Corporation ("PNC") holding company. The Company reacts opportunistically to market conditions and anticipates over time that it may write or assume other types of business based on the prevailing customer concerns.

3. Basis of presentation

These condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America ("US GAAP"). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:

- The format of the financial statements is prescribed by schedules IX and X of the Insurance Account Rules 2016;
- Statement of Cash Flows or equivalent is not included;
- Certain disclosures required by US GAAP are not included;
- Comprehensive income and its components are not presented in the condensed statement of income; and
- Reserves for loss and loss adjustment expenses and unearned premiums are to be reported net of reinsured amounts.

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

4. Accounting policies of insurer

(a) Cash and cash equivalents

Cash and cash equivalents include cash on demand and short-term, highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and have original maturities of three months or less.

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

4. Accounting policies of insurer (continued)

(b) Premiums written

Premiums are recognized as written upon inception of the policy. The Company's insurance policies cover losses occurring during the term of the policy. Premiums written and ceded are earned on a seasonally adjusted basis over the terms of the policies to which they relate. Accordingly, unearned premiums represent the portion of premiums written which is applicable to the unexpired period of the policies in force.

Loss additional premiums are recorded after the occurrence of a significant loss in accordance with the contract terms based on paid losses and case reserves.

(c) Policy acquisition costs

Policy acquisition costs consist of commissions, brokerage fees, underwriting and other costs that vary with and are incrementally related to the production of premium. Policy acquisition costs are deferred and amortised over the period in which the related premiums are earned. Deferred policy acquisition costs are reviewed to determine if they are recoverable from future income, including investment income. If such costs are estimated to be unrecoverable, they are expensed.

Other income consists of the Company's share of the policy fees collected on insurance policies during the reported period and includes any changes in estimates with respect to acquisition costs previously expensed.

(d) Loss and loss expense provisions

The provision for loss and loss reserve expenses includes estimates for losses incurred but not reported as well as losses pending settlement.

The Company makes a provision for losses on contracts only when an event that is covered by the contract has occurred. When a potential loss event has occurred, the Company obtains and uses assessments from counterparties as a baseline, incorporating its own models and historical data regarding loss development, to determine the level of reserves required.

Future adjustments to the amounts recorded as of period-end, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's condensed statements of income in future periods when such adjustments become known. Future changes in management estimates may result in losses and loss expenses materially greater or less than the reserve provided.

(e) Reinsurance premiums ceded

In the normal course of business, the Company purchases reinsurance from third-parties in order to manage its exposures. The amount of ceded reinsurance that the Company buys varies from year to year depending on its risk appetite, and the availability and cost of ceded reinsurance. Reinsurance premiums are accounted for on a basis consistent with those used in accounting for the underlying premiums assumed.

(f) Foreign currency translation

The U.S. dollar is the functional currency of the Company. These condensed financial statements are also presented in U.S. dollars.

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

4. Accounting policies of insurer (continued)

(f) Foreign currency translation (continued)

Revenues and expenses and the related unearned premiums and deferred acquisition costs denominated in non-U.S. dollar currencies are translated to the U.S. dollar at the rates of exchange at the transaction date. Monetary assets and liabilities are remeasured at the rates of exchange in effect at the balance sheet date. Transaction gains and losses resulting from foreign currency transactions are recorded in the condensed statements of income.

(g) Fair value measurements

FASB Accounting Standard Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures requires additional disclosures for fair value measurements including the following: (i) levels in the fair value hierarchy into which the fair value measurements are categorized in their entirety; (ii) significant transfers between Level 1 and Level 2 and the reasons for those transfers; and (iii) fair value measurements that result from the use of significant unobservable inputs in valuation techniques (Level 3), disclosing separately changes during the period.

There have been no material changes in the Company's valuation techniques.

Debt securities are classified as available for sale and are carried at fair value with unrealized gains and losses included in *Combined other income-net*.

The fair value of assets and liabilities included on the condensed balance sheet, which qualify as financial instruments under FASB ASC 825, Financial Instruments, approximate the carrying amount presented in the condensed general purpose financial statements.

Financial instruments are valued at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Inputs – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset, or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Investment Manager's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

4. Accounting policies of insurer (continued)

The following methods and assumptions were used by the Company in estimating fair value disclosures for other financial instruments:

Cash and cash equivalents and cash and cash equivalents held in trust accounts: The carrying amounts reported in the condensed balance sheets for these instruments approximate their fair values.

Other assets and liabilities: The fair values of accrued interest, reinsurance balance receivables, contribution receivables, reinsurance balance payable, amounts due to the Fund and Parliament, accrued expenses and other liabilities approximate their carrying values due to their short term nature. The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain balances such as deferred acquisition costs, unearned premium ceded, prepaid expenses, loss and loss adjustment expense reserves and unearned premium are excluded from fair value disclosure. The total fair value amounts therefore cannot be aggregated to determine the underlying economic value of the Company.

Promissory notes issued to affiliate entities are recorded at cost net of any impairment losses recognized and reported within *Total investments in and advances to affiliates* on the face of the condensed balance sheet. Accrued interest is disclosed separately on the face of the condensed balance sheet.

(h) Investment income and expense

Interest income and expense are recognised on the accrual basis. Dividend income is recognised when the Company's right to receive payments is established on the ex-dividend date and is presented net of withholding tax.

(l) Investment in Helios Underwriting PLC

The investment in Helios Underwriting PLC is valued using the closing published stock price on the London Stock Exchange and a Bloomberg foreign currency translation rate.

(j) Unquoted Investments

The valuation of the investment in RGP Corporate Member Limited. at December 31, 2022 is comprised of two parts. The capital Funds at Lloyd's ("FAL") are valued monthly by Lloyd's and the underwriting syndicate income is valued on a quarterly basis provided in arrears by third parties and audited on an annual basis.

(k) Change in Statutory Capital

The amount of capital surplus resulting after preferred shares is sold for more/ less than its par value.

(l) Income taxes

Under the laws of Bermuda, the Company is generally not subject to income taxes. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event that there is enacted in Bermuda any legislation imposing income or capital gains tax, such tax shall not until March 31, 2035 be applicable to the Company. However, certain United States dividend income and interest income may be subject to a 30% withholding tax. Further, certain United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

4. Accounting policies of insurer (continued)

(l) Income Taxes (continued)

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognised is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognised results in the Company recording a tax liability that reduces ending net assets. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognised tax benefits as of December 31, 2022 (2021: Nil). The Company's conclusions may however be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company recognises interest and penalties related to unrecognised tax benefits in interest expense and other expenses, respectively. No interest, tax-related expense or penalties have been recognised as of and for the years ended December 31, 2022 and 2021. The Company may be subject to potential examination by U.S. federal or foreign jurisdiction authorities in the areas of income taxes for all years since its inception. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal or foreign tax laws. The Company was not subjected to any tax examinations during the year ended December 31, 2022.

(m) Segregated accounts

The assets and liabilities of segregated accounts are recorded consistently with the general account assets and liabilities. The Company has established a cedant-facing segregated account (the "Cedant-Facing Cell"), which writes reinsurance contracts on behalf of the Company to cover worldwide business in respect of certain reinsured risks as noted above.

The Company has also created certain segregated accounts (the "Investor Segregated Cells") for the benefit of investors who have entered into quota share retrocession agreements with the Company. The quota share percentage per investor is determined by the Company to be applied to each underlying reinsurance contract, taking into account numerous factors, including without limitation the committed capital per investor.

An investor segregated cell is assigned to each investor of the Company, which issues non-voting preference shares or principal-at-risk notes through a subscription and shareholder agreement or a note purchase agreement. The proceeds from subscriptions for preference shares or from the issuance of notes are used to provide collateral to support the obligations of the cedant-facing cell in respect of the underlying reinsurance contract and the payment of fees required by the investor segregated cell.

The Company currently has two segregated accounts: Cedant-Facing Cell 001 and Investor-Segregated Cell 002. As at December 31, 2022 and 2021, all the Preference Shares of the Company were owned by Investor Segregated Cell 002.

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

4. Accounting policies of insurer (continued)

(m) Segregated accounts (continued)

The following is a summary of results of the segregated accounts included in the Company's financial statements:

	2022	2021
	\$	\$
Assets:		
Cash and cash equivalents	95,907	237,084
Bonds and Debentures - other	81,846	-
Investment income due and accrued	735	1
Common Stocks	7,902	9,066
Advances to Affiliates	24,823	8,000
Accounts and premiums receivable	41,518	37,654
Other unquoted investments	10,344	6,375
Deferred acquisition costs	12,145	8,230
Unearned premiums ceded	53	478
Loss Recoverable	7,500	1,688
Prepaid expenses	548	141
Total segregated account assets	<u>283,321</u>	<u>308,717</u>
Liabilities:		
Loss and loss expense provisions	75,628	98,500
Amounts due to affiliates	-	4,123
Commissions, expenses, fees and taxes payable	10,139	9,917
Unearned premiums	37,092	29,712
Insurance and reinsurance balances payable	-	-
Accounts payable and accrued expenses	310	482
Total liabilities	<u>123,169</u>	<u>142,734</u>
Equity	160,152	165,983
Total segregated account liabilities	<u>283,321</u>	<u>308,717</u>

5. Basis of recognition of premium, investment and commission income – See Note 4 (b), (h) and (c) respectively of the General Notes to the Condensed General Purpose Financial Statements.

6. Foreign exchange translation – See Note 4 (f) of the General Notes to the Condensed General Purpose Financial Statements.

7. Foreign exchange control restrictions – None

8. Contingencies or commitments – None

9. Default on credit agreements – None

10. Dividends – None

11. Loans to related parties – None

12. Retirement benefits – N/A

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

13. Fair value and hierarchy investments

The following table presents information about the Company's assets measured at fair value as of December 31, 2022:

	Prices (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total
Assets				
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments in securities, at fair value:				
Agency Bonds	\$ -	\$ 4,821	\$ -	\$ 4,821
Asset Backed Securities	-	5,678	-	5,678
Certificate of Deposit	30	-	-	30
Corporate Bonds	-	4,835	-	4,835
Mortgage Backed Securities	-	6,191	-	6,191
Sinking Fund Bond	-	596	-	596
US Treasury Bill	54,180	-	-	54,180
US Treasury Note	5,515	-	-	5,515
	\$ 59,725	\$ 22,121	\$ -	\$ 81,846

Investments in securities traded on a national securities exchange or reported on a national market are stated at the last reported sales price on the day of valuation, or if such exchange or market was not open on the relevant valuation date, then at the last reported sales price on the last full business day on which such exchange or market was open for trading preceding the valuation date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized within Level 1 of the fair value hierarchy.

The fair value of asset and mortgage securities is estimated based on broker quotes, at cost for recent transactions or models that consider the estimated cash flows of each tranche of the entity, establishes a benchmark yield and develops an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. To the extent the inputs are observable and timely, the values would be categorized within Level 2 of the fair value hierarchy; otherwise they would be categorized within Level 3 of the fair value hierarchy.

14. Contractual maturity profile of investments

The following table summarizes the unrealized positions for available-for-sale securities, disaggregated by class of instrument.

	Amortized cost	Allowance for credit losses	Total unrealized gains	Total unrealized losses	Fair Value
Agency Bonds	\$ 4,852	\$ -	\$ 2	\$ 33	\$ 4,821
Asset Backed Securities	5,703	-	6	31	5,678
Certificate of Deposit	30	-	-	-	30
Corporate Bonds	4,834	-	17	16	4,835
Mortgage Backed Securities	6,251	-	1	61	6,191
Sinking Fund Bond	608	-	-	12	596
US Treasury Bill	53,942	-	238	-	54,180
US Treasury Note	5,533	-	5	23	5,515
Total	\$ 81,753	\$ -	\$ 269	\$ 176	\$ 81,846

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

General Notes to the Condensed General Purpose Financial Statements (continued)

14. Contractual maturity profile of investments (continued)

The following table summarizes the fair value and net carrying amount of the available-for-sale securities by contractual maturity.

	Available-for-sale	
	Net carrying amount	Fair Value
Due within one year	\$ 67,829	\$ 67,829
Due after one year through five years	11,418	11,418
Due after five years through ten years	1,082	1,082
Due after ten years	1,517	1,517
Total	<u>\$ 81,846</u>	<u>\$ 81,846</u>

Proceeds from sales and maturities of investments available-for-sale during 2022 were \$50.6m (2021: \$0) and \$1.9m (2021: \$0), respectively. Gross realized gain of \$0.1m (2021: \$0) and gross realized losses of \$1m (2021: \$0) for a net realized loss of \$0.9m (2021: \$0) were realized in the year ended December 31, 2022.

15. Related party transactions

Pursuant to an underwriting and management services agreement between the Company and the Investment Manager, the Company will pay underwriting fees and profit commission in respect of the covered contracts applicable to the Investor Segregated Cells (See Note 4 (m) of the General Notes to the Condensed General Purpose Financial Statements). The Company will promptly reimburse the Investment Manager for any expenses paid by the Investment Manager on behalf of the Company. No underwriting fees and profit commission were incurred during the years ended December 31, 2022 and 2021.

During the year ended December 31, 2022, the Company commuted the unearned premium reserves quota share 2020 and 2021 agreements ("UPR Quota Shares") with Unique Insurance Company ("UIC"), Stonegate Insurance Company ("SIC") and Viva Seguros Insurance Company ("VIVA") (collectively the "Reinsured"), and entered into two new UPR Quota Shares agreements with UIC and SIC. The Reinsured are member companies of PNC. The Fund holds 17,011,948 shares of PNC common stock, representing approximately 97% percent of PNC's total shares outstanding.

The current year UPR Quota Shares cover losses incurred on or after December 31, 2022 for policies in force as of December 31, 2022 for covered lines of business. As a result, the Company has recorded \$25.5M of gross written premiums, of which \$25.5M is unearned as of December 31, 2022.

During the year ended, the Company also wrote \$39.82M (2021: \$36.98M) of gross premium reinsuring UIC, SIC, VIVA and PNC in the normal course of business.

16. Subsequent events – N/A

17. Other information – None

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

Notes to the Condensed Statement of Capital and Surplus

1. (a) Capital Stock

(i) Common shares: The authorized common share capital of the Company is 120,000 shares of \$1.00 par value. The minimum subscribed share capital of the Company is 120,000 shares and is fully paid. The Company did not declare any dividends on Common Shares during the years ended December 31, 2022 and 2021.

(ii) Preferred shares: The Company issued and fully paid 332,665 non-voting preference shares of \$1.00 par value. The Company declared Nil dividends on Preference Shares during the years ended December 31, 2022 and 2021, respectively.

(b) Contributed Surplus – The Company's contributed surplus is \$0M (2021: \$8M)

(c) Dividends paid and payable – N/A

(d) Change in Statutory Capital – The Company's change in statutory capital is \$25.93M (2021: \$48.88M)

Notes to the Condensed Balance Sheet

1. Cash and cash equivalents – See Note 4 (a) of the General Notes to the Condensed General Purpose Financial Statements. As of December 31, 2022, \$92.92M (2021: \$222.27M) of the Company's cash and cash equivalents were encumbered and held in trust to support its collateralized reinsurance transactions.

2. Quoted Investments – See Note 4 (g) of the General Notes to the Condensed General Purpose Financial Statements. As of December 31, 2022, \$81.85M (2021: NIL) of the Company's quoted investments were encumbered and held in trust to support its collateralized reinsurance transactions.

Investment in Helios Underwriting PLC – See Note 4 (i) of the General Notes to the Condensed General Purpose Financial Statements.

3. Unquoted Investments – See Note 4 (j) of the General Notes to the Condensed General Purpose Financial Statements.

4. Advances to affiliates - As of December 31, 2022, the Company had a \$12.89M (2021: \$8M) receivable from the Fund. The Company also had a note receivable from PNC. The note, amounting to \$12.27M (2021: Nil), bears interest at 6.5% per annum and is due on May 5, 2029.

5-8. N/A

9. Investment income due and accrued – See Note 4 (h) of the General Notes to the Condensed General Purpose Financial Statements.

10-11. Premiums and reinsurance balances receivable – See Note 4 (b) and (g) of the General Notes to the Condensed General Purpose Financial Statements.

12. N/A

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

Notes to the Condensed Balance Sheet (continued)

13. Sundry Assets: Segregated accounts companies – general business – See Note 4 (m) of the General Notes to the Condensed General Purpose Financial Statements.

14. N/A

16. Unearned premium reserve – See Note 4 (b) of the General Notes to the Condensed General Purpose Financial Statements.

17. Loss and loss expense provisions – See Note 4 (d) of the General Notes to the Condensed General Purpose Financial Statements.

- a) The following table presents a reconciliation of the beginning and ending gross and net loss and loss expense provisions for the current and prior year:

	2022	2021
Gross loss and loss expense provisions at beginning of year	\$ 98,500	\$ 99,951
Less: Reinsurance balances receivable at beginning of year	1,688	-
Net loss and loss expense provisions at beginning of year	96,812	99,951
Net incurred losses and loss expenses:		
Current year	23,899	30,342
Prior years	25,799	38,882
Total net incurred losses and loss expenses	49,698	69,224
Net losses and loss expenses paid or payable related to:		
Current year	(8,586)	(3,636)
Prior years	(69,796)	(68,727)
Total losses and loss expenses paid or payable	(78,382)	(72,363)
Foreign exchange and other	-	-
Net loss and loss expense provisions at end of year	68,128	96,812
Add: Reinsurance recoverable as of end of period	7,500	1,688
Gross loss and loss expense provisions at end of year	\$ 75,628	\$ 98,500

- b) Reasons for the Change in Net Losses Incurred and Net Loss Expenses: Prior year reserve development arises from changes to losses and loss expense estimates related to loss events that occurred in previous calendar years.

- c) Loss and Loss Expense Provisions
- Total restricted assets – N/A
 - Unsecured policyholder obligations – N/A

18. N/A

20-27. N/A

28. Insurance and reinsurance balances payable – See Note 4 (g) of the General Notes to the Condensed General Purpose Financial Statements.

29. Commissions, expenses, fees and taxes payable – N/A

30-31. N/A

32. Amounts due to affiliates – As of December 31, 2022, the Company had a \$0M (2021: \$1.71M) payable to the Fund and \$0M (2021: \$2.41M) payable to Parliament.

Prospero Re Ltd.

Notes to Condensed General Purpose Financial Statements

For the year ended December 31, 2022

(Expressed in thousands of United States Dollars except for number of shares)

Notes to the Condensed Balance Sheet (continued)

33. Accounts payable and accrued liabilities – Accounts payable and accrued liabilities consist of operating expenses payable.

34-37. N/A

Notes to the Condensed Statement of Income

6. Other insurance income – See Note 4 (c) of the General Notes to the Condensed General Purpose Financial Statements.

15. N/A

32. Other income – See Note 4 (h) of the General Notes to the Condensed General Purpose Financial Statements.

36. N/A