

**TOKIO MILLENNIUM RE LTD.**

**Unconsolidated Financial Statements**  
(Unaudited)

Three Months Ended March 31, 2011 and 2010

**TOKIO MILLENNIUM RE LTD.**

Unconsolidated Balance Sheets (Unaudited)

March 31, 2011 and 2010

*(Expressed in United States Dollars)*

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	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and Cash equivalents	\$ 190,999,124	\$ 159,956,994
Short term investments	80,597,125	100,000,000
Investments in fixed interest securities	1,003,569,652	1,005,188,419
Investments in catastrophe bonds	120,105,576	83,710,551
Collateral held on behalf of counterparties	-	9,508,461
Accrued interest receivable	9,227,355	9,730,186
Premiums receivable	168,708,994	148,652,902
Prepaid reinsurance premiums	25,295,105	34,677,935
Fair value of derivative assets	136,971,931	37,919,437
Outstanding losses recoverable from reinsurers	126,239,272	11,542,780
Deferred acquisition expenses	48,077,129	17,661,841
Unearned profit commission	1,194,264	539,536
Prepaid expenses	2,130,668	1,302,471
Capital assets	10,652,972	9,200,282
Funds withheld	25,003,314	19,493,286
Other assets	<u>1,929,384</u>	<u>319,253</u>
Total assets	<u>\$ 1,950,701,865</u>	<u>\$ 1,649,404,334</u>
<b>Liabilities</b>		
Outstanding losses and loss expenses	\$ 546,376,291	\$ 75,577,045
Liability for collateral held on behalf of counterparties	-	11,008,461
Fair value of derivative liabilities	64,334,045	10,144,908
Reinsurance balances payable	25,846,695	45,611,618
Amounts due to investment brokers	-	34,322,577
Unearned premiums	258,004,544	178,428,252
Deferred commission income	2,925,863	4,396,706
Accounts payable and accrued expenses	4,358,807	2,298,775
Deferred tax liability	<u>384,046</u>	<u>-</u>
Total liabilities	<u>902,230,291</u>	<u>361,788,342</u>
<b>Shareholder's equity</b>		
Authorised, issued and fully paid, shares of \$1 par value each	\$ 250,000,000	\$ 250,000,000
Contributed surplus	400,000,000	400,000,000
Retained earnings	373,708,385	612,511,508
Foreign currency translation adjustment	2,891,478	-
Accumulated other comprehensive income	<u>21,871,711</u>	<u>25,104,484</u>
Total shareholder's equity	<u>1,048,471,574</u>	<u>1,287,615,992</u>
Total liabilities and shareholder's equity	<u>\$ 1,950,701,865</u>	<u>\$ 1,649,404,334</u>

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**TOKIO MILLENNIUM RE LTD.**

## Unconsolidated Statements of Operations and Comprehensive Income (Unaudited)

For the three months ended March 31, 2011 and 2010  
(Expressed in United States Dollars)

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	<u>2011</u>	<u>2010</u>
<b>Income</b>		
Reinsurance premiums assumed	\$ 211,368,008	\$ 154,694,152
Change in unearned premiums	<u>(78,752,419)</u>	<u>(75,631,458)</u>
Reinsurance premiums earned	<u>132,615,589</u>	<u>79,062,694</u>
Reinsurance premiums ceded	40,146,885	29,847,189
Change in prepaid reinsurance	<u>(1,672,709)</u>	<u>(17,237,791)</u>
Reinsurance premiums ceded	<u>38,474,176</u>	<u>12,609,398</u>
Net premiums earned	94,141,413	66,453,296
Catastrophe bond income	<u>2,258,528</u>	<u>1,752,200</u>
Total operating income	96,399,941	68,205,496
Net investment income	<u>10,551,483</u>	<u>8,687,618</u>
Total income	<u>106,951,424</u>	<u>76,893,114</u>
<b>Expenses</b>		
Loss and loss expenses incurred	351,739,767	(217,746)
Losses recoverable from reinsurers	<u>(107,496,071)</u>	<u>1,810,127</u>
Net loss and loss expenses incurred	244,243,696	1,592,381
Acquisition expenses	20,242,005	6,042,984
Profit commission	109,275	(286,266)
Net derivative expense	(33,630,660)	15,564,309
General and administrative expenses	12,800,375	9,131,977
Foreign exchange losses	<u>(644,692)</u>	<u>1,989,646</u>
Total expenses	<u>243,119,999</u>	<u>34,035,031</u>
Net (loss) income before tax	(136,168,575)	42,858,083
Deferred tax expense	(177,837)	-
Net (loss) income	(136,346,412)	42,858,083
<b>Other comprehensive income</b>		
Net change in unrealized gains and losses on investments	<u>(4,064,827)</u>	<u>3,287,688</u>
Other comprehensive (loss) income	<u>(4,064,827)</u>	<u>3,287,688</u>
Comprehensive income	<u>\$ (140,411,239)</u>	<u>\$ 46,145,771</u>

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**TOKIO MILLENNIUM RE LTD.**

## Unconsolidated Statements of Changes in Shareholder's Equity (Unaudited)

For the three months ended March 31, 2011 and 2010

*(Expressed in United States Dollars)*

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	<u>2011</u>	<u>2010</u>
<b>Share capital</b>		
Balance at beginning of year and end of period	\$ <u>250,000,000</u>	\$ <u>250,000,000</u>
<b>Contributed surplus</b>		
Balance at beginning of year and end of period	<u>400,000,000</u>	<u>400,000,000</u>
<b>Retained earnings</b>		
Balance at beginning of year	510,054,797	569,653,425
Net income	<u>(136,346,412)</u>	<u>42,858,083</u>
Balance at end of period	<u>373,708,385</u>	<u>612,511,508</u>
<b>Foreign currency translation adjustment</b>		
Balance at beginning of year	1,618,492	-
Net change during the period	<u>1,272,986</u>	<u>-</u>
Balance at end of period	<u>2,891,478</u>	<u>-</u>
<b>Other comprehensive income</b>		
Balance at beginning of year	25,936,538	21,816,796
Net change in unrealized gains and losses on investments	<u>(4,064,827)</u>	<u>3,287,688</u>
Balance at end of period	<u>21,871,711</u>	<u>25,104,484</u>
Total shareholder's equity	<u>\$ 1,048,471,574</u>	<u>\$ 1,287,615,992</u>

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**TOKIO MILLENNIUM RE LTD.**

## Unconsolidated Statements of Cash Flows (Unaudited)

For the three months ended March 31, 2011 and 2010  
(Expressed in United States Dollars)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Net income	\$ (136,346,412)	\$ 42,858,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of capital assets	1,221,519	994,594
Amortization of fixed interest securities	1,054,580	1,229,621
Gain on sale of investments	(1,158,156)	-
Change in:		
Collateral held on behalf of counterparties	31,508,019	11,602,737
Accrued interest receivable	(490,418)	809,840
Premiums receivable	(62,761,815)	(44,030,226)
Prepaid reinsurance premiums	(1,672,709)	(17,237,791)
Fair value of derivative assets	(114,979,525)	(7,943,205)
Outstanding losses recoverable from reinsurers	(106,779,789)	5,540,182
Deferred acquisition expenses	779,861	(7,554,650)
Unearned profit commission	285,984	-
Prepaid expenses	1,099,739	1,302,731
Funds withheld	(694,880)	2,098,867
Other assets	(44,620)	12,161
Outstanding losses and loss expenses	333,355,823	(8,834,655)
Liability for collateral held on behalf of counterparties	(32,615,079)	(11,602,737)
Fair value of devitative liabilities	63,512,869	767,373
Reinsurance balances payable	8,013,576	11,684,454
Unearned premiums	78,752,419	75,631,458
Deferred commission income	567,858	2,206,790
Accounts payable and accrued expenses	(2,980,101)	(2,084,817)
Deferred tax liability	383,314	-
Other	(33,341)	-
	<u>59,978,716</u>	<u>57,450,810</u>
<b>Cash flows from investing activities</b>		
Net purchase/sale of short-term investments	(19,805,690)	-
Net purchase/sale of fixed interest securities	11,100,193	(11,160,828)
Net purchase/sale of catastrophe bonds	1,912,832	(2,000,000)
Gain on sale of investments	1,158,156	-
Purchase of capital assets, net of sales proceeds	(1,067,362)	(603,009)
Amounts due to investment brokers	-	<u>34,322,577</u>
	<u>(6,701,871)</u>	<u>20,558,740</u>
Net increase in cash and cash equivalents	53,276,845	78,009,550
Foreign exchange losses on cash and cash equivalents	(1,426)	-
Cash and cash equivalents at beginning of year	<u>137,723,705</u>	<u>81,947,444</u>
Cash and cash equivalents at end of period	<u>\$ 190,999,124</u>	<u>\$ 159,956,994</u>