

TOKIO MILLENNIUM RE LTD.

Unconsolidated Financial Statements
(Unaudited)

Six Months Ended June 30, 2011 and 2010

TOKIO MILLENNIUM RE LTD.

Unconsolidated Balance Sheets (Unaudited)

June 30, 2011 and 2010

(Expressed in United States Dollars)

| | <u>2011</u> | <u>2010</u> |
|--|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 276,062,212 | \$ 60,964,354 |
| Short term investments | 69,022,474 | - |
| Investments in fixed interest securities | 1,002,274,163 | 1,077,697,792 |
| Investments in catastrophe bonds | 111,624,718 | 101,054,742 |
| Collateral held on behalf of counterparties | - | 1,508,754 |
| Accrued interest receivable | 9,059,659 | 9,456,182 |
| Premiums receivable | 272,898,398 | 223,928,137 |
| Prepaid reinsurance premiums | 58,079,235 | 48,676,294 |
| Fair value of derivative assets | 121,213,381 | 38,800,654 |
| Outstanding losses recoverable from reinsurers | 112,990,835 | 7,261,300 |
| Deferred acquisition expenses | 129,902,856 | 85,345,025 |
| Unearned profit commission | 1,019,122 | 2,904,514 |
| Prepaid expenses | 1,008,406 | 1,293,731 |
| Capital assets | 12,467,857 | 9,341,512 |
| Funds withheld | 27,624,095 | 18,044,838 |
| Other assets | 1,975,548 | 384,701 |
| | <hr/> | <hr/> |
| Total assets | \$ 2,207,222,959 | \$ 1,686,662,530 |
| Liabilities | | |
| Outstanding losses and loss expenses | \$ 564,025,891 | \$ 68,255,932 |
| Liability for collateral held on behalf of counterparties | - | 3,008,754 |
| Fair value of derivative liabilities | 69,009,771 | 5,036,649 |
| Reinsurance balances payable | 57,610,375 | 35,454,039 |
| Unearned premiums | 460,475,064 | 353,726,209 |
| Deferred commission income | 5,670,339 | 5,498,840 |
| Accounts payable and accrued expenses | 4,677,183 | 3,861,557 |
| Dividend payable | 84,914,103 | - |
| Deferred tax liability and income tax provision | 440,237 | - |
| | <hr/> | <hr/> |
| Total liabilities | 1,246,822,963 | 474,841,980 |
| Shareholder's equity | | |
| 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 | 271,978,809 | 526,206,740 |
| Foreign currency translation adjustment | 5,713,951 | - |
| Accumulated other comprehensive income | 32,707,236 | 35,613,810 |
| | <hr/> | <hr/> |
| Total shareholder's equity | 960,399,996 | 1,211,820,550 |
| | <hr/> | <hr/> |
| Total liabilities and shareholder's equity | \$ 2,207,222,959 | \$ 1,686,662,530 |
| | <hr/> | <hr/> |

TOKIO MILLENNIUM RE LTD.

Unconsolidated Statements of Operations and Comprehensive Income (Unaudited)

For the six months ended June 30, 2011 and 2010
(Expressed in United States Dollars)

| | <u>2011</u> | <u>2010</u> |
|---|-------------------------|----------------------|
| Income | | |
| Reinsurance premiums assumed | \$ 538,852,994 | \$ 439,765,205 |
| Change in unearned premiums | <u>(281,152,932)</u> | <u>(250,929,415)</u> |
| Reinsurance premiums earned | 257,700,062 | 188,835,790 |
| Reinsurance premiums ceded | 85,687,025 | 58,385,078 |
| Change in prepaid reinsurance | <u>(34,458,499)</u> | <u>(31,236,151)</u> |
| Reinsurance premiums ceded | <u>51,228,526</u> | <u>27,148,927</u> |
| Net premiums earned | 206,471,536 | 161,686,863 |
| Catastrophe bond income | <u>4,592,250</u> | <u>3,778,143</u> |
| Total operating income | 211,063,786 | 165,465,006 |
| Net investment income | <u>20,379,980</u> | <u>16,697,773</u> |
| Total income | <u>231,443,766</u> | <u>182,162,779</u> |
| Expenses | | |
| Loss and loss expenses incurred | 416,139,428 | 21,242,596 |
| Losses recoverable from reinsurers | <u>(101,064,171)</u> | <u>5,365,401</u> |
| Net loss and loss expenses incurred | 315,075,257 | 26,607,997 |
| Acquisition expenses | 51,065,920 | 18,634,387 |
| Profit commission | 647,418 | 1,315,601 |
| Net derivative expense | 478,581 | 30,800,136 |
| General and administrative expenses | 25,582,115 | 19,508,658 |
| Foreign exchange (gains) losses | <u>(8,545,090)</u> | <u>4,101,422</u> |
| Total expenses | <u>384,304,201</u> | <u>100,968,201</u> |
| Net (loss) income before tax | (152,860,435) | 81,194,578 |
| Tax expense | <u>(301,450)</u> | <u>-</u> |
| Net (loss) income | <u>(153,161,885)</u> | <u>81,194,578</u> |
| Other comprehensive income | | |
| Net change in unrealized gains on investments | <u>6,770,696</u> | <u>13,797,012</u> |
| Other comprehensive income | <u>6,770,696</u> | <u>13,797,012</u> |
| Comprehensive (loss) income | <u>\$ (146,391,189)</u> | <u>\$ 94,991,590</u> |

TOKIO MILLENNIUM RE LTD.

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

For the six months ended June 30, 2011 and 2010
(Expressed in United States Dollars)

| | <u>2011</u> | <u>2010</u> |
|--|----------------|------------------|
| Share Capital | | |
| Balance at beginning of year and end of period | \$ 250,000,000 | \$ 250,000,000 |
| Contributed surplus | | |
| Balance at beginning of year and end of period | 400,000,000 | 400,000,000 |
| Retained earnings | | |
| Balance at beginning of year | 510,054,797 | 569,653,425 |
| Net (loss) income | (153,161,885) | 81,194,578 |
| Dividends | (84,914,103) | (124,641,263) |
| Balance at end of period | 271,978,809 | 526,206,740 |
| Foreign currency translation adjustment | | |
| Balance at beginning of year | 1,618,491 | - |
| Net change during the period | 4,095,460 | - |
| Balance at end of period | 5,713,951 | - |
| Accumulated other comprehensive income | | |
| Balance at beginning of year | 25,936,540 | 21,816,798 |
| Net change in unrealized gains on investments | 6,770,696 | 13,797,012 |
| Balance at end of period | 32,707,236 | 35,613,810 |
| Total shareholder's equity | \$ 960,399,996 | \$ 1,211,820,550 |

TOKIO MILLENNIUM RE LTD.

Unconsolidated Statements of Cash Flows (Unaudited)

For the six months ended June 30, 2011 and 2010
(Expressed in United States Dollars)

| | <u>2011</u> | <u>2010</u> |
|--|------------------|---------------|
| Cash flows from operating activities | | |
| Net (loss) income | \$ (153,161,885) | \$ 81,194,578 |
| Adjustment to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of capital assets | 2,589,563 | 2,110,601 |
| Amortisation of fixed interest securities | 1,964,704 | 2,161,205 |
| Gain on sale of investments | (1,527,313) | (670,274) |
| Change in: | | |
| Collateral held on behalf of counterparties | 31,508,019 | 19,602,445 |
| Accrued interest receivable | (280,248) | 1,083,843 |
| Premiums receivable | (166,886,884) | (119,305,461) |
| Prepaid reinsurance premiums | (34,458,498) | (31,236,151) |
| Fair value of derivative assets | (99,220,975) | (8,824,423) |
| Outstanding losses recoverable from reinsurers | (93,531,352) | 9,821,662 |
| Deferred acquisition expenses | (81,039,644) | (75,237,835) |
| Unearned profit commission | 461,113 | (2,364,978) |
| Prepaid expenses | 2,224,630 | 1,311,473 |
| Funds withheld | (3,315,661) | 3,547,315 |
| Other assets | (70,585) | (53,287) |
| Outstanding losses and loss expenses | 351,002,142 | (16,155,768) |
| Liability for collateral held on behalf of counterparties | (32,615,079) | (19,602,445) |
| Fair value of derivative liabilities | 68,188,595 | (4,340,886) |
| Reinsurance balances payable | 39,779,128 | 1,526,876 |
| Unearned premiums | 281,152,932 | 250,929,415 |
| Deferred commission income | 3,312,383 | 3,308,925 |
| Accounts payable and accrued expenses | (2,672,792) | (522,035) |
| Deferred tax liability | 426,410 | - |
| Other | (64,194) | - |
| | <hr/> | <hr/> |
| Cash provided by operating activities | 113,764,509 | 98,284,795 |
| | <hr/> | <hr/> |
| Cash flows from investing activities | | |
| Net purchase/sale of short term investments | (3,448,548) | 100,000,000 |
| Net purchase/sale of fixed interest securities | 20,793,446 | (69,186,650) |
| Net purchase/sale of catastrophe bonds | 9,912,832 | (24,250,000) |
| Gain on sale of investments | 1,527,313 | 670,274 |
| Purchase/sale of capital assets, net of sales proceeds | (4,246,297) | (1,860,246) |
| | <hr/> | <hr/> |
| Cash generated from investing activities | 24,538,746 | 5,373,378 |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| Dividends paid | - | (124,641,263) |
| | <hr/> | <hr/> |
| Cash used by financing activities | - | (124,641,263) |
| | <hr/> | <hr/> |
| Net increase (decrease) in cash and cash equivalents | 138,303,255 | (20,983,090) |
| Foreign exchange gains on cash and cash equivalents | 35,252 | - |
| Cash and cash equivalents at beginning of period | 137,723,705 | 81,947,444 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of period | \$ 276,062,212 | \$ 60,964,354 |
| | <hr/> | <hr/> |

