

TOKIO MILLENNIUM RE LTD.

Unconsolidated Financial Statements
(Unaudited)

Nine Months Ended September 30, 2008 and 2007

TOKIO MILLENNIUM RE LTD.

Unconsolidated Balance Sheets (Unaudited)

September 30, 2008 and 2007
(Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 314,039,687	\$ 289,606,247
Fixed maturity securities	692,614,483	616,534,469
Catastrophe bonds	72,011,466	48,592,100
Collateral held on behalf of counterparties	76,066,099	149,627,164
Accrued interest receivable	9,382,093	8,795,952
Reinsurance balances receivable	127,245,360	116,113,887
Prepaid reinsurance premiums	38,968,647	36,355,218
Fair value of derivatives	19,581,069	11,315,916
Outstanding losses recoverable from reinsurers	15,522,270	2,293,218
Deferred acquisition expenses	24,162,632	20,261,311
Unearned profit commission	9,005,815	8,143,168
Prepaid expenses	874,579	759,626
Capital assets	8,692,609	5,447,760
Funds withheld	24,101,324	25,368,476
Other assets	<u>202,497</u>	<u>206,149</u>
Total assets	<u>\$ 1,432,470,630</u>	<u>\$ 1,339,420,661</u>
Liabilities		
Outstanding losses and loss expenses	\$ 101,898,398	\$ 82,376,638
Liability for collateral held on behalf of counterparties	76,066,099	149,627,164
Reinsurance balances payable	62,182,652	47,403,183
Derivative balances payable	7,791,233	9,512,683
Unearned premiums	176,912,875	138,853,776
Deferred commission income	5,286,254	4,267,812
Deferred profit commission income	46,320	-
Accounts payable and accrued expenses	<u>2,709,421</u>	<u>1,880,813</u>
Total liabilities	<u>432,893,252</u>	<u>433,922,069</u>
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	334,920,234	250,885,872
Accumulated other comprehensive income (loss)	<u>14,657,144</u>	<u>4,612,720</u>
Total shareholder's equity	<u>999,577,378</u>	<u>905,498,592</u>
Total liabilities and shareholder's equity	<u>\$ 1,432,470,630</u>	<u>\$ 1,339,420,661</u>

TOKIO MILLENNIUM RE LTD.

Unconsolidated Statements of Operations and Comprehensive Income (Unaudited)

Nine Months Ended September 30, 2008 and 2007
(Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
Income		
Reinsurance premiums assumed	\$ 341,896,078	\$ 273,050,362
Change in unearned premiums	<u>(84,083,989)</u>	<u>(87,506,371)</u>
Reinsurance premiums earned	<u>257,812,089</u>	<u>185,543,991</u>
Reinsurance premiums ceded	45,976,986	46,140,450
Change in prepaid reinsurance	<u>(10,292,338)</u>	<u>(25,933,617)</u>
Reinsurance premiums ceded	<u>35,684,648</u>	<u>20,206,833</u>
Net premiums earned	222,127,441	165,337,158
Catastrophe bond income	<u>3,760,094</u>	<u>4,255,645</u>
Total operating income	225,887,535	169,592,803
Net investment income	<u>27,321,135</u>	<u>31,623,201</u>
Total income	<u>253,208,670</u>	<u>201,216,004</u>
Expenses		
Loss and loss expenses incurred	64,162,032	3,007,505
Losses recoverable from reinsurers	<u>(15,168,067)</u>	<u>(861,814)</u>
Net loss and loss expenses incurred	48,993,965	2,145,691
Acquisition expenses	38,494,192	30,067,159
Profit commission	19,644,940	19,624,236
Net derivative expense	28,169,419	13,521,508
General and administrative expenses	19,585,891	14,529,493
Foreign exchange (gain) loss	<u>5,907,866</u>	<u>(4,447,497)</u>
Total expenses	<u>160,796,273</u>	<u>75,440,590</u>
Net income	92,412,397	125,775,414
Other comprehensive income (loss)		
Net change in unrealised gains (losses) on investments	<u>828,994</u>	<u>8,030,478</u>
Other comprehensive income (loss)	<u>828,994</u>	<u>8,030,478</u>
Comprehensive income	<u>\$ 93,241,391</u>	<u>\$ 133,805,892</u>

TOKIO MILLENNIUM RE LTD.

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

Nine Months Ended September 30, 2008 and 2007
(Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
Share capital		
Balance at beginning of year and end of period	\$ <u>250,000,000</u>	\$ <u>250,000,000</u>
Contributed surplus		
Balance at beginning of year and end of period	<u>400,000,000</u>	<u>400,000,000</u>
Retained earnings		
Balance at beginning of year	242,507,837	125,110,458
Net income	<u>92,412,397</u>	<u>125,775,414</u>
Balance at end of period	<u>334,920,234</u>	<u>250,885,872</u>
Other comprehensive income (loss)		
Balance at beginning of year	13,828,150	(3,417,758)
Net change in unrealised gains on investments	<u>828,994</u>	<u>8,030,478</u>
Balance at end of year	<u>14,657,144</u>	<u>4,612,720</u>
Total shareholder's equity	\$ <u><u>999,577,378</u></u>	\$ <u><u>905,498,592</u></u>

TOKIO MILLENNIUM RE LTD.

Unconsolidated Statements of Cash Flows (Unaudited)

Nine Months Ended September 30, 2008 and 2007
(Expressed in United States Dollars)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	\$ 92,412,397	\$ 125,775,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of capital assets	1,564,281	914,128
Amortisation of fixed maturity securities	1,257,020	649,383
Amortisation of catastrophe bonds	3,333	-
Gain/Loss on sale of capital assets	-	(5,000)
Accrued interest receivable	(404,189)	(254,882)
Reinsurance balances receivable	(44,401,270)	(59,756,332)
Prepaid reinsurance premiums	(10,292,338)	(25,933,617)
Fair value of derivatives	(5,948,257)	(5,827,775)
Outstanding losses recoverable from reinsurers	(9,749,352)	1,161,823
Deferred acquisition expenses	(13,893,394)	(14,515,984)
Unearned profit commission	(8,460,918)	(7,770,016)
Prepaid expenses	690,706	351,488
Funds withheld	7,896,424	7,377,384
Other assets	51,719	136,692
Outstanding losses and loss expenses	38,934,025	(70,302,729)
Reinsurance balances payable	7,272,229	31,496,911
Unearned premiums	84,083,989	87,506,371
Deferred commission income	1,815,034	3,533,632
Deferred profit commission income	46,320	-
Accounts payable and accrued expenses	<u>248,829</u>	<u>(136,892)</u>
Cash provided by operating activities	<u>143,126,588</u>	<u>74,399,999</u>
Cash flows from investing activities		
Net Purchase/sale of fixed maturity securities	(67,821,684)	(9,512,164)
Net Purchase/sale of catastrophe bonds	(5,368,833)	11,000,000
Purchase of capital assets, net of sales proceeds	(3,692,478)	(3,206,654)
Amounts due to investment brokers	<u>(10,304,000)</u>	<u>-</u>
Cash used by investing activities	<u>(87,186,995)</u>	<u>(1,718,818)</u>
Cash flows from financing activities		
Dividend paid	<u>(50,313,163)</u>	<u>(37,178,039)</u>
Cash used by financing activities	<u>(50,313,163)</u>	<u>(37,178,039)</u>
Net increase (decrease) in cash and cash equivalents	5,626,430	35,503,142
Cash and cash equivalents at beginning of year	<u>308,413,257</u>	<u>254,103,105</u>
Cash and cash equivalents at end of period	<u>\$ 314,039,687</u>	<u>\$ 289,606,247</u>
