

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY  
CONSOLIDATED AND UNAUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

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**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

|                                                   | <b>UNAUDITED</b>  | <b>AUDITED</b>    |
|---------------------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                                     | <b>2019</b>       | <b>2018</b>       |
| Cash and cash equivalents                         | 35,712            | 7,074,357         |
| Margin receivable                                 | 818,361           | -                 |
| Investments                                       | 6,630,774         | 4,502,682         |
| Debentures                                        | 1,320,734         | 1,320,734         |
| Loan receivable                                   | 6,247,629         | 3,652,629         |
| Interest receivable                               | 1,308,131         | 887,915           |
| Other assets                                      | 41,642            | 15,510            |
| <b>TOTAL ASSETS</b>                               | <b>16,402,983</b> | <b>17,453,827</b> |
| <b>LIABILITIES</b>                                |                   |                   |
| Reserve for losses and loss expenses              | 95,962            | 95,962            |
| Due to affiliates                                 | 250,000           | 250,000           |
| Investment purchased (unsettled)                  | 8,872             | -                 |
| Accounts payable and accrued expenses             | 57,687            | 35,083            |
| <b>TOTAL LIABILITIES</b>                          | <b>412,521</b>    | <b>381,045</b>    |
| <b>SHAREHOLDERS' EQUITY</b>                       |                   |                   |
| Share capital                                     | 5,017,500         | 5,017,500         |
| Treasury stock                                    | (18,896,796)      | (18,166,954)      |
| Additional paid-in-capital                        | 32,583,633        | 32,583,633        |
| Accumulated other comprehensive income            | 352,182           | 605,844           |
| Deficit                                           | (3,066,057)       | (2,967,241)       |
| <b>TOTAL SHAREHOLDER'S EQUITY</b>                 | <b>15,990,462</b> | <b>17,072,782</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b> | <b>16,402,983</b> | <b>17,453,827</b> |

*The accompanying notes form an integral part of these consolidated financial statements.*

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

|                                                            | <b>UNAUDITED<br/>2019</b> | <b>AUDITED<br/>2018</b> |
|------------------------------------------------------------|---------------------------|-------------------------|
| <b>UNDERWRITING INCOME</b>                                 |                           |                         |
| Premiums written                                           | -                         | -                       |
| Change in unearned premiums                                | -                         | -                       |
| <b>Net premiums earned</b>                                 | -                         | -                       |
| <b>UNDERWRITING EXPENSES</b>                               |                           |                         |
| Losses and loss expenses                                   | -                         | -                       |
| Acquisition costs                                          | -                         | -                       |
| Commutation expense                                        | -                         | -                       |
| Profit commission                                          | -                         | -                       |
| <b>Total underwriting expenses</b>                         | -                         | -                       |
| <b>NET UNDERWRITING (LOSS) INCOME</b>                      | -                         | -                       |
| <b>NET INVESTMENT (LOSS) INCOME</b>                        | 490,270                   | 4,749,056               |
| <b>(LOSS) INCOME BEFORE OPERATING EXPENSES</b>             | 490,270                   | 4,749,056               |
| <b>OPERATING EXPENSES</b>                                  | (589,086)                 | 1,395,861               |
| <b>NET (LOSS) INCOME</b>                                   | (98,816)                  | 6,144,917               |
| <b>OTHER COMPREHENSIVE (LOSS) INCOME</b>                   |                           |                         |
| Holding (loss) gain on investments arising during the year | (253,662)                 | (986,677)               |
| <b>COMPREHENSIVE (LOSS) INCOME</b>                         | (352,478)                 | 5,158,240               |
| <b>Earnings per share</b>                                  | (\$0.02)                  | \$1.22                  |

*The accompanying notes form an integral part of these consolidated financial statements.*

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN  
SHAREHOLDER'S EQUITY**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

|                                                                    | <b>UNAUDITED<br/>2019</b> | <b>AUDITED<br/>2018</b> |
|--------------------------------------------------------------------|---------------------------|-------------------------|
| <b>Share capital</b>                                               |                           |                         |
| Balance at beginning and end of year (5,017,500 shares at \$1 par) | 5,017,500                 | 5,017,500               |
| <b>Treasury stock</b>                                              |                           |                         |
| Balance at beginning of year                                       | ( 18,166,954 )            | ( 18,166,954 )          |
| Shares purchased during the year                                   | ( 729,842 )               | -                       |
| Balance at end of year                                             | ( 18,896,796 )            | ( 18,166,954 )          |
| <b>Additional paid-in-capital</b>                                  |                           |                         |
| Balance at beginning and end of year                               | 32,583,633                | 32,583,633              |
| Additional paid-in-capital during the year                         | -                         | -                       |
| Balance at end of year                                             | 32,583,633                | 32,583,633              |
| <b>Accumulated other comprehensive income</b>                      |                           |                         |
| Balance at beginning of year                                       | 605,844                   | 1,592,521               |
| Change in accumulated other comprehensive income                   | (253,662)                 | ( 986,677 )             |
| Balance at end of year                                             | 352,182                   | 605,844                 |
| <b>Deficit</b>                                                     |                           |                         |
| Balance at beginning of year                                       | ( 2,967,241 )             | ( 9,112,158 )           |
| Net (loss) income for the year                                     | ( 98,816 )                | 6,144,917               |
| Balance at end of year                                             | ( 3,066,057 )             | ( 2,967,241 )           |
| <b>TOTAL SHAREHOLDER'S EQUITY</b>                                  | <b>\$15,990,462</b>       | <b>\$17,072,782</b>     |

*The accompanying notes form an integral part of these consolidated financial statements.*

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

**1. BUSINESS ACTIVITY**

Annuity and Life Re (Holdings), Ltd. ("Holdings") was incorporated under the laws of Bermuda on December 2, 1997. Its principal activity is that of investment holding.

Holdings was wholly owned by Pope Investments II LLC, a managed limited liability company registered in Delaware. In 2013, the Board of Directors of Holdings approved the transfer of all its common shares from Pope Investments II LLC to Wilson & Co., a nominee company owned by HSBC Bermuda Custody Services for and on behalf of National Financial Services, with the intent of allowing more liquidity to the Company's investors

The financial statements include the accounts of Holdings and its wholly owned subsidiary, Annuity and Life Reassurance, Ltd. ("ALRE"), a Class 3A and Class C insurer under the Insurance Act, 1978 of Bermuda and related regulations. ALRE has not written any long-term business since December 31, 2005 and does not intend to continue writing any long-term business in the near future. Effective August 1, 2013, ALRE entered into a commutation and release agreement with Alterra Bermuda Limited, in respect of the Property Quota Share Retrocession Agreement which both parties entered into in January 1, 2010. The commutation and release agreement mutually releases both parties from any and all past, present and future payment obligations in connection with the Retrocession agreement.

Holdings and ALRE are collectively referred to herein as the "Company."

In 2012, the Company obtained a waiver on the qualified investor restriction, effectively allowing the Company's listed securities to be held by the general public, subject to a few requirements imposed on regular publicly listed entities in the BSX.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The significant accounting policies are as follows:

**(a) Basis of consolidation**

The consolidated financial statements include the accounts of Holdings and ALRE. All significant inter-company accounts and transactions have been eliminated upon consolidation.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(b) Cash and cash equivalents**

Cash and cash equivalents are carried at market value, and consist of money market funds and short-term investments, with original maturities of 90 days or less.

**(c) Premiums written**

Premiums are recognized as revenue on a pro-rata basis over the periods of the respective policies or contracts of reinsurance. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Premiums which are subject to adjustment are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

**(d) Reserve for losses and loss expenses**

**Long-term Business**

The development of reserves for policy benefits and for claims incurred but not reported ("IBNR") for the Company's long-term products requires management to make estimates and assumptions regarding mortality, lapse, persistency, expenses and investment experience. Such estimates are primarily based on historical experience and information provided by ceding companies. Actual results could differ materially from those estimates. Management monitors actual experience and, where circumstances warrant, revises its assumptions and the related reserve estimates. In certain instances, the Company continues to be liable for claims arising on novated contracts which pre-date the novation agreement.

**General Business**

The liability for losses and loss adjustment expenses in relation to the Company's general reinsurance activities included an amount determined from loss reports and individual cases received from the ceding reinsurer and an amount, based on past experience and based on the study performed by an independent actuary, for losses incurred but not reported. These liabilities were commuted on August 1, 2013.

**(e) Acquisition costs and profit commission**

Acquisition costs, primarily commission and brokerage expenses, represent those costs which vary with and are primarily related to the acquisition of the general reinsurance contracts. These costs are deferred and are amortized over the period during which related premiums are earned.

Profit commission is accrued in accordance with the terms of the Property Quota Share retrocession agreement in an amount based upon the net income on the contract as recorded in the financial statements.

**ANNUITY AND LIFE RE (HOLDINGS), LTD.  
AND SUBSIDIARY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Investments**

Investments are carried at their fair value with the unrealized gain or loss reported as accumulated other comprehensive (loss) income on the consolidated balance sheets. A decline in the fair value of any available for sale security below its cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security.

Realized gains and losses on investments are recognized in the consolidated statements of income and comprehensive (loss) income using the specific identification method. Interest income is recognized on an accrual basis.

**Other-than-temporary Impairments on Investments**

An impairment is considered to be other-than-temporary if the Company (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the Company does not intend to sell). A "credit loss" is recognized when the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security. If there is an intent to sell the impaired security, then the full OTTI is recognized in earnings in the period. If there is no intent to sell the impaired security but there is a credit loss then the credit loss portion of the unrealized loss is recognized in earnings with the remainder recognized in other comprehensive (loss) income.

**(g) Use of estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates.

**3. OTHER MATTERS**

In June 2014, the Company applied for a repurchase of 2,375,625 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the Bermuda Stock Exchange. Total cost of the repurchase amounted to \$17,527,505. The said repurchase was funded in part through settlement of intercompany accounts between the Company and ALRE via dividend-in-specie, and settlement of intercompany accounts between the Company and Pope Investments II LLC. The repurchase is reflected as treasury stock at cost in the Company's Shareholder's equity.

In August 2014, the Company applied for another repurchase of 84,309 of its own shares from Wilson & Co. The application was approved and executed within the facilities of the Bermuda Stock Exchange. Total cost of the repurchase amounted to \$639,449. The repurchase is reflected as treasury stock at cost in the Company's Shareholder's equity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2019 and December 31, 2018**

*(Expressed in U.S. dollars)*

**3. OTHER MATTERS** (continued)

In Q1 2019, the Company's Board of Directors approved and executed a repurchase of 80,800 of its common shares from US Bank for a consideration of \$518,721. An additional stock repurchase was approved in Q2 2019. For a consideration of \$217,183 (inclusive of BSX and Custody fees) the Company bought 25,000 of its shares from US Bank. Both transactions were executed through the facilities of the Bermuda Stock Exchange. The said repurchase was funded by a return of capital received from its subsidiary, Annuity and Life Reassurance Ltd.

ALRE continues to comply with the relevant statutory ratios and margins required by the provisions of the Companies Act.

The Company is not aware of any new contingencies other than those previously reported on the Company's audited financial statements for the year ended December 31, 2018.