

Compass Re Ltd.

Management Financial Statements

For the Year Ended December 31, 2013

Compass Re Ltd.

Management Financial Statements

For the Year Ended December 31, 2013

CONTENTS

Balance Sheet
Income Statement
Financial Statement Notes

Compass Re Ltd.

Balance Sheet
 December 31, 2013
 Expressed in United States Dollars
 Unaudited

		31-Dec-13	31-Dec-12
ASSETS			
Cash and cash equivalents	1	\$ 350,492	\$ 1,055,578
Investments	2	1,005,356,875	990,630,736
Premium receivable	3	-	623,611
		<u>\$ 1,005,707,367</u>	<u>\$ 992,309,926</u>
LIABILITIES			
Notes payable	4	\$ 975,000,000	\$ 975,000,000
Interest expense on notes payable	5	30,027,778	16,252,778
Collateral interest payable	6	2,709	1,570
Unearned premiums	7	350,405	1,055,512
Premiums received in advance	3	326,389	-
		<u>1,005,707,280</u>	<u>992,309,860</u>
SHAREHOLDER'S EQUITY			
Share capital	8	1	1
Retained Earnings		86	65
		<u>87</u>	<u>66</u>
		<u>\$ 1,005,707,367</u>	<u>\$ 992,309,926</u>

Compass Re Ltd.

Income Statement
For the Year Ended December 31, 2013
Expressed in United States Dollars
Unaudited

	QTD 2013	YTD 2013	YTD 2012
INCOME			
Interest-related premiums	\$ 30,027,778	\$ 119,131,944	\$ 62,300,000
Initial and additional premiums, gross	235,784	235,784	4,043,864
less: change in unearned premiums	(223,079)	705,107	495,464
Net premiums earned	30,040,483	120,072,835	66,839,328
Collateral interest income	2,709	10,364	5,779
HSBC bank bermuda dividend	3	21	37
Total income	30,043,195	120,083,220	66,845,143
FINANCE COSTS			
Interest expense on notes	\$ (30,027,778)	\$ (119,131,944)	\$ (62,300,000)
Collateral interest expense	(2,709)	(10,364)	(5,779)
Total finance costs	(30,030,487)	(119,142,309)	(62,305,779)
ADMINISTRATIVE EXPENSES			
PCS licence fees	\$ -	\$ 600,000	\$ 1,293,750
AIR Worldwide reset and modeling fees	-	150,000	295,000
AIM Management fees	-	65,000	67,250
Indenture Trustee fees	1,250	36,250	-
CD&P legal fees	-	23,552	-
Intralinks	5,400	16,200	16,200
S&P annual fees	-	12,500	-
BSX listing and sponsorship fees	4,000	9,500	3,000
Government and insurance fees	-	7,995	13,595
CD&P secretarial fees	-	7,934	8,444
PwC PFIC tax fees	-	6,545	8,197
InnovaSafe	1,950	3,900	3,900
CT Corporate Service fees	-	818	-
Bank charges	105	696	690
Structuring and placement fees	-	-	2,810,419
Hogan Lovells	-	-	17,500
Law Debenture - process agent fees	-	-	726
Miscellaneous	-	-	657
	12,705	940,891	4,539,328
NET PROFIT	\$ 3	\$ 21	\$ 37
Opening retained earnings	65	\$ 65	\$ 28
Net profit	3	21	\$ 37
Closing retained earnings	\$ 68	\$ 86	\$ 65

Compass Re Ltd.

Financial Statement Notes
December 31, 2013
Expressed in United States Dollars
Unaudited

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	
1 CASH & CASH EQUIVALENTS			
HSBC Bank Bermuda	\$ 350,492	\$ 1,055,578	
2 INVESTMENTS			
a) Principal held in collateral accounts			
Bank of New York Mellon - Class 1	\$ 75,000,000	\$ 75,000,000	
Bank of New York Mellon - Class 2	250,000,000	250,000,000	
Bank of New York Mellon - Class 3	250,000,000	250,000,000	
Bank of New York Mellon - Series 2012-1	400,000,000	400,000,000	
	<u>\$ 975,000,000</u>	<u>\$ 975,000,000</u>	
b) Collateral interest earned & interest related premium held in collateral accounts			
Bank of New York Mellon - Class 1	1,743,955	\$ 1,743,955	
Bank of New York Mellon - Class 2	6,620,474	6,620,474	
Bank of New York Mellon - Class 3	7,266,308	7,266,308	
Bank of New York Mellon - Series 2012-1	14,726,139	-	
	<u>30,356,875</u>	<u>15,630,736</u>	
	<u>\$ 1,005,356,875</u>	<u>\$ 990,630,736</u>	
3 PREMIUM RECEIVABLE (RECEIVED IN ADVANCE)			
Interest received in advance Class 1 - 9%	\$ (18,750)	\$ (18,750)	
Interest received in advance - Class 2 - 10.25%	(71,181)	(71,181)	
Interest received in advance - Class 3 - 11.25%	(78,125)	(78,125)	
Interest (received in advance) receivable Series 2012-1 - 14.25%	(158,333)	791,667	
	<u>\$ (326,389)</u>	<u>\$ 623,611</u>	
4 NOTES PAYABLE			
Notes Payable - Series 2011 Class 1	\$ 75,000,000	\$ 75,000,000	
Notes Payable - Series 2011 Class 2	250,000,000	250,000,000	
Notes Payable - Series 2011 Class 3	250,000,000	250,000,000	
Notes Payable - Series 2012-1	400,000,000	400,000,000	
	<u>\$ 975,000,000</u>	<u>\$ 975,000,000</u>	
5 INTEREST EXPENSE ON NOTES PAYABLE			
Interest expense on notes payable - Class 1 - 9%	\$ 1,725,000	\$ 1,725,000	
Interest expense on notes payable - Class 2 - 10.25%	6,548,611	6,548,611	
Interest expense on notes payable - Class 3 - 11.25%	7,187,500	7,187,500	
Interest expense on notes payable - Series 2012-1 - 14.25%	14,566,667	791,667	
	<u>\$ 30,027,778</u>	<u>\$ 16,252,778</u>	
6 COLLATERAL INTEREST PAYABLE			
Collateral interest expense on notes payable - Class 1	\$ 205	\$ 205	
Collateral interest expense on notes payable - Class 2	683	683	
Collateral interest expense on notes payable - Class 3	683	683	
Collateral interest expense on notes payable - Series 2012-1	1,139	-	
	<u>\$ 2,709</u>	<u>\$ 1,570</u>	
7 UNEARNED PREMIUMS			
Balance b/f	\$ 1,055,512	\$ 1,632,972	
Initial and additional premiums	235,784	4,043,864	
Less: expenses incurred (YTD)	(940,891)	(4,621,324)	
Balance c/f	<u>\$ 350,405</u>	<u>\$ 1,055,512</u>	
8 SHARE CAPITAL			
Authorized, issued and fully paid - 1 common share of \$1	<u>\$ 1</u>	<u>\$ 1</u>	

COMPASS RE LTD

AON HOUSE
P.O. BOX HM 2450
HAMILTON HM JX, BERMUDA

FACSIMILE: (441) 292-0217

TELEPHONE: (441) 295-2220

PRINCIPAL REPRESENTATIVE CERTIFICATE

We the Principal Representative of Compass Re Ltd. , hereinafter referred to as The Company, do hereby certify that:

1. The Company has prepared unaudited management accounts in accordance with Generally Accepted Accounting Principles ("GAAP") for the year ended December 31, 2013 and that they are available at the office of Aon Insurance Managers (Bermuda) Ltd., Aon House, 30 Woodbourne Avenue, Pembroke, HM 08, Bermuda which is the Company's Principal Office in Bermuda.
2. The Company has complied with every condition attached to its Certificate of Registration.
3. The aggregate value of the assets shown on the Balance sheet is \$1,005,707,367 and, in our opinion, the said value was determined in accordance with GAAP requirements and the value of the Company's assets is at least equal to the value shown in the Balance Sheet.
4. The minimum special purpose business solvency margin as prescribed by Regulation 12A of the Insurance Returns and Solvency Regulations 1980 was \$1, and it was met.
5. The Company's special purpose business was fully funded in accordance with the definition of special purpose business in section 1 of the Insurance Act 1978, as amended.
6. The aggregate amount of shareholders equity shown in the Balance Sheet as at December 31, 2013 was \$87.
7. The Company complied with the section 56 direction from the Bermuda Monetary Authority requiring it to submit unaudited management accounts of the Company within 60 days after the end of each financial quarter.
8. There have been no events subsequent to December 31, 2013 which have materially adversely affected the financial position of the Company as recorded in the unaudited management accounts for the year ended December 31, 2013.
9. The management accounts were prepared and presented in United States Dollars (USD).

AON INSURANCE MANAGERS (BERMUDA) LTD.

Principal Representative



Paul Sikuku

February 28, 2014

Date: