

METTLESOME (BERMUDA) LIMITED
Financial Statements

**For the year ended
December 31, 2018**



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Report of Independent Auditors

The Shareholder
Mettlesome (Bermuda) Limited

We have audited the accompanying financial statements of Mettlesome (Bermuda) Limited, which comprise the balance sheet as of December 31, 2018 and 2017, and the related statements of income, changes in shareholder's equity and cash flows for the year ended December 31, 2018, and for the period January 18, 2017 to December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mettlesome (Bermuda) Limited at December 31, 2018 and for the period January 18, 2017 to December 31, 2017 and the results of its operations and its cash flows for the year ended December 31, 2018 and for the period January 18, 2017 to December 31, 2017 in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred losses by age disclosed on page 12 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young Ltd.

April 26, 2019

Mettlesome (Bermuda) Limited
Balance Sheet
December 31, 2018
(Expressed in U.S. dollars)

Assets

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 39,463,901	167,220,106
Short term investments	-	9,071,727
Investments at fair value	194,449,549	193,744,508
Receivable for investments sold	-	2,736,752
Reinsurance balances receivable	39,199	7,251,831
Deferred acquisition costs	711,581	2,318,571
Accrued investment income	1,257,914	1,169,708
Total assets	<u>235,922,144</u>	<u>383,513,203</u>

Liabilities

Reinsurance balance Payable	629,262	-
Accounts payable and accruals	681,644	327,004
Payable for investments purchased	-	2,018,188
Intercompany payable	163,358,001	285,573,732
Unearned premiums	1,284,310	4,986,422
Reserve for losses and loss adjustment expenses	9,180,947	14,039,319
Total liabilities	<u>175,134,164</u>	<u>306,944,665</u>

Shareholder's Equity

Share capital	120,000	120,000
Additional paid-in capital	50,880,000	50,880,000
Retained earnings	9,787,980	25,568,538
Total shareholder's equity	<u>60,787,980</u>	<u>76,568,538</u>
Total liabilities and shareholder's equity	<u>\$ 235,922,144</u>	<u>383,513,203</u>

See Notes to the Financial Statements

Mettlesome (Bermuda) Limited
Statement of Income
For the period January 1, 2018 to December 31, 2018
(Expressed in U.S. dollars)

	For the period January 1, 2018 to December 31, 2018	For the period January 18, 2017 to December 31, 2017
<u>Revenues</u>		
	<u>2018</u>	<u>2017</u>
Gross premiums written	\$ 2,357,837	14,411,760
Change in unearned premiums	3,702,112	5,537,844
Net premiums earned	<u>6,059,949</u>	<u>19,949,604</u>
Net investment income	6,156,395	3,471,696
Net realized gains on investments	3,430,825	6,255,768
Net unrealised gains on investments	(18,046,500)	8,480,949
Net foreign exchange gains	(1,472,593)	488,663
Total revenues	<u>(3,871,924)</u>	<u>38,646,680</u>
<u>Expenses</u>		
Losses and loss adjustment expenses	(4,304,699)	5,292,682
Acquisition expenses	3,232,593	7,436,659
General and administrative expenses	196,471	348,801
Total expenses	<u>\$ (875,635)</u>	<u>13,078,142</u>
Net (Loss) Income	<u>\$ (2,996,289)</u>	<u>25,568,538</u>

See Notes to the Financial Statements

Mettlesome (Bermuda) Limited
Statement of Changes in Shareholder's Equity
For the period January 1, 2018 to December 31, 2018
(Expressed in U.S. dollars)

	For the period January 1, 2018 to December 31, 2018	For the period January 18, 2017 to December 31, 2017
<u>Share capital</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of period	\$ 120,000	-
Issued during the period	-	120,000
Balance at the end of the period	<u>120,000</u>	<u>120,000</u>
<u>Additional paid-in capital</u>		
Balance at beginning of period	50,880,000	-
Additions during the period	-	50,880,000
Balance at the end of the period	<u>50,880,000</u>	<u>50,880,000</u>
<u>Retained Earnings</u>		
Balance at beginning of period	25,568,538	-
Net income	(2,996,289)	25,568,538
Dividends paid	(12,784,269)	-
Balance at the end of the period	<u>9,787,980</u>	<u>25,568,538</u>
Total Shareholder's Equity	<u>\$ 60,787,980</u>	<u>\$ 76,568,538</u>

See Notes to the Financial Statements

Mettlesome (Bermuda) Limited
Statement of Cash Flows
For the period January 1, 2018 to December 31, 2018
(Expressed in U.S. dollars)

	For the period January 1, 2018 to December 31, 2018	For the period January 18, 2017 to December 31, 2017
<u>Operating Activities</u>		
	<u>2018</u>	<u>2017</u>
Net income	\$ (2,996,289)	25,568,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized gains on investments	(3,430,825)	(6,255,768)
Net unrealised gains on investments	18,046,500	(8,480,949)
Net realized and unrealised foreign exchange gains on investments	1,323,557	(594,603)
Receivable for investments sold	2,736,752	(2,736,752)
Reinsurance balances receivable	7,212,632	(7,251,831)
Deferred acquisition costs	1,606,990	(2,318,571)
Accrued investment income	(88,206)	(1,169,708)
Reinsurance balance Payable	629,262	
Accounts payable and accruals	354,640	327,004
Payable for investments purchased	(2,018,188)	2,018,188
Unearned premiums	(3,702,112)	4,986,422
Reserve for losses and loss adjustment expenses	(4,858,372)	14,039,319
Net cash provided by operating activities	<u>14,816,341</u>	<u>18,131,289</u>
<u>Investing Activities</u>		
Purchase of investments	(209,445,171)	(223,304,229)
Purchase of short term investments	(201,103,820)	(255,400,868)
Proceeds from sales of investments	192,800,898	44,891,041
Proceeds from sales of short term investments	210,175,547	246,329,141
Net cash used for investing activities	<u>(7,572,546)</u>	<u>(187,484,915)</u>
<u>Financing Activities</u>		
Issued during the period	-	120,000
Additional paid-in capital	-	50,880,000
Dividends declared and paid	(12,784,269)	
Intercompany payable	(122,215,731)	285,576,732
Net cash provided by financing activities	<u>(135,000,000)</u>	<u>336,576,732</u>
Increase in cash and cash equivalents	(127,756,205)	167,220,106
Cash and cash equivalents, beginning of the period	167,220,106	-
Cash and cash equivalents, end of period	<u>\$ 39,463,901</u>	<u>167,220,106</u>

See Notes to the Financial Statements

Mettlesome (Bermuda) Limited
Notes to Financial Statements
December 31, 2018
(Expressed in U.S. dollars)

1. General

Mettlesome (Bermuda) Limited (the "Company") was incorporated under the laws of Bermuda on January 18, 2017, and is a wholly-owned subsidiary of Mettlesome Investments (Cayman) I Limited (the "Parent"). The Parent is incorporated in the Cayman Islands. The ultimate holding company of the Company is Fosun Holdings Limited and Fosun International Holdings Ltd., which are incorporated in Hong Kong and the British Virgin Islands, respectively. The ultimate controlling shareholder is Mr. Guo Guangchang.

On May 1, 2017 the Company entered into respective loss portfolio transfer and quota share reinsurance agreements ("the Reinsurance Agreements") with Ironshore Indemnity Inc., a Minnesota domiciled property and casualty insurance company and Ironshore Specialty Insurance Company, an Arizona domiciled property and casualty insurance company, (collectively, the "Ceding Companies"). Under the Reinsurance Agreements, the Ceding Companies ceded reinsured liabilities to the Company on a one hundred percent (100%) indemnity reinsurance basis.

The reinsured liabilities relate to surety bonds written by the Ceding Companies.

The Company is registered as a Class 3A insurer under The Insurance Act 1978 in Bermuda, related regulations and amendments thereto (the "the Act"). The Company was registered by the Bermuda Monetary Authority (the "BMA") effective April 25, 2017, and commenced operations on May 1, 2017. The Company shall not, without obtaining the prior written approval of the BMA, enter into "insurance business", as such expression is understood in the Act, other than the loss portfolio transfer and prospective quota share reinsurance agreements with the Ceding Companies.

These financial statements cover the year ended December 31, 2018. The comparable period last year was from January 18, 2017 to December 31, 2017.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates in financial statements

The preparation of these financial statements 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 financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the financial statements reflect its best estimates and assumptions, actual results could differ from those estimates.

Mettlesome (Bermuda) Limited
Notes to Financial Statements
December 31, 2018
(Expressed in U.S. dollars)

Premiums and related expenses

Reinsurance premiums are earned based on information received from ceding companies over the period during which the Company are exposed to the underlying risk. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force.

2. Significant Accounting Policies (continued)

Acquisition expenses

Acquisition expenses vary with and are directly related to the acquisition of reinsurance contracts and consist primarily of fees and commissions paid to brokers, underwriting fees paid to the Company liability manager and premium taxes. Premiums receivable are presented net of applicable acquisition costs when contract terms provide for the right of offset.

Total acquisition costs are deferred and charged to expense as the related premium is earned. Anticipated losses and loss expenses, other costs and investment income related to these premiums are considered in assessing the recoverability of the deferred acquisition costs. If deferred amounts are estimated to be unrecoverable, they are expensed.

Reserves for losses and loss adjustment expenses

Loss reserves include reserves for unpaid reported losses and for losses incurred but not reported. The reserve for unpaid reported losses and loss expenses is established by management based on reports from the Ceding Companies and represents the ultimate cost of events or conditions that have been reported to the Company. The reserves for incurred but not reported losses and loss adjustments expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors that vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements.

Investments

The Company has elected the fair value option for its investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 825 "*Financial Instruments*". As a result, the Company's investments are carried at fair value with changes in fair value included in earnings in the statement of income. The fair value of the Company's investments is based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications, industry recognized pricing vendors, and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement included in receivables for investments sold/payable for investments purchased in the balance sheet. Realized gains and losses are determined using cost calculated on a specific identification basis. Dividends are recorded on the ex-dividend date. Income and expenses are recorded on the accrual basis including interest and premiums amortized and discounts accreted.

The Company determines the fair value of financial instruments in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Fair value is defined as the price that

Mettlesome (Bermuda) Limited
Notes to Financial Statements
December 31, 2018
(Expressed in U.S. dollars)

the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the estimated fair value of each individual security utilizing the highest level inputs available.

2. Significant Accounting Policies (continued)

Fair value measurement

The fair value of the Company's assets and liabilities, which qualify as financial instruments, approximates the carrying amounts presented in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents include cash and investments with original maturities of three months or less.

Short term investments

Short term investments, consisting of money market funds, are managed as part of the Company's investment portfolio. The funds have an average maturity of more than 3 months, and are carried at cost, which approximates fair value.

Foreign exchange

The Company's reporting currency is the United States Dollar (U.S. dollar). Monetary assets and liabilities other than the Company's reporting currency are revalued at the prevailing exchange rate at the balance sheet date and revenues and expenses denominated in foreign currencies are recorded using transaction-specific rates during the period, as appropriate. The Company's reporting currency is determined based on its operating environment and its underlying cash flows. Foreign exchange gains and losses are included in the statements of income in the period incurred.

Mettlesome (Bermuda) Limited
Notes to Financial Statements
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(Expressed in U.S. dollars)

3. Reserve for losses and loss adjustment expenses

The following table presents a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses:

	<u>2018</u>	<u>2017</u>
Reserves for losses and loss adjustment expenses, beginning of the period	\$ 14,039,319	\$ -
Acquisition of loss reserves	-	10,307,544
Losses and loss adjustment expenses incurred for the period related to:		
Current period	1,500,156	5,292,682
Prior period	(5,804,855)	-
Subtotal	<u>(4,304,699)</u>	<u>5,292,682</u>
Losses and loss adjustment expenses paid for the period related to:		
Current period	(314,373)	(1,560,907)
Prior period	(239,300)	-
Subtotal	<u>(553,673)</u>	<u>(1,560,907)</u>
Reserves for losses and loss adjustment expenses, end of period	<u>\$ 9,180,947</u>	<u>14,039,319</u>

The Company wrote two loss portfolio transfer and prospective quota share reinsurance contracts that provide protection against adverse development on loss originating from multiple accident years. The Company has retroactive exposure within these contracts and also provides prospective coverage. The information below includes loss and loss adjustment expenses incurred, net and loss and loss adjustment expenses paid, net, by accident year for the Company's retroactive reinsurance contracts presented by year of inception of the retroactive reinsurance contracts.

Cumulative Claims Frequency

The Company determined that the disclosure of claim frequency analysis was impracticable. As a result, no claims frequency information has been disclosed. The Company's business is primarily comprised of reinsurance contracts written on a quota share or aggregate loss basis and the underlying claim count information is not provided for the contracts.

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3. Reserve for losses and loss adjustment expenses (continued)

The following table presents supplementary information about average historical claims duration as of December 31, 2018 based on cumulative incurred and paid losses and allocated loss adjustment expenses presented above.

Average Annual Percentage Payout of Incurred Losses by Age

Accident Year	For the Years Ended December 31, (Unaudited)		As of December 31, 2018
	2017	2018	Total of incurred-but-not-reported liabilities plus expected development
2013	566,848	410,435	49,103
2014	2,141,160	1,493,655	384,674
2015	3,431,682	3,005,771	974,784
2016	7,139,690	3,306,034	2,196,822
2017	5,630,543	4,889,173	2,822,104
2018		1,500,156	899,850
Total	18,909,923	14,605,224	7,327,337

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

Accident Year	For the Years Ended December 31, (Unaudited)		Liabilities for claims and claim adjustment expenses, net of reinsurance
	2017	2018	
2013	281,546	282,820	
2014	1,061,372	1,108,981	
2015	1,345,339	1,696,956	
2016	1,909,552	845,450	
2017	272,795	1,175,697	
2018		314,373	
Total	4,870,604	5,424,277	
	14,039,319	9,180,947	
	(Unaudited)		
	25.76%	37.14%	

Mettlesome (Bermuda) Limited
Notes to Financial Statements
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(Expressed in U.S. dollars)

4. Investments

The following represents an analysis of net realized gains (losses) on the sale of investments for the period ended:

	December 31, 2018		
	Realised gains	Realised losses	Net realised gains (losses)
Corporate bonds \$	-	\$ (3,651,905)	\$ (3,651,905)
Equities	6,989,141	-	6,989,141
T-Bills		(329)	(329)
RTS	93,918		93,918
	<u>\$ 7,083,059</u>	<u>\$ (3,652,234)</u>	<u>\$ 3,430,825</u>

	December 31, 2017		
	Realised gains	Realised losses	Net realised gains (losses)
Corporate bonds \$	-	\$ (19,416)	\$ (19,416)
Equities	6,932,855	(657,671)	6,275,184
	<u>\$ 6,932,855</u>	<u>\$ (677,087)</u>	<u>\$ 6,255,768</u>

Net investment income is derived from the following sources:

	<u>2018</u>	<u>2017</u>
Equities	\$ 2,096,107	\$ 1,285,342
Corporate bonds	4,676,411	1,516,741
US Government Bond	493,201	-
Short term investments	242,631	-
Cash and cash equivalents	50,967	722,066
Misc Income	76,360	21,063
Gross investment income	<u>7,635,677</u>	<u>3,545,212</u>
Investment expenses	<u>(1,479,282)</u>	<u>(73,516)</u>
Net investment income	<u><u>\$ 6,156,395</u></u>	<u><u>\$ 3,471,696</u></u>

Mettlesome (Bermuda) Limited
Notes to Financial Statements
December 31, 2018
(Expressed in U.S. dollars)

5. Fair Value Measurement

U.S. GAAP establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the

characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

- Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets (and actively traded) that the Company has the ability to access. The Company does not adjust the quoted price for these investments.
- Level 2 – Pricing inputs and other than quoted prices in active markets (and not actively traded) which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans where the fair value is based on observable inputs.
- Level 3 – Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. Fair value is determined through the use of models or other valuation methodologies. The inputs into determination of fair value require significant management judgment of estimation.

The Company receives assistance with its investment accounting function from a third party service provider. The service providers as well as Company's investment managers use several pricing services and brokers to assist with the determination of the fair value of the Company's investment portfolio. The Company does not typically adjust prices obtained from pricing services.

The following table presents the analysis of the Company's investments by level of input for determining fair value, as indicated in this note:

Mettlesome (Bermuda) Limited
Notes to Financial Statements
December 31, 2018
(Expressed in U.S. dollars)

	As at December 31, 2018				Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable inputs		
	(Level 1)	(Level 2)	(Level 3)		
Corporate bonds	\$ -	\$ 115,789,030	\$ -	\$ -	\$ 115,789,030
Equities	41,701,049	-	-	-	41,701,049
US Government Bond	-	36,959,470	-	-	36,959,470
	<u>\$ 41,701,049</u>	<u>\$ 152,748,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,449,549</u>

	As at December 31, 2017				Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable inputs		
	(Level 1)	(Level 2)	(Level 3)		
Corporate bonds	\$ -	\$ 105,821,487	\$ -	\$ -	\$ 105,821,487
Equities	87,923,021	-	-	-	87,923,021
Money market funds	9,071,727	-	-	-	9,071,727
	<u>\$ 96,994,748</u>	<u>\$ 105,821,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,816,235</u>

The Company's investments in equities are classified as Level 1 for which fair value is based on quoted market prices in active markets.

The Company's investments in corporate bonds consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of these securities are determined using a spread to a benchmark curve and significant inputs include trades, broker dealer quotes, benchmark yields and industry and market indicators. The principle inputs for corporate bonds and US Treasury are considered observable market inputs and, therefore, the fair value of these bonds are classified within Level 2.

There were no transfers between levels in 2018.

6. Commitments and Contingencies

(a) Concentration of business

The Company currently depends entirely on the Ceding Companies for its reinsurance business.

Mettlesome (Bermuda) Limited
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(b) Concentrations of credit risk

The assets that potentially subject to the Company concentrations of credit risk consist principally of:

Cash and cash equivalents

In order to mitigate concentration and operational risks related to cash and cash equivalents, the Company utilizes only well-established highly-rated financial institutions.

Investments

The Company's investment guidelines provide for the limitation of the credit risk through specific investment portfolio diversification requirements, investment concentration limitations as well as detailed liquidity provisions. At December 31, 2018, the portfolio was in compliance with the requirements of the investment guidelines.

(c) Legal proceedings

From time to time, as is common in the reinsurance industry, the Company may be subject to routine legal proceedings, including arbitrations, arising in the ordinary course of business. These legal proceedings generally relate to claims asserted by or against the Company in the ordinary course of reinsurance operations; estimated amounts payable under such proceedings are included in the reserve for losses and loss adjustment expenses in the Balance Sheet. At December 31, 2018, the Company is not party to any legal proceedings.

(d) Collateral

Included in cash and cash equivalents, short terms investments and investments are assets valued at \$10,674,563, held in two trust accounts as collateral under the terms of the Reinsurance Agreements. A further \$132,000,000 is held as collateral under the terms of a Supplemental Trust Agreement with the Ceding Companies.

7. Share capital

The authorized, issued and outstanding share capital of the Company at December 31, 2018 consists of 120,000 common shares with a par value of \$1.00 per share.

8. Income Taxes

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on income or capital gains. The Company has received an assurance from the Minister of Finance in Bermuda that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to the Company until March 31, 2035.

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The Company does not consider itself to be engaged in trade or business in the United States and intends to conduct its operations in a manner that will not cause it to be treated as engaged in a trade or business in the United States and, therefore, does not expect to be required to pay U.S. federal income taxes other than the U.S. excise tax on reinsurance premiums.

The United States imposes an excise tax on insurance and reinsurance premiums paid to non-U.S. insurers or reinsurers with respect to risks located in the United States. The rate of tax, unless reduced by an applicable U.S. tax treaty, is one percent for all reinsurance premiums. The Company incurs federal excise taxes on certain of its reinsurance transactions. Such amounts are reflected as acquisition expenses in the Company's Statement of Income (Loss).

9. Related Party Transactions

During the 2018 year, the company repaid \$122,215,731 to its parent company Mettlesome Investments (Cayman) I Limited and outstanding payable balance was \$163,358,001 as of December 31, 2018. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

In addition, the company engaged Fosun Asset Management to provide asset management services. Management Expense reported in 2018 was \$1,372,916.

10. Statutory Financial Information

Mettlesome (Bermuda) Limited is registered as a Class 3A insurer under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Acts"). Under the Insurance Acts, the Company is required to annually prepare and file a statutory financial return which includes statutory financial statements, a capital and solvency return and audited financial statements with the Bermuda Monetary Authority. The Insurance Acts also require the Company to maintain certain measures of solvency and liquidity during the year. Declarations of dividends from retained earnings and distributions from additional paid-in capital are subject to these solvency and liquidity requirements being met. As of December 31, 2018, these requirements were met.

The Company is required to maintain a minimum statutory capital and surplus which is calculated as equal to or greater than the Enhanced Capital Requirement ("ECR") or the Minimum Solvency Margin ("MSM"). ECR is calculated based on the risk-based capital measure called the Bermuda Solvency Capital Requirement ("BSCR") or an approved internal capital model. As of December 31, 2018, the Company was compliant with the MSM and ECR.

The statutory capital and surplus was \$60,787,980 and the MSM was \$2,244,038 for the Company at December 31, 2018.

11. Subsequent Events

Mettlesome (Bermuda) Limited
Notes to Financial Statements
December 31, 2018
(Expressed in U.S. dollars)

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2018 through April 25, 2019 the date these financial statements were available to be issued. In Jan 2019, the company repaid \$70,000,000 to its parent company Mettlesome Investments (Cayman) I Limited and outstanding payable balance changed to be \$93,358,001. No other subsequent events require recognition or disclosure.