

REPORTS AND FINANCIAL STATEMENTS
AXIS SPECIALTY FINANCE PLC
FOR THE YEAR ENDED 31 DECEMBER 2020
Company Registration No. 8831330

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**AXIS SPECIALTY FINANCE PLC
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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AXIS SPECIALTY FINANCE PLC
OFFICERS AND OTHER INFORMATION

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Sarah Hills
Fintan Mullarkey

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AUDITORS Deloitte LLP
Statutory Auditor
1 New Street Square
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AXIS SPECIALTY FINANCE PLC

STRATEGIC REPORT

The Directors present the strategic report for AXIS Specialty Finance Plc (the "Company") for the financial year ended 31 December 2020. The Company is registered in England and Wales and the registration number is 8831330.

PRINCIPAL ACTIVITIES

The Company is 100% owned by AXIS Specialty Holdings Bermuda Limited ("ASHBL"). The Company was incorporated on 3 January 2014 and received capital of USD 0.1 million from ASHBL.

The Company was established to issue USD 500.0 million of senior unsecured notes listed on the Irish Stock Exchange to public investors. On 5 March 2018, the notes were moved from the Irish Stock Exchange to the Bermuda Stock Exchange. AXIS Capital Holdings Limited ("AXIS Capital") provided a guarantee in respect of the obligations of the Company. In December 2017, the Company issued an additional USD 350.0 million of senior unsecured notes listed on the Bermuda Stock Exchange to public investors.

The funds raised provided financing to related companies by way of inter-company loans.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

On 13 March 2014, the Company issued USD 500.0 million aggregate principal amount in senior unsecured notes ("notes") to public investors. The notes were issued in two tranches:

- USD 250.0 million aggregate principal amount 2.65% 5 year notes, which matured on 1 April 2019; and
- USD 250.0 million aggregate principal amount 5.15% 31 year notes maturing on 1 April 2045 (unless previously redeemed).

The net proceeds of the issue of the remaining note, after underwriting discount, offering costs and professional fees, were USD 246.2 million. On 5 March 2018, the notes were moved from the Irish Stock Exchange to the Bermuda Stock Exchange. Interest on the notes is payable semi-annually commencing 1 October 2014 and ending on the respective maturity dates.

On 6 December 2017, the Company issued an additional 4% 10 year note of USD 350.0 million to public investors maturing in 10 years on 6 December 2027 (unless previously redeemed).

The net proceeds of the issue, after underwriting discount, offering costs and professional fees, was USD 346.4 million. The note is listed and traded on the Bermuda Stock Exchange. Interest on the note is payable semi-annually commencing 6 June 2018 and ending on the maturity date. AXIS Capital has fully and unconditionally guaranteed all obligations of the Company under this note.

In 2014, the Company provided intercompany loans to ASHBL, in USD 250.0 million 5 year and USD 250.0 million 31 year tranches. During 2017, the existing loan was re-structured, in addition the proceeds of the new additional note issue were provided to related companies by way of new intercompany loans to AXIS Specialty UK Holdings Limited ("ASUKHL") and AXIS Specialty Holdings Ireland Limited ("ASHIL").

At 31 December 2020, the loans net of underwriting discount, offering costs and professional fees, were USD 592.5 million. The terms on the intercompany loans are comparable to the notes except for a mark-up on the interest rates. Interest accrued on the loans is repayable semi-annually over the term of the loan. The loans are repayable either on demand, or on the maturity date of the related notes, whichever is earlier. The Directors are satisfied that the loans receivable from related companies are fully recoverable. On 1 April 2019 the 5 year tranche of public debt of USD 250.0 million was repaid and the intercompany loan from ASHBL was also repaid.

On 18 April 2019, AXIS Specialty Limited ("ASL") agreed to loan USD 390.0 million in a revolving credit facility to the Company for a 3 year term. This facility was listed on the Bermuda Stock Exchange in June 2019 and is made on terms equivalent to those that prevail in arm's length transactions.

On the same date, the Company entered the following facilities:

- AXIS Syndicate 1686 - a revolving credit facility of USD 160.0 million for a term of 3 years, made on terms equivalent to those that prevail in arm's length transactions.
- AXIS Syndicate 2007 - a revolving credit facility of USD 230.0 million for a term of 3 years, made on terms equivalent to those that prevail in arm's length transactions.

As at 31 December 2020, USD 46.0 million had been drawn down under these facilities (2019: USD 114.6 million).

AXIS SPECIALTY FINANCE PLC

STRATEGIC REPORT

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (continued)

The Company reported a profit after taxation of USD 1.3 million for the year ended 31 December 2020 (2019: USD 1.4 million).

There is not expected to be any significant changes to the principal activities of the Company in 2021.

KEY PERFORMANCE INDICATORS

The directors and management closely monitor the performance (income, expenses and liquidity) of the Company on a regular basis. The Company generated interest income of USD 28.9 million (2019: USD 30.9 million). The Company has cash at bank of USD 5.4 million (2019: USD 4.0 million), USD 4.4 million (2019: USD 4.4 million) accrued interest receivable and USD 4.1 million (2019: USD 4.1 million) accrued interest payable at year-end. The liquidity position is discussed in the principal risks and uncertainties section below.

EVENTS SINCE FINANCIAL YEAR END

Effective 1 January 2021, the assets and liabilities of Syndicate 2007 were transferred into AXIS Syndicate 1686 as part of a planned reinsurance to close transaction. All AXIS Lloyd's sourced business is now transacting through AXIS Syndicate 1686. Therefore the revolving credit facility of USD 230.0 million provided to AXIS Syndicate 2007 will transfer to AXIS Syndicate 1686.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks are credit, operational and liquidity risk.

Credit risk represents the risk of incurring financial loss due to diminished creditworthiness (reduced financial strength and, ultimately, possibly default). The Company's largest credit risk exposure relates to the intercompany loans receivable from group companies. The Company manages credit risk through regular monitoring of the recoverability of the intercompany loans receivable.

Operational risk represents the risk of loss as a result of inadequate processes, system failures, human error or external events, including but not limited to direct or indirect financial loss, reputational damage and legal and regulatory penalties. The Company manages operational risk through the application of strong process controls, which are reviewed on a regular basis.

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company assesses, monitors and manages its liquidity needs on an ongoing basis. This risk is also significantly mitigated by the guarantee of all obligations of the Company under the notes by AXIS Capital.

The U.K. and the E.U. agreed a Brexit Withdrawal Agreement whereby the U.K. officially left the E.U. on 31 January 2020. The agreement provided a transition period that lasted until 31 December 2020. On 24 December 2020 the E.U. and U.K. agreed on the terms of the E.U.-U.K. Trade and Cooperation Agreement, which governs the new relationship between the U.K. and E.U. The Agreement went into effect on 1 January 2021.

Brexit could lead to legal and regulatory uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate and the E.U. determines access rights and limitations.

The Company's exposure to Brexit is through its intercompany loans and the enforcement of the intercompany loan agreements. It is monitoring the impact of Brexit on ASHIL, ASUKHL and ASHBL and their subsidiaries. As at the date of the financial statements, Brexit has had no impact on the Company.

COVID-19, and its related impacts, are an evolving risk to which the Company is exposed from a capital and liquidity, and operations perspective. A global response strategy has been implemented to help manage and mitigate these risks.

The Company has not observed any material adverse impact due to COVID-19. The positive engagement of all stakeholders has allowed us to continue to trade effectively in all relevant markets.

The Company has observed no liquidity issues and has been able to make all loan repayments as required during the year. The Company has also no capital issues and has not defaulted on any payments during the year.

AXIS SPECIALTY FINANCE PLC

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

COVID-19 is impacting global economies and markets which could impact on the Company's performance. The impact will depend on future developments which remain uncertain. As a result of COVID-19 the AXIS Group have successfully implemented business continuity plans to ensure that it will continue to operate effectively and fulfil its regulatory obligations. We have robust governance structures and monitoring processes in place, which support the on-going monitoring of the Company's solvency position based on the latest available market information including our interpretation of our exposures and likely impacts on our business and counterparties.

SECTION 172 STATEMENT

The Directors act in accordance with their duty under section 172 of the Companies Act 2006 in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to:

- the likely consequences of any decision in the long term; and
- the need to foster the company's business relationships.

The Company is a member of AXIS Capital. The Company operates in line with local laws and regulations in delivering the strategy of its ultimate holding company, AXIS Capital Holdings Limited, to which it regularly reports matters that affect the group.

To ensure consistent standards, AXIS Capital applies group-wide policies across all of its subsidiaries and business operations. The Company adopts these policies either directly or (where local laws and regulations need to be addressed) within its own board approved policies. The Company does not have any employees and has no material external customers or suppliers.

The Company Board is responsible for leading and directing the Company and for ensuring that it meets its legal and regulatory requirements.

The Company directors are committed to the strategic vision and goals of its ultimate parent company. In supporting the AXIS group, the Company directors work to create value ensuring a robust and effective governance. The board are only required to meet on an annual basis. The board receives information from key functions of the business allowing the directors to fully understand performance and ensure the implementation of group strategy.

This report was approved by the Board of Directors on 18 May 2021 and signed on its behalf by



Tim Hennessy
Director

Date: 18 May 2021

AXIS SPECIALTY FINANCE PLC

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the financial year ended 31 December 2020.

Refer to the strategic report on page 3 for details of the principal activity, review of business and future developments of the Company. The Directors are satisfied with the performance of the Company to date.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of twelve months from submitting its annual returns and to adopt a going concern basis in preparing its annual reporting requirements.

Further details regarding the adoption of the going concern basis can be found in note 1.

DIVIDENDS

No dividend payment was proposed for the year (2019: nil).

DIRECTORS AND THEIR INTERESTS

The names of the persons who were Directors at any time during the year ended 31 December 2020 are set out on page 2 of the financial statements. Unless indicated the Directors served for the entire year. In accordance with the Articles of Association the existing Directors shall continue in office until resignation or removal.

No Director had any interest in the share capital of the Company at any time during the year.

DIRECTORS INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

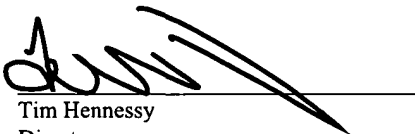
AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make him/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

AUDITORS

The independent auditors Deloitte LLP, have signified their willingness to continue in office in accordance with the Companies Act 2006.

Approved by the Board of Directors
And signed on behalf of the Board



Tim Hennessy

Director

Date: 18 May 2021

AXIS SPECIALTY FINANCE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information published by the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS SPECIALTY FINANCE PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of AXIS Specialty Finance plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year were:

- Recoverability of intercompany loans
-

Within this report, key audit matters are identified as follows:

- ⚠ Newly identified
- ⬆ Increased level of risk
- ↔ Similar level of risk
- ⬇ Decreased level of risk

Materiality	The materiality that we used in the current year was \$11.8m which was determined on the basis of amortised cost of debt.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach from the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding the company's processes and related controls
- evaluating financing facilities including nature of facilities, repayment terms and covenants
- evaluating the recoverability of intercompany loans (as set out in the Key audit matters section) and the ability of fellow group companies to continue to service the intercompany loans
- assessing current year performance and year-end position
- performing subsequent events review

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recoverability of intercompany loans (↔)

Key audit matter description	<p>Intercompany loans from group undertakings are stated in the balance sheet at \$640,271. The company has issued unsecured loan notes to investors which are used to provide financing to group companies. The loan notes issued to investors are supported by intercompany loans receivable from other group companies.</p> <p>The directors must assess whether any of the receivables should be impaired based on the financial position and future prospects of the group companies. This takes into consideration a range of factors such as the trading performance, and the financial position of the group companies and the parent company. As the company has no other material sources of income it is dependent on the recoverability of the intercompany loans and associated interest to continue as a going concern.</p> <p>The directors must also consider if there is any subsequent event post year-end that would have an impact on the recoverability of the intercompany loans, including assessing the evolving impact of Covid-19.</p> <p>Further details are included within accounting policies note 1 and loans to group undertakings note 7 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>Our audit approach included:</p> <ul style="list-style-type: none">• Obtaining an understanding of relevant controls related to the recoverability of loans from group undertakings;• Challenging the directors' judgements regarding the appropriateness of the carrying value through the following:<ul style="list-style-type: none">○ Obtaining the latest audited financial information;○ Obtaining an understanding of future trading performance of the group undertakings and by assessing the ability of the group undertakings to repay these amounts; and○ Reviewing the historical accuracy of managements forecasts by comparing the actual results to forecasts• Confirming the intercompany loan balances with the respective group companies' auditors; and• Assessed the company's subsequent event disclosures and going concern disclosures, including performing relevant procedures.
Key observations	<p>Based on the work performed, we concluded that the intercompany loans to group undertakings are appropriately stated.</p>

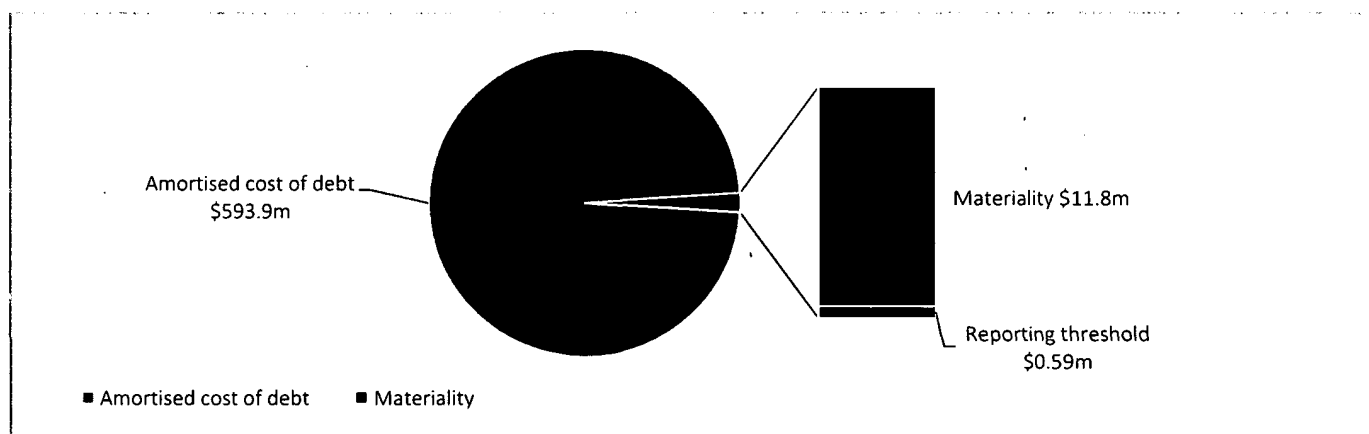
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$11.8m (2019: \$11.8m)
Basis for determining materiality	2% of total amortised cost of debt (\$593.9m) (2019: 2% of total amortised cost of debt (\$593.5m))
Rationale for the benchmark applied	We determined materiality based on amortised cost of debt as the company's principal activity is to issue listed debt to public investors.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- a. our understanding of historical misstatements and the control environment;
- b. our understanding of the entity and its environment and the nature of its operations;
- c. the number of significant audit risk areas identified; and
- d. the lack of prior year uncorrected misstatements.

6.3. Error reporting threshold

We agreed with those charged with governance that we would report all audit differences in excess of \$590k (2019: \$593.4k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management, internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Downes, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

20 May 2021

AXIS SPECIALTY FINANCE PLC
PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	Year Ended 31 December 2020 USD '000	Year Ended 31 December 2019 USD '000
Administrative expenses	2	(79)	(83)
Interest receivable from group undertakings	3	28,908	30,811
Other interest receivable and similar income	3	31	78
Interest payable and similar expenses	4	(27,271)	(29,025)
Foreign exchange gains		2	3
PROFIT BEFORE TAXATION		1,591	1,784
Taxation on profit	6	302	339
PROFIT AFTER TAXATION		1,289	1,445

There were no items of comprehensive income in the current or prior year other than the profit/loss for the year and, accordingly, no statement of comprehensive income is presented.

All of the results are derived from continuing operations. The accompanying notes form an integral part of the financial statements.


AXIS SPECIALTY FINANCE PLC
BALANCE SHEET AS AT 31 DECEMBER 2020

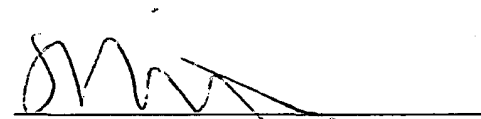
	Notes	2020 USD '000	2019 USD '000
ASSETS			
Fixed assets			
Loans to group undertakings	7	640,271	708,315
		<u>640,271</u>	<u>708,315</u>
Current assets			
Debtors: falling due within one year			
Prepayments and accrued income	7	4,408	4,408
Amounts owed by group undertakings		9	4
Cash at bank		5,412	3,938
		<u>9,829</u>	<u>8,350</u>
TOTAL ASSETS		<u><u>650,100</u></u>	<u><u>716,665</u></u>
Capital and reserves			
Called-up share capital	8	100	100
Profit and loss account		4,781	3,492
TOTAL SHAREHOLDER'S FUNDS		<u>4,881</u>	<u>3,592</u>
LIABILITIES			
Creditors: falling due after one year			
Senior unsecured notes	9	593,884	593,488
Creditors: falling due within one year			
Loan from group undertakings	10	46,000	114,576
Amounts owed to group undertakings	11	430	—
Other creditors including taxation	11	4,905	5,009
TOTAL LIABILITIES		<u>645,219</u>	<u>713,073</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u><u>650,100</u></u>	<u><u>716,665</u></u>

The accompanying notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 18 May 2021.

Signed on behalf of the Board of Directors


 Tim Hennessy
 Director


 Sarah Hills
 Director

AXIS Specialty Finance plc
 Registered No. 8831330

AXIS SPECIALTY FINANCE PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share Capital USD '000	Profit and Loss USD '000	Total USD '000
As at 1 January 2019	100	2,047	2,147
Profit for the year	—	1,445	1,445
As at 31 December 2019	100	3,492	3,592
Profit for the year	—	1,289	1,289
As at 31 December 2020	100	4,781	4,881

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES

General Information

The Company is a public limited company by shares, incorporated in the United Kingdom on 3 January 2014. The registered office is 52 Lime Street, London, EC3M 7AF, United Kingdom, which is also the principal place of business of the company.

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) and applicable law of England and Wales. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

The Company has taken advantage of the disclosure exemptions available under FRS 102 paragraph 1.12 in respect of presentation of a cash-flow statement on the basis that it is a qualifying entity and is consolidated into the group accounts of its parent company, AXIS Capital, incorporated in Bermuda.

The financial statements are presented in thousands of US Dollars (USD '000) unless otherwise stated. The functional currency and presentational currency is US Dollars because that is the currency of the primary economic environment in which the Company operates.

Going concern and subsequent events

The Company's business activities, performance and position along with the objectives, policies and processes for managing its principal risks and uncertainties are set out in the Strategic Report.

The Directors have not projected any significant changes to the Company and there is no material uncertainty regarding the Company's ability to meet its liabilities as they fall due. As such, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash at bank

Cash consists of cash at bank.

Amounts owed to group undertakings

Intercompany loans provided to group companies are recorded at discounted value with the discount amount amortised. The Company amortised the debt offering costs (e.g. underwriting, legal and other professional fees) and the offering discount over the term of the outstanding loan using the effective yield method. Interest income on intercompany loans receivable is recognised in the profit and loss account over the term of the loan using the effective interest method.

Senior unsecured notes

The issuance of long-term debt is recorded at discounted value with the discount amount amortised. The Company amortises the debt offering costs (e.g. underwriting, legal, and other professional fees) and the offering discount over the term of the outstanding debt using the effective yield method. The interest expense relating to long term debt is recognised in the profit and loss account over the term of the instruments at a constant rate on the carrying amount.

Administration expenses

Administration expenses are recognised on an accruals basis.

Taxation

Current UK corporation tax is provided on amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more than likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES (continued)

Foreign exchange

The functional currency of the Company is the US Dollar (USD) because that is the currency of the primary economic environment in which the Company operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rate of exchange ruling at the balance sheet date and revenues and costs are converted at the rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies have been recorded at historical rates. Profits and losses arising from foreign currency transactions and on settlement of accounts receivable and payable in foreign currencies are dealt with through the profit and loss account.

Critical accounting judgments and sources of estimation uncertainty

In the application of accounting policies, judgments, estimates and assumptions are required regarding the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There were no significant judgements made during the year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no estimates and assumptions that have a significant risk of causing a material uncertainty to the carrying amounts of assets and liabilities within the next financial year.

2. ADMINISTRATIVE EXPENSES

Auditor's remuneration relating to the audit of financial statements for the Company for 2020 was USD 20,481 (2019: USD 19,899) and was borne by another group company.

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2020 USD '000	Year Ended 31 December 2019 USD '000
Interest income and amortisation	28,908	30,811
Investment income	31	78
	<u>28,939</u>	<u>30,889</u>

Interest income and amortisation is derived from loans to ASHBL, ASHIL and ASUKHL of the net proceeds of the issue of the senior unsecured notes to public investors. Interest income and amortisation includes interest receivable and amortisation of offering discounts, debt offering expenses and professional fees borne by ASHBL, ASHIL and ASUKHL. These costs are amortised over the duration for which the intercompany loans remain outstanding.

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31 December 2020 USD '000	Year Ended 31 December 2019 USD '000
Interest expense	(26,875)	(28,531)
Amortisation of debt offering expenses	(303)	(391)
Amortisation of debt offering discounts	(93)	(103)
	<u>(27,271)</u>	<u>(29,025)</u>

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. INTEREST PAYABLE AND SIMILAR EXPENSES (continued)

Interest expense and amortisation recognised in relation to the senior notes includes interest payable and amortisation of the offering discounts and debt offering expenses. The offering discounts and debt offering expenses are amortised over the duration for which the senior notes remain outstanding.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2019: nil).

The Directors are executives of the related group company, AXIS Specialty Europe SE. There were no Director emoluments charged to the profit and loss account of the Company and Director emoluments are paid by another group company.

6. TAXATION ON PROFIT

	Year Ended 31 December 2020 USD '000	Year Ended 31 December 2019 USD '000
Corporation tax:		
UK Tax	<u>302</u>	<u>339</u>

The current tax charge for the year is as expected from applying the standard rate of UK corporation tax to the profit before tax as outlined below:

	Year Ended 31 December 2020 USD '000	Year Ended 31 December 2019 USD '000
Profit before tax	<u>1,591</u>	<u>1,784</u>
Profit multiplied by the standard rate of UK corporation tax for the year of 19% (2019: 19%)	<u>302</u>	<u>339</u>

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. LOANS TO GROUP UNDERTAKINGS

As at 31 December 2020, the Company provided the following loans to the below related companies:

ASHBL	USD 158.1 million 4.25% 10 year tranche, net of costs.
ASHIL	USD 91.9 million 5.4% 28 year tranche, net of costs.
ASUKHL	USD 191.9 million 4.25% 10 year tranche, net of costs; and USD 158.1 million 5.4% 28 year tranche, net of costs.

At 31 December 2020, the amortised value of the intercompany loans were USD 593.9 million (2019: USD 593.5 million), representing the initial proceeds of the debt issue net of underwriting discount, offering costs and professional fees associated with the issue plus amortisation of these costs to 31 December 2020. The loans are repayable either on demand, or on the maturity date of the related notes, whichever is earlier.

On 18 April 2019, the Company entered the following facilities:

- AXIS Syndicate 1686 - a revolving credit facility of USD 160.0 million for a term of 3 years, at LIBOR plus 1.5%, net of costs.
- AXIS Syndicate 2007 - a revolving credit facility of USD 230.0 million for a term of 3 years, at LIBOR plus 1.5%, net of costs.

As at 31 December 2020, USD 46.0 million (2019: USD 114.6 million) had been drawn down under these facilities.

Following the closure of Syndicate 2007, effective 31 December 2020, the assets and liabilities of AXIS Syndicate 2007 are due to transfer into AXIS Syndicate 1686 as part of a planned reinsurance to close transaction. Therefore the revolving credit facility of USD 230.0 million provided to AXIS Syndicate 2007 will transfer to AXIS Syndicate 1686.

8. CALLED UP SHARE CAPITAL

	2020 USD '000	2019 USD '000
Authorised		
100,000 ordinary shares of USD 1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
100,000 ordinary shares of USD 1 each	<u>100</u>	<u>100</u>

The Company received the capital of USD 0.1 million from ASHBL effective 31 March 2014.

9. SENIOR NOTES

	2020 USD '000	2019 USD '000
Amounts falling due after one year		
Senior notes	600,000	600,000
Bond discount and underwriting fees	<u>(6,116)</u>	<u>(6,512)</u>
	<u>593,884</u>	<u>593,488</u>

On 13 March 2014, the Company issued USD 500.0 million of senior unsecured notes to public investors. The notes were issued in two tranches:

- USD 250.0 million aggregate principal amount 2.65% 5 year notes which matured on 1 April 2019; and
- USD 250.0 million aggregate principal amount 5.15% 31 year notes maturing on 1 April 2045 (unless previously redeemed).

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. SENIOR NOTES (continued)

Interest on the notes is payable semi-annually commencing 1 October 2014 and ending on the respective maturity dates. On 1 April 2019, the 5 year tranche of public debt of USD 250.0 million was repaid in line with its maturity date and the intercompany loan receivable from ASHBL was also repaid.

On 6 December 2017, the Company issued an additional USD 350.0 million note to public investors:

- USD 350.0 million aggregated principal amount 4% 10 year note maturing on 6 December 2027 (unless previously redeemed). Interest on the note is payable semi-annually commencing 6 June 2018 and ending on the maturity date.

AXIS Capital has fully and unconditionally guaranteed all obligations of the Company under these notes. The senior notes balance as at 31 December 2020 of USD 593.9 million (2019: USD 593.5 million) consists of the net proceeds generated from the issue of USD 592.5 million after settlement of underwriting discount, offering cost and professional fees plus amortisation of these fees.

10. LOAN FROM GROUP UNDERTAKINGS

On 18 April 2019, AXIS Specialty Limited ("ASL") agreed to loan USD 390.0 million in a revolving credit facility to the Company for a 3 year term, at LIBOR plus 1.5%. This facility was listed on the Bermuda Stock Exchange in June 2019 and is made on terms equivalent to those that prevail in arm's length transactions. As at 31 December 2020, USD 46.0 million had been drawn down under these facilities (2019: USD 114.6 million).

11. CREDITORS FALLING DUE WITHIN ONE YEAR

	2020	2019
	USD'000	USD'000
Amounts owed to group undertakings	430	—
Other creditors including taxation:		
Accrued interest expense	4,191	4,191
Corporation tax payable	713	818
VAT recoverable	1	—
	4,905	5,009

12. POST BALANCE SHEET EVENTS

Effective 1 January 2021, the assets and liabilities of AXIS Syndicate 2007 were transferred into AXIS Syndicate 1686 as part of a planned reinsurance to close transaction. All AXIS Lloyd's sourced business is now transacting through AXIS Syndicate 1686. Therefore the revolving credit facility of USD 230.0 million provided to AXIS Syndicate 2007 will transfer to AXIS Syndicate 1686.

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure exemption available in FRS 102 Section 33. All related party transactions are with entities that are wholly owned by the ultimate parent.

14. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Directors regard AXIS Specialty Holdings Bermuda Limited as the immediate parent company and regard AXIS Capital, a company incorporated in Bermuda, as the ultimate parent company. The smallest and largest group into which the financial statements of AXIS Specialty Finance plc are consolidated is AXIS Capital. Copies of the group financial statements may be obtained from AXIS Capital, AXIS House, 92 Pitts Bay Road, Pembroke, HM08, Bermuda.