



AXIS Capital Holdings Limited

INVESTOR FINANCIAL SUPPLEMENT

SECOND QUARTER 2004

AXIS Capital Holdings Limited
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This report is for informational purposes only. It should be read in conjunction with the documents that we file with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934.

AXIS Capital Holdings Limited

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AXIS Capital Holdings Limited

BASIS OF PRESENTATION

DEFINITIONS AND PRESENTATION

- All financial information contained herein is unaudited, except for the financial data relating to the years ended December 31, 2003 and December 31, 2002.
- Unless otherwise noted, dollar amounts are in thousands, except for share and per share amounts and ratio information.
- Return on average equity ("ROAE") is calculated by dividing the net income for the period by the average shareholders' equity determined using the shareholders' equity balances at the beginning and the end of the period.
- Annualized effective investment yield is calculated by dividing the investment income generated from invested assets by the average balance of the assets managed by our portfolio managers.
- Total return is calculated using the beginning and ending market portfolio values, adjusted for external cash flows.
- As our U.S. insurance and U.S. reinsurance segments were established at the beginning of 2003, there are no 2002 comparatives.
- NM - Not meaningful
- NR - Not reported
- With effect from January 1, 2004, we included the personnel expenses of our underwriters in general and administrative expenses; prior to that date we had included them in acquisition costs. Disclosures relating to prior periods have been restated to reflect this change. In addition, with effect from January 1, 2004 we allocated all of our general and administrative costs, except for our corporate expenses, to each of our underwriting segments. Our corporate costs include some holding company costs necessary to support our worldwide insurance and reinsurance operations and costs associated with operating as a publicly-traded company. Prior periods have not been restated to reflect the full allocation of general and administrative costs, as our business segments were not fully operational throughout 2003.

AXIS Capital Holdings Limited
FINANCIAL HIGHLIGHTS - INCOME STATEMENTS

| | | Quarter ended | | Previous Period Change | Six months ended | | Previous Period change |
|---------------------------------|--|---------------|-------------|------------------------------|------------------|-------------|------------------------------|
| | | June 30, | | | June 30, | | |
| | | 2004 | 2003 | | 2004 | 2003 | |
| HIGHLIGHTS | Gross written premiums | \$629,319 | \$551,450 | 14.1% | \$1,673,442 | \$1,160,037 | 44.3% |
| | Net written premiums | 487,877 | 449,824 | 8.5% | 1,387,067 | 989,968 | 40.1% |
| | Net premiums earned | 486,403 | 335,592 | 44.9% | 957,651 | 638,019 | 50.1% |
| | Net income | 140,856 | 117,754 | 19.6% | 307,642 | 224,872 | 36.8% |
| | Total assets | 7,320,189 | 4,386,229 | 66.9% | 7,320,189 | 4,386,229 | 66.9% |
| | Total cash and invested assets [a] | 4,705,524 | 3,002,847 | 56.7% | 4,705,524 | 3,002,847 | 56.7% |
| | Total shareholders' equity | 3,042,514 | 2,212,555 | 37.5% | 3,042,514 | 2,212,555 | 37.5% |
| PER SHARE AND SHARE DATA | | | | | | | |
| As Reported | Basic earnings per share | \$0.92 | \$0.86 | 7.4% | \$2.02 | \$1.65 | 22.3% |
| | Diluted earnings per share | \$0.84 | \$0.81 | 4.2% | \$1.84 | \$1.55 | 19.0% |
| | Weighted average common shares outstanding | 152,487,082 | 136,509,891 | 11.7% | 152,484,015 | 136,440,383 | 11.8% |
| | Diluted weighted average common shares outstanding | 166,842,606 | 145,701,443 | 14.5% | 166,785,604 | 145,045,136 | 15.0% |
| | Book value per share | \$19.95 | \$15.93 | 25.3% | \$19.95 | \$15.93 | - |
| | Diluted book value per share (as-if converted)* | \$18.76 | \$15.44 | 21.5% | \$18.76 | \$15.44 | - |
| FINANCIAL RATIOS | ROAE, net income | 4.7% | 5.5% | (0.8)% | 10.5% | 10.8% | (0.3)% |
| | Total return on investment portfolio | (1.7)% | 1.5% | (3.2)% | 0.3% | 2.8% | (2.5)% |
| | Annualized effective investment yield | 3.2% | 2.5% | 0.7% | 3.2% | 2.3% | 0.9% |
| | Net loss and loss expense ratio | 53.0% | 58.3% | (5.3)% | 52.3% | 53.6% | (1.3)% |
| | Acquisition cost ratio | 13.5% | 13.8% | (0.3)% | 12.8% | 14.2% | (1.4)% |
| | General and administrative expense ratio | 8.8% | 9.4% | (0.6)% | 8.8% | 9.7% | (0.9)% |
| | Combined ratio | 75.3% | 81.5% | (6.3)% | 73.9% | 77.5% | (3.6)% |

* This is a non-GAAP financial measure. See the reconciliation presented at the end of this financial supplement.

[a] Invested assets represents the total cash and investments, including accrued interest.

AXIS Capital Holdings Limited

CONSOLIDATED STATEMENTS OF INCOME

| | Quarter ended | | | | | |
|---|---------------|----------------|-------------------|--------------------|---------------|---------------|
| | June 30, 2004 | March 31, 2004 | December 31, 2003 | September 30, 2003 | June 30, 2003 | June 30, 2002 |
| UNDERWRITING REVENUES | | | | | | |
| Gross premiums written | \$629,319 | \$1,044,123 | \$479,666 | \$633,942 | \$551,450 | \$260,721 |
| Premiums ceded | (141,442) | (144,933) | (95,622) | (99,567) | (101,626) | (26,758) |
| Net premiums written | 487,877 | 899,190 | 384,044 | 534,375 | 449,824 | 233,963 |
| Gross premiums earned | 601,640 | 567,187 | 489,432 | 481,913 | 398,032 | 107,859 |
| Ceded premiums amortized | (115,237) | (95,939) | (88,687) | (84,447) | (62,440) | (13,389) |
| Net premiums earned | 486,403 | 471,248 | 400,745 | 397,466 | 335,592 | 94,470 |
| Other insurance related income | 156 | 288 | 5,263 | 8,548 | 10,102 | --- |
| Total underwriting revenues | 486,559 | 471,536 | 406,008 | 406,014 | 345,694 | 94,470 |
| UNDERWRITING EXPENSES | | | | | | |
| Net losses and loss expenses | \$257,850 | \$242,600 | \$207,884 | \$184,180 | \$195,620 | \$55,437 |
| Acquisition costs | 65,491 | 56,963 | 39,527 | 56,101 | 46,418 | 17,507 |
| General and administrative expenses | 32,803 | 32,885 | 15,436 | 9,669 | 9,527 | 2,501 |
| Total underwriting expenses | 356,144 | 332,448 | 262,847 | 249,950 | 251,565 | 75,445 |
| Underwriting income | 130,415 | 139,088 | 143,161 | 156,064 | 94,129 | 19,025 |
| OTHER OPERATING REVENUE (EXPENSES) | | | | | | |
| Net investment income | \$33,345 | \$31,259 | \$27,363 | \$19,342 | \$15,904 | \$14,055 |
| Net realized (losses) gains on investments | (4,411) | 10,097 | 1,377 | (5,713) | 15,705 | 8,690 |
| Total other operating revenue (expenses) | 28,934 | 41,356 | 28,740 | 13,629 | 31,609 | 22,745 |
| OTHER | | | | | | |
| Net foreign exchange (losses) gains | (\$6,413) | (\$1,145) | \$12,899 | \$4,574 | \$12,855 | \$115 |
| Corporate expenses [a] | (9,820) | (9,003) | (26,117) | (25,174) | (21,719) | (11,859) |
| Total other (expenses) revenue | (16,233) | (10,148) | (13,218) | (20,600) | (8,864) | (11,744) |
| INCOME BEFORE INCOME TAXES | 143,116 | 170,296 | \$158,683 | \$149,093 | \$116,874 | \$30,026 |
| Income tax (expense) recovery | (2,260) | (3,510) | 1,813 | (2,111) | 880 | (19) |
| NET INCOME | 140,856 | \$166,786 | \$160,496 | \$146,982 | \$117,754 | \$30,006 |
| COMPREHENSIVE INCOME | \$55,757 | \$195,528 | \$146,070 | \$148,851 | \$124,595 | \$51,903 |
| KEY RATIOS/PER SHARE DATA | | | | | | |
| Net loss and loss expense ratio | 53.0% | 51.5% | 51.9% | 46.3% | 58.3% | 58.7% |
| Acquisition cost ratio | 13.5% | 12.1% | 9.8% | 14.2% | 13.8% | 18.5% |
| General and administrative expense ratio | 8.8% | 8.9% | 10.4% | 8.8% | 9.4% | 15.2% |
| Combined ratio | 75.3% | 72.5% | 72.1% | 69.2% | 81.5% | 92.4% |
| Weighted average basic shares outstanding | 152,487,082 | 152,480,904 | 152,464,156 | 151,453,213 | 136,509,891 | 135,181,081 |
| Weighted average diluted shares outstanding | 166,842,606 | 167,252,826 | 166,213,948 | 163,232,232 | 145,701,443 | 135,311,032 |
| Basic earnings per share | \$0.92 | \$1.09 | \$1.05 | \$0.97 | \$0.86 | \$0.22 |
| Diluted earnings per share | \$0.84 | \$1.00 | \$0.97 | \$0.90 | \$0.81 | \$0.22 |
| Annualized Quarterly ROAE | 18.6% | 22.9% | 23.4% | 24.0% | 22.0% | 7.1% |

[a] Corporate expenses are included in the calculation of the general and administrative expense ratio.

AXIS Capital Holdings Limited
CONSOLIDATED STATEMENTS OF INCOME

| | Six months ended | | | Year ended | |
|---|------------------|------------------|-----------------|-------------------|-------------------|
| | June 30, 2004 | June 30, 2003 | June 30, 2002 | December 31, 2003 | December 31, 2002 |
| UNDERWRITING REVENUES | | | | | |
| Gross premiums written | \$1,673,442 | \$1,160,037 | \$526,400 | \$2,273,645 | \$1,108,003 |
| Premiums ceded | (286,375) | (170,069) | (31,812) | (365,258) | (89,726) |
| Net premiums written | 1,387,067 | 989,968 | 494,588 | 1,908,387 | 1,018,277 |
| Gross premiums earned | 1,168,826 | 729,670 | 164,725 | 1,701,015 | 576,904 |
| Ceded premiums amortized | (211,175) | (91,651) | 14,653 | (264,785) | (40,054) |
| Net premiums earned | 957,651 | 638,019 | 150,072 | 1,436,230 | 536,850 |
| Other insurance related income (loss) | 444 | 11,208 | --- | 25,019 | (639) |
| Total underwriting revenues | 958,095 | 649,227 | 150,072 | 1,461,249 | 536,211 |
| UNDERWRITING EXPENSES | | | | | |
| Net losses and loss expenses | \$500,450 | \$341,955 | \$84,786 | \$734,019 | \$229,265 |
| Acquisition costs | 122,454 | 90,669 | 24,677 | 186,296 | 91,200 |
| General and administrative expenses | 65,688 | 18,311 | 4,223 | 43,416 | 12,503 |
| Total underwriting expenses | 688,592 | 450,935 | 113,686 | 963,731 | 332,968 |
| Underwriting income | 269,503 | 198,292 | 36,386 | 497,518 | 203,243 |
| OTHER OPERATING REVENUE (EXPENSES) | | | | | |
| Net investment income | \$64,604 | \$27,256 | \$33,837 | \$73,961 | \$71,287 |
| Net realized gains on investments | 5,686 | 26,903 | 9,463 | 22,567 | 26,070 |
| Total other operating revenue (expenses) | 70,290 | 54,159 | 43,300 | 96,528 | 97,357 |
| OTHER | | | | | |
| Net foreign exchange gains (losses) | (\$7,558) | \$14,742 | \$109 | \$32,215 | \$9,610 |
| Corporate expenses [a] | (18,823) | (43,297) | (18,052) | (94,589) | (46,521) |
| Total other revenue (expenses) | (26,381) | (28,555) | (17,943) | (62,374) | (36,911) |
| INCOME BEFORE INCOME TAXES | \$313,412 | \$223,896 | \$61,743 | \$531,672 | \$263,689 |
| Income tax recovery (expense) | (5,770) | 976 | (19) | 678 | 1,430 |
| NET INCOME | \$307,642 | \$224,872 | \$61,724 | \$532,350 | \$265,119 |
| COMPREHENSIVE INCOME | \$251,285 | \$237,108 | \$66,011 | \$532,030 | \$291,059 |
| KEY RATIOS/PER SHARE DATA | | | | | |
| Net loss and loss expense ratio | 52.3% | 53.6% | 56.5% | 51.1% | 42.7% |
| Acquisition cost ratio | 12.8% | 14.2% | 16.4% | 13.0% | 17.0% |
| General and administrative expense ratio | 6.9% | 9.7% | 14.8% | 9.6% | 11.0% |
| Combined ratio | 71.9% | 77.5% | 87.8% | 73.7% | 70.7% |
| Weighted average basic shares outstanding | 152,484,015 | 136,440,383 | 135,158,314 | 144,262,881 | 135,442,240 |
| Weighted average diluted shares outstanding | 166,785,604 | 145,045,136 | 135,288,513 | 155,690,763 | 138,480,623 |
| Basic earnings per share | \$2.02 | \$1.65 | \$0.46 | \$3.69 | \$1.96 |
| Diluted earnings per share | \$1.84 | \$1.55 | \$0.46 | \$3.42 | \$1.91 |
| ROAE | 21.0% | 21.6% | 7.3% | 22.3% | 14.7% |

[a] Corporate expenses are included in the calculation of the general and administrative expense ratio.

AXIS Capital Holdings Limited

CONSOLIDATED SEGMENT DATA

| | Quarter ended June 30, 2004 | | | | | Six months ended June 30, 2004 | | | | |
|--|-----------------------------|--------------------|-----------------|------------------|------------------|--------------------------------|--------------------|-----------------|------------------|------------------|
| | Global Insurance | Global Reinsurance | U.S. Insurance | U.S. Reinsurance | Total Company | Global Insurance | Global Reinsurance | U.S. Insurance | U.S. Reinsurance | Total Company |
| UNDERWRITING REVENUES | | | | | | | | | | |
| Gross premiums written | \$216,188 | \$129,884 | \$219,915 | \$63,332 | \$629,319 | \$516,596 | \$558,959 | \$368,257 | \$229,630 | \$1,673,442 |
| Net premiums written | 183,240 | 124,875 | 117,605 | 62,157 | 487,877 | 415,779 | 545,050 | 198,429 | 227,809 | 1,387,067 |
| Gross premiums earned | 227,815 | 155,652 | 164,211 | 53,962 | 601,640 | 447,156 | 302,755 | 311,512 | 107,403 | 1,168,826 |
| Ceded premiums amortized | (31,247) | (2,382) | (80,544) | (1,064) | (115,237) | (50,872) | (4,491) | (153,941) | (1,871) | (211,175) |
| Net premiums earned | 196,568 | 153,270 | 83,667 | 52,898 | 486,403 | 396,284 | 298,264 | 157,571 | 105,532 | 957,651 |
| Other insurance related (loss) income | (399) | 555 | --- | --- | 156 | (219) | 663 | --- | --- | 444 |
| Total underwriting revenues | 196,169 | 153,825 | 83,667 | 52,898 | 486,559 | 396,065 | 298,927 | 157,571 | 105,532 | 958,095 |
| UNDERWRITING EXPENSES | | | | | | | | | | |
| Net losses and loss expenses | 117,616 | 54,036 | 47,124 | 39,074 | 257,850 | 216,143 | 109,178 | 96,740 | 78,389 | 500,450 |
| Acquisition costs [a] | 30,422 | 22,496 | 2,363 | 10,210 | 65,491 | 56,463 | 43,287 | 2,537 | 20,167 | 122,454 |
| General and administrative expenses [a] | 7,265 | 6,825 | 16,112 | 2,601 | 32,803 | 15,455 | 13,332 | 31,705 | 5,196 | 65,688 |
| Total underwriting expenses | 155,303 | 83,357 | 65,599 | 51,885 | 356,144 | 288,061 | 165,797 | 130,982 | 103,752 | 688,592 |
| UNDERWRITING INCOME | \$40,866 | \$70,468 | \$18,068 | \$1,013 | \$130,415 | \$108,004 | \$133,130 | \$26,589 | \$1,780 | \$269,503 |
| GAAP RATIOS | | | | | | | | | | |
| Net loss and loss expense ratio | 59.8% | 35.3% | 56.3% | 73.9% | 53.0% | 54.5% | 36.6% | 61.4% | 74.3% | 52.3% |
| Acquisition cost ratio | 15.5% | 14.7% | 2.8% | 19.3% | 13.5% | 14.2% | 14.5% | 1.6% | 19.1% | 12.8% |
| General and administrative expense ratio | 3.7% | 4.5% | 19.3% | 4.9% | 6.8% | 3.9% | 4.5% | 20.1% | 4.9% | 6.8% |
| Corporate ratio | | | | | 2.0% | | | | | 2.0% |
| Combined ratio | 79.0% | 54.5% | 78.4% | 98.1% | 75.3% | 72.6% | 55.6% | 83.1% | 98.3% | 73.9% |

[a] Prior to January 1, 2004 we did not allocate any of our administrative expenses, except for the personnel expenses of our underwriters, which were included in our acquisition costs. The prior quarters have been restated, with previously allocated underwriters expenses reallocated to general and administrative expenses.

AXIS Capital Holdings Limited

GROSS PREMIUM WRITTEN BY SEGMENT BY LINE OF BUSINESS

| | Quarter ended | | Six months ended | |
|-----------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| | June 30, 2004 | June 30, 2003 | June 30, 2004 | June 30, 2003 |
| GLOBAL INSURANCE | | | | |
| Specialty risks [a] | \$65,793 | \$75,254 | \$209,710 | \$161,257 |
| Onshore and offshore energy | 58,008 | 53,731 | 113,153 | 117,055 |
| Aviation and aerospace | 31,384 | 29,126 | 54,572 | 52,850 |
| Property | 42,479 | 36,028 | 77,016 | 61,169 |
| Marine | 18,524 | 13,513 | 62,145 | 58,968 |
| Total global insurance | <u>216,188</u> | <u>207,652</u> | <u>516,596</u> | <u>451,299</u> |
| GLOBAL REINSURANCE | | | | |
| Catastrophe | 88,404 | 76,864 | 326,441 | 259,130 |
| Property pro rata | 15,030 | 31,885 | 67,679 | 46,467 |
| Property per risk | 10,096 | 4,111 | 34,656 | 14,292 |
| Credit and bond | 258 | - | 67,840 | - |
| Motor and general liability | 5,026 | - | 45,661 | - |
| Other | 11,070 | 7,284 | 16,682 | 11,753 |
| Total global reinsurance | <u>129,884</u> | <u>120,144</u> | <u>558,959</u> | <u>331,642</u> |
| U.S. INSURANCE | | | | |
| Property | 83,151 | 48,001 | 134,893 | 79,863 |
| Professional lines | 78,706 | 82,623 | 129,764 | 113,552 |
| Liability | 58,058 | 40,509 | 103,600 | 69,631 |
| Total U.S. insurance | <u>219,915</u> | <u>171,133</u> | <u>368,257</u> | <u>263,046</u> |
| U.S. REINSURANCE | | | | |
| Professional lines | 27,965 | 24,575 | 143,050 | 74,723 |
| Liability | 14,798 | 5,687 | 52,621 | 15,178 |
| Property | 18,996 | 20,945 | 29,496 | 20,945 |
| Marine & aviation | 1,573 | 1,314 | 4,463 | 3,204 |
| Total U.S. reinsurance | <u>63,332</u> | <u>52,521</u> | <u>229,630</u> | <u>114,050</u> |
| TOTAL | <u><u>\$629,319</u></u> | <u><u>\$551,450</u></u> | <u><u>\$1,673,442</u></u> | <u><u>\$1,160,037</u></u> |

[a] Including terrorism, marine and aviation war risk, political risk and D&O.

AXIS Capital Holdings Limited

GLOBAL INSURANCE SEGMENT DATA

| | Quarter ended | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | June 30, 2004 | Mar. 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June 30, 2003 | June 30, 2002 |
| UNDERWRITING REVENUES | | | | | | |
| Gross premiums written | \$216,188 | \$300,408 | \$280,049 | \$249,313 | \$207,652 | \$163,494 |
| Net premiums written | 183,240 | 232,539 | 264,661 | 245,659 | 203,775 | 136,736 |
| Gross premiums earned | 227,815 | 219,341 | 213,792 | 217,578 | 202,650 | 55,996 |
| Ceded premiums amortized | (31,247) | (19,625) | (18,400) | (19,002) | (15,143) | (13,389) |
| Net premiums earned | 196,568 | 199,716 | 195,392 | 198,576 | 187,507 | 42,607 |
| Other insurance related income | (399) | 179 | 5,135 | 8,124 | 10,102 | --- |
| Total underwriting revenues | 196,169 | 199,895 | 200,527 | 206,700 | 197,609 | 42,607 |
| UNDERWRITING EXPENSES | | | | | | |
| Net losses and loss expenses | 117,616 | 98,527 | 101,995 | 85,415 | 114,651 | 31,644 |
| Acquisition costs [a] | 30,422 | 26,041 | 18,405 | 30,146 | 27,056 | 8,497 |
| General and administrative expenses [a] | 7,265 | 8,190 | 5,826 | 3,647 | 3,472 | 1,498 |
| Total underwriting expenses | 155,303 | 132,758 | 126,226 | 119,208 | 145,179 | 41,639 |
| UNDERWRITING INCOME | \$40,866 | \$67,137 | \$74,301 | \$87,492 | \$52,430 | \$968 |
| GAAP RATIOS | | | | | | |
| Net loss and loss expense ratio | 59.8% | 49.3% | 52.2% | 43.0% | 61.1% | 74.3% |
| Acquisition cost ratio | 15.5% | 13.0% | 9.4% | 15.2% | 14.4% | 19.9% |
| General and administrative expense ratio | 3.7% | 4.1% | 3.0% | 1.8% | 1.9% | 3.6% |
| Combined ratio | 79.0% | 66.4% | 64.6% | 60.0% | 77.4% | 97.8% |

[a] Prior to January 1, 2004 we did not allocate any of our administrative expenses, except for the personnel expenses of our underwriters, which were included in our acquisition costs. The prior quarters have been restated, with previously allocated underwriters expenses reallocated to general and administrative expenses.

AXIS Capital Holdings Limited

GLOBAL REINSURANCE SEGMENT DATA

| | Quarter ended | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | June 30, 2004 | Mar. 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June 30, 2003 | June 30, 2002 |
| UNDERWRITING REVENUES | | | | | | |
| Gross premiums written | \$129,884 | \$429,075 | \$16,710 | \$114,586 | \$120,144 | \$97,227 |
| Net premiums written | 124,875 | 420,175 | 16,710 | 114,586 | 115,606 | 97,227 |
| Gross premiums earned | 155,652 | 147,103 | 111,541 | 120,235 | 100,382 | 51,863 |
| Ceded premiums amortized | (2,382) | (2,109) | (1,464) | (2,790) | (3,354) | --- |
| Net premiums earned | 153,270 | 144,994 | 110,077 | 117,445 | 97,028 | 51,863 |
| Other insurance related income | 555 | 109 | 128 | 424 | --- | --- |
| Total underwriting revenues | 153,825 | 145,103 | 110,205 | 117,869 | 97,028 | 51,863 |
| UNDERWRITING EXPENSES | | | | | | |
| Net losses and loss expenses | 54,036 | 55,141 | 41,719 | 44,100 | 44,134 | 23,793 |
| Acquisition costs [a] | 22,496 | 20,791 | 13,195 | 18,546 | 17,021 | 9,010 |
| General and administrative expenses [a] | 6,825 | 6,507 | 1,171 | 1,429 | 1,239 | 1,003 |
| Total underwriting expenses | 83,357 | 82,439 | 56,085 | 64,075 | 62,394 | 33,806 |
| UNDERWRITING INCOME | | | | | | |
| | <u>\$70,468</u> | <u>\$62,664</u> | <u>\$54,120</u> | <u>\$53,794</u> | <u>\$34,634</u> | <u>\$18,057</u> |
| GAAP RATIOS | | | | | | |
| Net loss and loss expense ratio | 35.3% | 38.0% | 37.9% | 37.5% | 45.5% | 45.9% |
| Acquisition cost ratio | 14.7% | 14.3% | 11.9% | 15.8% | 17.5% | 17.4% |
| General and administrative expense ratio | 4.5% | 4.5% | 1.1% | 1.2% | 1.3% | 1.9% |
| Combined ratio | <u>54.5%</u> | <u>56.8%</u> | <u>50.9%</u> | <u>54.5%</u> | <u>64.3%</u> | <u>65.2%</u> |

[a] Prior to the January 1, 2004 we did not allocate any of our administrative expenses, except for the personnel expenses of our underwriters, which were included in our acquisition costs. The prior quarters have been restated, with previously allocated underwriters expenses reallocated

AXIS Capital Holdings Limited

U.S. INSURANCE SEGMENT DATA

| | Quarter ended | | | | | |
|--|-----------------|----------------|-----------------|-----------------|-----------------|------------|
| | June 30, 2004 | Mar. 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June 30, 2003 | |
| UNDERWRITING REVENUES | | | | | | |
| Gross premiums written | \$219,915 | \$148,343 | \$174,811 | \$188,041 | \$171,133 | --- |
| Net premiums written | 117,605 | 80,824 | 95,691 | 92,850 | 79,424 | --- |
| Gross premiums earned | 164,211 | 147,302 | 132,813 | 112,588 | 80,538 | --- |
| Ceded premiums amortized | (80,544) | (73,398) | (68,064) | (62,130) | (43,539) | --- |
| Net premiums earned | 83,667 | 73,904 | 64,749 | 50,458 | 36,999 | --- |
| Other insurance related income | --- | --- | --- | --- | --- | --- |
| Total underwriting revenues | 83,667 | 73,904 | 64,749 | 50,458 | 36,999 | --- |
| UNDERWRITING EXPENSES | | | | | | |
| Net losses and loss expenses | 47,124 | 49,617 | 41,754 | 33,621 | 23,505 | --- |
| Acquisition costs [a] | 2,363 | 173 | 2,007 | 1,613 | (1,443) | --- |
| General and administrative expenses [a] | 16,112 | 15,593 | 6,772 | 3,746 | 4,317 | --- |
| Total underwriting expenses | 65,599 | 65,383 | 50,533 | 38,980 | 26,379 | --- |
| UNDERWRITING INCOME | \$18,068 | \$8,521 | \$14,216 | \$11,478 | \$10,620 | --- |
| GAAP RATIOS | | | | | | |
| Net loss and loss expense ratio | 56.3% | 67.1% | 64.5% | 66.6% | 63.5% | --- |
| Acquisition cost ratio | 2.8% | 0.2% | 3.1% | 3.2% | (3.9)% | --- |
| General and administrative expense ratio | 19.3% | 21.1% | 10.5% | 7.4% | 11.7% | - |
| Combined ratio | 78.4% | 88.4% | 78.1% | 77.2% | 71.3% | --- |

[a] Prior to January 1, 2004 we did not allocate any of our administrative expenses, except for the personnel expenses of our underwriters, which were included in our acquisition costs. The prior quarters have been restated, with previously allocated underwriters expenses reallocated to general and administrative expenses.

AXIS Capital Holdings Limited

U.S. REINSURANCE SEGMENT DATA

| | Quarter ended | | | | | |
|--|----------------|----------------|---------------|----------------|------------------|------------|
| | June 30, 2004 | March 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June 30, 2003 | |
| UNDERWRITING REVENUES | | | | | | |
| Gross premiums written | \$63,332 | \$166,297 | \$8,096 | \$82,002 | \$52,521 | --- |
| Net premiums written | 62,157 | 165,652 | 6,983 | 81,280 | 51,019 | --- |
| Gross premiums earned | 53,962 | 53,441 | 31,286 | 31,512 | 14,461 | --- |
| Ceded premiums amortized | (1,064) | (807) | (759) | (525) | (403) | --- |
| Net premiums earned | 52,898 | 52,634 | 30,527 | 30,987 | 14,058 | --- |
| Other insurance related income | --- | --- | --- | --- | --- | --- |
| Total underwriting revenues | 52,898 | 52,634 | 30,527 | 30,987 | 14,058 | --- |
| UNDERWRITING EXPENSES | | | | | | |
| Net losses and loss expenses | 39,074 | 39,315 | 22,416 | 21,044 | 13,330 | --- |
| Acquisition costs [a] | 10,210 | 9,958 | 5,920 | 5,797 | 3,785 | --- |
| General and administrative expenses [a] | 2,601 | 2,595 | 1,666 | 846 | 499 | --- |
| Total expenses | 51,885 | 51,868 | 30,002 | 27,687 | 17,614 | --- |
| UNDERWRITING INCOME | \$1,013 | \$766 | \$525 | \$3,300 | (\$3,556) | --- |
| GAAP RATIOS | | | | | | |
| Net loss and loss expense ratio | 73.9% | 74.7% | 73.4% | 67.9% | 94.8% | --- |
| Acquisition cost ratio | 19.3% | 18.9% | 19.4% | 18.7% | 26.9% | --- |
| General and administrative expense ratio | 4.9% | 4.9% | 5.5% | 2.7% | 3.5% | - |
| Combined ratio | 98.1% | 98.5% | 98.3% | 89.3% | 125.2% | --- |

[a] Prior to January 1, 2004 we did not allocate any of our administrative expenses, except for the personnel expenses of our underwriters, which were included in our acquisition costs. The prior quarters have been restated, with previously allocated underwriters expenses reallocated to general and administrative expenses.

AXIS Capital Holdings Limited
CONSOLIDATED BALANCE SHEETS

| | June 30, 2004 | March 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June 30, 2003 | June 30, 2002 |
|---|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$721,215 | \$802,129 | \$605,175 | \$790,604 | \$927,087 | \$619,139 |
| Investments at fair market value | 3,993,883 | 3,692,455 | 3,385,576 | 3,277,783 | 2,394,606 | 1,524,151 |
| Other investments | 34,403 | 9,332 | - | - | - | - |
| Accrued interest receivable | 36,612 | 30,564 | 29,530 | 21,612 | 15,236 | 11,210 |
| Net receivable for investments sold | - | - | 3,371 | - | - | - |
| Securities lending collateral | 755,968 | 505,186 | - | - | - | - |
| Insurance and reinsurance premium balances receivable | 994,819 | 1,019,195 | 660,530 | 690,907 | 663,758 | 273,819 |
| Deferred acquisition costs | 222,288 | 219,113 | 136,281 | 152,842 | 139,445 | 63,114 |
| Prepaid reinsurance premiums | 240,199 | 213,994 | 164,999 | 162,486 | 145,704 | 17,158 |
| Reinsurance recoverable | 245,909 | 190,917 | 124,899 | 100,152 | 51,841 | - |
| Intangible assets | 23,919 | 24,204 | 24,579 | 27,204 | 27,579 | - |
| Other assets | 50,974 | 39,899 | 37,333 | 29,930 | 20,973 | 9,090 |
| TOTAL ASSETS | 7,320,189 | \$6,746,988 | \$5,172,273 | \$5,253,520 | \$4,386,229 | \$2,517,681 |
| LIABILITIES | | | | | | |
| Reserve for losses and loss expenses | \$1,541,193 | \$1,261,094 | \$992,846 | \$785,041 | \$569,253 | \$85,750 |
| Unearned premiums | 1,648,062 | 1,620,384 | 1,143,447 | 1,153,296 | 1,001,225 | 386,536 |
| Insurance and reinsurance balances payable | 208,141 | 193,252 | 151,381 | 174,832 | 214,739 | 47,057 |
| Accounts payable and accrued expenses | 44,072 | 39,456 | 67,451 | 60,043 | 54,375 | 10,722 |
| Security lending payable | 755,618 | 504,730 | - | - | - | - |
| Net payable for investments purchased | 80,589 | 121,509 | - | 399,506 | 334,082 | 268,990 |
| TOTAL LIABILITIES | 4,277,675 | \$3,740,425 | \$2,355,125 | \$2,572,718 | \$2,173,674 | \$799,055 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Common shares | 1,906 | 1,906 | 1,906 | 1,929 | 1,737 | 1,699 |
| Additional paid-in capital | 2,009,716 | 2,005,425 | 2,000,731 | 2,015,236 | 1,697,824 | 1,656,827 |
| Deferred compensation | - | - | - | (15,605) | (17,397) | (8,135) |
| Accumulated other comprehensive income | (31,193) | 53,906 | 25,164 | 39,589 | 37,720 | 3,831 |
| Retained earnings | 1,062,085 | 945,326 | 789,347 | 639,653 | 492,671 | 64,404 |
| TOTAL SHAREHOLDERS' EQUITY | 3,042,514 | \$3,006,563 | \$2,817,148 | \$2,680,802 | \$2,212,555 | \$1,718,626 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 7,320,189 | \$6,746,988 | \$5,172,273 | \$5,253,520 | \$4,386,229 | \$2,517,681 |
| Book value per share | \$19.95 | \$19.72 | \$18.48 | \$17.37 | \$15.93 | \$12.65 |

AXIS Capital Holdings Limited

INVESTMENT PORTFOLIO

AS OF JUNE 30, 2004

| TYPE OF INVESTMENT | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value | Percentage |
|---------------------------------------|-------------------|---------------------|----------------------|-------------|------------|
| U.S. government and agency securities | \$1,498,866 | \$2,076 | (\$18,984) | \$1,481,958 | 32.0% |
| Corporate debt securities | 806,025 | 4,741 | (11,209) | \$799,557 | 17.3% |
| Non U.S. government securities | 71,027 | 744 | (432) | \$71,339 | 1.5% |
| Mortgage-backed securities | 1,240,724 | 4,022 | (12,721) | \$1,232,025 | 26.5% |
| Asset-backed securities | 175,605 | 665 | (791) | \$175,479 | 3.8% |
| Municipals | 221,451 | 126 | (4,336) | \$217,241 | 4.7% |
| Mortgage derivatives [a] | 16,136 | 156 | (8) | \$16,284 | 0.4% |
| Total Fixed Maturities | \$4,029,834 | \$12,530 | (\$48,481) | \$3,993,883 | 86.2% |
| Cash, net of unsettled trades | 124,699 | - | - | 124,699 | 2.7% |
| Total Invested Assets | \$4,154,533 | \$12,530 | (\$48,481) | \$4,118,582 | 88.9% |
| Operating Cash Balances | 515,927 | - | - | 515,927 | 11.1% |
| Total Cash and Investments | \$4,670,460 | \$12,530 | (\$48,481) | \$4,634,509 | 100.0% |

| CREDIT QUALITY | Amortized Cost | Percentage | Fair Value | Percentage |
|----------------|-------------------|------------|-------------|------------|
| AAA | \$3,170,273 | 78.6% | \$3,141,825 | 78.7% |
| AA | 143,348 | 3.6% | 141,196 | 3.5% |
| A | 467,958 | 11.6% | 462,532 | 11.6% |
| BBB | 248,255 | 6.2% | 248,330 | 6.2% |
| Total | \$4,029,834 | 100.0% | \$3,993,883 | 100.0% |

| MATURITY | Amortized Cost | Percentage | Fair Value | Percentage |
|---|-------------------|------------|-------------|------------|
| Within one year | \$187,136 | 4.6% | \$186,901 | 4.7% |
| From one to five years | 1,496,928 | 37.2% | 1,482,565 | 37.1% |
| From five to ten years | 738,850 | 18.3% | 729,763 | 18.3% |
| Above ten years | 174,456 | 4.3% | 170,867 | 4.3% |
| Asset-backed and mortgage-backed securities | 1,432,464 | 35.6% | 1,423,787 | 35.6% |
| Total | \$4,029,834 | 100.0% | \$3,993,883 | 100.0% |

[a] Reflects securities classified as mortgage derivatives due to adoption of FAS 149, effective July 1, 2003. These securities were previously classified as mortgage-backed securities. Unrealized gains/losses on these securities are now classified as realized gains/losses on the statement of operations

AXIS Capital Holdings Limited

INVESTMENT PORTFOLIO COMPOSITION

| | <u>June 30, 2004</u> | <u>March 31, 2004</u> | <u>Dec. 31, 2003</u> | <u>Sept. 30, 2003</u> | <u>June 30, 2003</u> |
|---|---------------------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| TYPE OF INVESTMENT | Fair Value % | Fair Value % | Fair Value % | Fair Value % | Fair Value % |
| U.S. government and agency securities | 32.0% | 29.0% | 31.4% | 33.0% | 25.6% |
| Corporate debt securities | 17.3% | 19.2% | 18.0% | 15.9% | 13.9% |
| Non U.S. government securities | 1.5% | 1.6% | 0.4% | 0.6% | 1.3% |
| Mortgage-backed securities | 26.5% | 24.1% | 25.4% | 26.5% | 31.3% |
| Asset-backed securities | 3.8% | 4.5% | 4.7% | 3.7% | 3.8% |
| Municipals | 4.7% | 4.7% | 4.9% | 4.7% | 4.2% |
| Mortgage derivatives [a] | 0.4% | 1.3% | --- | 4.9% | --- |
| Total Fixed Maturities | 86.2% | 84.4% | 84.8% | 89.3% | 80.1% |
| Cash, net of unsettled trades | 2.7% | 4.0% | 5.1% | 1.7% | 12.5% |
| Total Invested Assets | 88.9% | 88.4% | 89.9% | 91.0% | 92.6% |
| Operating Cash Balances | 11.1% | 11.6% | 10.1% | 9.0% | 7.4% |
| Total Cash and Investments | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| CREDIT QUALITY | Fair Value % | Fair Value % | Fair Value % | Fair Value % | Fair Value % |
| AAA | 78.7% | 76.1% | 77.8% | 80.4% | 80.6% |
| AA | 3.5% | 4.1% | 3.9% | 3.7% | 4.8% |
| A | 11.6% | 13.4% | 11.4% | 10.1% | 8.7% |
| BBB | 6.2% | 6.4% | 6.9% | 5.8% | 5.9% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100% |
| MATURITY | Fair Value % | Fair Value % | Fair Value % | Fair Value % | Fair Value % |
| Within one year | 4.7% | 4.9% | 3.5% | 8.8% | 9.2% |
| From one to five years | 37.1% | 38.1% | 38.1% | 29.7% | 31.1% |
| From five to ten years | 18.3% | 17.3% | 18.4% | 18.5% | 12.1% |
| Above ten years | 4.3% | 4.2% | 4.5% | 3.7% | 3.8% |
| Asset-backed and mortgage-backed securities | 35.6% | 35.5% | 35.5% | 39.3% | 43.8% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| PORTFOLIO CHARACTERISTICS | As of or for the quarter ended | | | | |
| | June 30, 2004 | March 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June. 30, 2003 |
| Annualized effective yield | 3.2% | 3.3% | 3.2% | 2.6% | 2.5% |
| Yield to maturity | 3.5% | 3.3% | 3.3% | 3.7% | 3.2% |
| Average duration of invested assets | 3.3 yrs | 2.9 yrs | 3.0 yrs | 3.1 yrs | 2.4 yrs |
| Average credit quality | AA+ | AA+ | AA+ | AAA | AAA |

[a] Reflects securities classified as mortgage derivatives due to adoption of FAS 149, effective July 1, 2003. These securities were previously classified as mortgage-backed securities. Unrealized gains/losses on these securities are now classified as realized gains/losses on the statement of operations

AXIS Capital Holdings Limited
INVESTMENT PERFORMANCE BENCHMARKS

| | Quarter ended | | | | | Six months ended | |
|---|---------------|---------------|---------------|----------------|---------------|------------------|---------------|
| | June 30, 2004 | Mar. 31, 2004 | Dec. 31, 2003 | Sept. 30, 2003 | June 30, 2003 | June 30, 2004 | June 30, 2003 |
| Aggregate AXIS Capital portfolio | -1.67% | 1.97% | 0.41% | 0.29% | 1.54% | 0.27% | 2.79% |
| Composite Benchmark [a] | -1.84% | 2.03% | 0.48% | 0.29% | 1.47% | 0.16% | 2.61% |
| | 0.17% | -0.06% | -0.07% | 0.00% | 0.07% | 0.11% | 0.18% |
| Individual portfolios | | | | | | | |
| Total return liquidity portfolio | -1.02% | 1.11% | 0.02% | 0.03% | 0.99% | 0.08% | 1.93% |
| Merrill Lynch 1-3 year Treasury Index [b] | -1.06% | 0.99% | 0.16% | 0.43% | 0.71% | -0.08% | 1.31% |
| | 0.04% | 0.12% | -0.14% | -0.40% | 0.28% | 0.16% | 0.62% |
| Total return intermediate duration portfolios | -1.62% | 2.15% | 0.50% | 0.38% | 1.93% | 0.50% | 3.30% |
| Customized benchmark [c] | -1.95% | 2.27% | 0.42% | 0.18% | 1.89% | 0.27% | 3.18% |
| | 0.33% | -0.12% | 0.08% | 0.20% | 0.04% | 0.23% | 0.12% |
| Total return long duration portfolios | -2.40% | 2.60% | 0.23% | -0.06% | 2.45% | 0.14% | 3.63% |
| Customized benchmark [c] | -2.40% | 2.65% | 0.32% | -0.14% | 2.50% | 0.19% | 3.93% |
| | 0.00% | -0.05% | -0.09% | 0.08% | -0.05% | -0.05% | -0.30% |
| Total return U.S. combined portfolios | -1.95% | 1.94% | 0.27% | 0.04% | 1.89% | -0.05% | N/A |
| Customized benchmark [c] | -1.96% | 2.05% | 0.46% | 0.25% | 1.93% | 0.05% | N/A |
| | 0.01% | -0.11% | -0.19% | -0.21% | -0.04% | -0.10% | N/A |

[a] The return for the composite benchmark is calculated using the market value weighted average of each individual portfolios benchmark (see above).

[b] Prior to January 1, 2003, this index was three month US\$ LIBOR.

[c] The benchmarks are customized to reflect the desired duration and composition of the portfolio. Benchmarks may be adjusted frequently.

AXIS Capital Holdings Limited

INVESTMENT PORTFOLIO LARGEST CORPORATE HOLDINGS AS OF JUNE 30, 2004

| Issuer | Rating | Fair Value at June 30, 2004 | % of Total Fair Value |
|-----------------------------|---------------|--|----------------------------------|
| General Motors Corporation | A3/BBB | \$32,766 | 0.79% |
| HSBC Holdings | A1/A | 30,647 | 0.74% |
| Ford Motor Company | A3/BBB- | 27,886 | 0.67% |
| General Electric Company | Aaa/AAA | 26,171 | 0.63% |
| Citigroup Inc. | Aa1/AA- | 20,109 | 0.48% |
| Verizon Communications Inc. | Aa3/A+ | 19,683 | 0.47% |
| JP Morgan Chase | A1/A | 19,583 | 0.47% |
| Bear Stearns Companies | A1/A | 18,559 | 0.45% |
| Goldman Sachs Group | Aa3/A+ | 17,881 | 0.43% |
| CIT Group Inc | Aa1/AA- | 16,489 | 0.40% |
| Total | | <u>\$229,774</u> | <u>5.53%</u> |

AXIS Capital Holdings Limited

RESERVE FOR LOSSES AND LOSS EXPENSES: PAID TO INCURRED ANALYSIS

| | Quarter ended June 30, 2004 | | | For the six months ended June 30, 2004 | | |
|---|-----------------------------|--------------------|--------------------|--|--------------------|--------------------|
| | Gross | Recoveries | Net | Gross | Recoveries | Net |
| Reserve for losses and loss expenses, beginning of period | \$1,261,094 | (\$190,917) | \$1,070,177 | \$992,846 | (\$124,899) | \$867,947 |
| Total incurred losses and loss expenses | 313,607 | (55,757) | 257,850 | 623,544 | (123,094) | 500,450 |
| Total paid losses and loss expenses | (31,191) | 765 | (30,426) | (73,972) | 2,084 | (71,888) |
| Foreign exchange (gains) losses | (2,317) | --- | (2,317) | (1,225) | --- | (1,225) |
| Reserve for losses and loss expenses, end of period | <u>\$1,541,193</u> | <u>(\$245,909)</u> | <u>\$1,295,284</u> | <u>\$1,541,193</u> | <u>(\$245,909)</u> | <u>\$1,295,284</u> |
| Paid to incurred percentage | <u>9.9%</u> | <u>1.4%</u> | <u>11.8%</u> | <u>11.9%</u> | <u>1.7%</u> | <u>14.4%</u> |

AXIS Capital Holdings Limited

RESERVE FOR LOSSES AND LOSS EXPENSES: PAID TO INCURRED ANALYSIS BY SEGMENT

| | Quarter ended June 30, 2004 | | | | | Six months ended June 30, 2004 | | | | |
|--|-----------------------------|-----------------|-----------------|-----------------|------------------|--------------------------------|------------------|-----------------|-----------------|------------------|
| | Global | Global | U.S. | U.S. | Total | Global | Global | U.S. | U.S. | Total |
| | Insurance | Reinsurance | Insurance | Reinsurance | | Insurance | Reinsurance | Insurance | Reinsurance | |
| Net paid losses | \$11,640 | \$11,687 | \$5,674 | \$1,425 | \$30,426 | \$37,659 | \$19,562 | \$12,772 | \$1,895 | \$71,888 |
| Change in gross unpaid loss and loss expense reserves: | | | | | | | | | | |
| Change in gross outstanding | (1,836) | (9,732) | 5,654 | 5,461 | (453) | 43,477 | (3,813) | 7,986 | 6,756 | 54,406 |
| Change in gross IBNR | 109,954 | 52,081 | 87,863 | 32,971 | 282,869 | 153,683 | 93,429 | 176,978 | 71,076 | 495,166 |
| Change in gross unpaid loss and loss expense reserves | 108,118 | 42,349 | 93,517 | 38,432 | 282,416 | 197,160 | 89,616 | 184,964 | 77,832 | 549,572 |
| Reinsurance recoveries on unpaid loss and loss expense reserves | (2,142) | - | (52,067) | (783) | (54,992) | (18,676) | - | (100,996) | (1,338) | (121,010) |
| TOTAL NET INCURRED LOSSES AND LOSS EXPENSES | \$117,616 | \$54,036 | \$47,124 | \$39,074 | \$257,850 | \$216,143 | \$109,178 | \$96,740 | \$78,389 | \$500,450 |
| Net paid to net incurred percentage | 9.9% | 21.6% | 12.0% | 3.6% | 11.5% | 17.4% | 17.9% | 13.2% | 2.4% | 14.4% |
| Net paid losses / Net premiums earned | 5.9% | 7.6% | 6.8% | 2.7% | 6.3% | 9.5% | 6.6% | 8.1% | 1.8% | 7.5% |
| Increase in Net loss and loss expense reserves / Net premiums earned | 53.9% | 27.6% | 49.5% | 71.2% | 46.7% | 45.0% | 30.0% | 53.3% | 72.5% | 44.8% |
| Net incurred losses and loss expenses / Net premiums earned | 59.8% | 35.3% | 56.3% | 73.9% | 53.0% | 54.5% | 36.6% | 61.4% | 74.3% | 52.3% |
| Prior years favorable reserve development | \$18,129 | \$18,020 | \$6,277 | \$727 | \$43,153 | \$51,959 | \$32,764 | \$6,277 | \$727 | \$91,727 |

AXIS Capital Holdings Limited

ANALYSIS OF UNPAID LOSSES AND LOSS EXPENSES

| | As at June 30, 2004 | | | As at December 31, 2003 | | |
|---|---------------------|--------------------|--------------------|-------------------------|--------------------|------------------|
| | Gross | Recoveries | Net | Gross | Recoveries | Net |
| Case reserves | \$233,062 | (\$35,896) | \$197,166 | \$179,881 | (\$11,966) | \$167,915 |
| Incurred but not reported reserves (IBNR) | 1,308,131 | (210,013) | \$1,098,118 | 812,965 | (112,933) | 700,032 |
| Reserve for losses and loss expenses, end of period | <u>\$1,541,193</u> | <u>(\$245,909)</u> | <u>\$1,295,284</u> | <u>\$992,846</u> | <u>(\$124,899)</u> | <u>\$867,947</u> |
| IBNR as a % of reserve for losses and loss expenses | 84.9% | 85.4% | 84.8% | 81.9% | 90.4% | 80.7% |

AXIS Capital Holdings Limited

EARNINGS PER SHARE INFORMATION - AS REPORTED, GAAP

| | Quarter ended June 30, | | Six months ended June 30, | |
|--|---------------------------|-------------|------------------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net income | \$140,856 | \$117,754 | \$307,642 | \$224,872 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic weighted average common shares outstanding | 152,487,082 | 136,509,891 | 152,484,015 | 136,440,383 |
| Shares equivalents | | | | |
| Warrants | 11,101,412 | 7,219,892 | 11,061,309 | 6,783,557 |
| Options | 2,360,798 | 1,482,137 | 2,351,596 | 1,379,409 |
| Restricted stock | 893,314 | 489,523 | 888,684 | 441,787 |
| Diluted weighted average common shares outstanding | 166,842,606 | 145,701,443 | 166,785,604 | 145,045,136 |
| NET INCOME PER SHARE | | | | |
| Basic | \$0.92 | \$0.86 | \$2.02 | \$1.65 |
| Diluted | \$0.84 | \$0.81 | \$1.84 | \$1.55 |

AXIS Capital Holdings Limited

DILUTED BOOK VALUE PER SHARE

| | As at | |
|--|---------------|-------------------|
| | June 30, 2004 | December 31, 2003 |
| AS-IF CONVERTED METHOD | | |
| Basic common shares outstanding | 152,491,550 | 152,474,011 |
| Add: warrants outstanding | 19,609,199 | 19,690,692 |
| Weighted average exercise price per share | \$12.48 | \$12.43 |
| Add: options outstanding | 5,761,846 | 4,695,512 |
| Weighted average exercise price per share | \$16.55 | \$13.34 |
| Add: restricted stock | 2,432,675 | 1,884,696 |
| | | |
| Diluted shares outstanding | 180,295,270 | 178,744,911 |
| Shareholders' equity | \$3,042,514 | \$2,817,148 |
| Add: proceeds from converted warrants | 244,812 | 244,811 |
| Add: proceeds from converted options | 95,349 | 62,630 |
| As if converted shareholders' equity | \$3,382,675 | \$3,124,589 |
| | | |
| Book value per share | \$19.95 | \$18.48 |
| Diluted book value per share | \$18.76 | \$17.48 |
| | | |
| TREASURY STOCK METHOD | | |
| Closing price | \$28.00 | \$29.28 |
| Basic common shares outstanding | 152,491,550 | 152,474,011 |
| Add: warrants outstanding | 19,609,199 | 19,690,692 |
| Weighted average exercise price per share | \$12.48 | \$12.43 |
| Less: warrants bought back via treasury method | 8,743,270 | 8,361,039 |
| Add: options outstanding | 5,761,846 | 4,695,512 |
| Weighted average exercise price per share | \$16.55 | \$13.34 |
| Less: options bought back via treasury method | 3,405,317 | 2,139,003 |
| Add: restricted stock outstanding | 2,432,675 | 1,884,696 |
| Diluted shares outstanding | 168,146,682 | 168,244,869 |
| | | |
| Book value per share | \$19.95 | \$18.48 |
| Diluted book value per share | \$18.09 | \$16.74 |

In the fourth quarter of 2003, we adopted, prospectively, the fair value recognition provisions of SFAS 123 "Accounting for Stock-Based Compensation", for all stock-based employee compensation granted, modified or settled after January 1, 2003. As a result, with respect to unvested restricted stock awards, the amount of deferred compensation is eliminated from share capital and additional paid-in-capital. This charge impacts the calculation of "Book value per share" but has no impact on the calculation of "Diluted book value per share".