



# Annuity & Life Re

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## FOR IMMEDIATE RELEASE

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## ANNUITY & LIFE RE FOURTH QUARTER 2005 EARNINGS REPORT

Hamilton, Bermuda, April 10, 2006 9:00 a.m. EST – Annuity and Life Re (Holdings), Ltd. (ANNRF.PK) today reported financial results for the three months and year ended December 31, 2005. The Company reported a net loss of \$(14,687,865) or \$(0.60) per fully diluted share for the three months ended December 31, 2005, as compared to a net loss of \$(59,634,766) or \$(2.30) per fully diluted share for the three months ended December 31, 2004. The Company reported a net loss of \$(18,624,977) or \$(0.73) per fully diluted share for the year ended December 31, 2005, as compared to a net loss of \$(68,326,455) or \$(2.64) per fully diluted share for the year ended December 31, 2004. The fourth quarter 2005 loss included a \$(15.2) million charge related to the closing of the transaction with the Wilton Re subsidiaries.

Net realized investment losses for the three months ended December 31, 2005 were \$(69,162), as compared with net realized investment losses of \$(16,636) for the three months ended December 31, 2004. Net realized investment gains for the year ended December 31, 2005 were \$431,459, as compared with net realized investment gains of \$439,536 for the year ended December 31, 2004.

Gross unrealized losses on the Company's investments were \$(837,723) as of December 31, 2005, as compared to gross unrealized gains of \$1,016,260 at December 31, 2004. The Company's investment portfolio currently maintains an average credit quality of AA. Cash used by operations for the year ended December 31, 2005 was \$51,258,564 as compared to cash used by operations of \$59,066,809 for the year ended December 31, 2004. The cash used by operations in the year ended December 31, 2005 includes amounts associated with the novation or coinsurance of all remaining reinsurance agreements.

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Annuity and Life Re (Holdings), Ltd. provides annuity and life reinsurance to insurers through its wholly owned subsidiaries, Annuity and Life Reassurance, Ltd. and Annuity and Life Reassurance America, Inc.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by the Company or on its behalf. All statements which address operating performance, events, or developments that the Company expects or anticipates may occur in the future are forward-looking statements. These statements are made on the basis of management's views and assumptions; as a result, there can be no assurance that management's expectations will necessarily come to pass. The Company cautions that actual results could differ materially from those expressed or implied in forward-looking statements. Important factors that could materially and adversely affect the Company's operations and financial condition and/or cause the Company's actual results of operations or financial condition to differ from those expressed or implied in the Company's forward-looking statements include, but are not necessarily limited to, the Company's ability to meet the obligations associated with the

Company's current business and to fund the Company's continuing operations; the Company's ability to pursue strategic alternatives on favorable terms; the loss of a key executive; the Company's ability to obtain adequate financial ratings; the ability of the Company's cedents to manage successfully assets they hold on the Company's behalf; the Company's success in managing its investments; the Company's ability to list its common shares on a national exchange or automated quotation system; changes in mortality, morbidity and claims experience; the Company's ability to make accurate estimates and assumptions regarding future mortality, persistency, lapses, expenses and investment performance based upon historical results and information provided to it by its cedents; the Company's ability to underwrite business; unanticipated withdrawal or surrender activity; changes in market conditions, including changes in interest rate levels; the competitive environment; the impact of recent and possible future terrorist attacks and the U.S. government's response thereto; the Company's ability to attract and retain clients; regulatory changes (such as changes in U.S. tax law and insurance regulation that directly affect the competitive environment for the Company's products); and a prolonged economic downturn. Investors are also directed to consider the risks and uncertainties discussed in documents the Company has filed with the Securities and Exchange Commission, and in particular, the Company's Annual Report on Form 10-K for the year ended December 31, 2004, as amended. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on the Company's behalf.

This press release and the attached financial statements are available in the "Press Releases" section of the Company's website at [www.alre.bm/releases\\_2006.html](http://www.alre.bm/releases_2006.html).

**ANNUITY AND LIFE RE (HOLDINGS), LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(U.S. Dollars)

	December 31,	
	2005	2004
<b>Assets</b>		
Cash and cash equivalents .....	\$ 19,277,490	\$ 56,394,484
Fixed income investments at fair value (amortized cost of \$66,104,138 and \$80,767,893 at December 31, 2005 and 2004, respectively) .....	65,266,415	82,034,410
Funds withheld at interest .....	-	56,415,386
Accrued investment income .....	1,145,614	1,155,762
Receivable for reinsurance ceded .....	76,341,602	82,433,270
Other reinsurance receivables .....	104,135	4,306,931
Deferred policy acquisition costs .....	-	6,084,488
Other assets .....	256,693	580,625
<b>Total Assets</b> .....	<b>\$ 162,391,949</b>	<b>\$ 289,405,356</b>
<b>Liabilities</b>		
Reserves for future policy benefits .....	\$ 77,476,039	\$ 113,675,250
Amounts due reinsurer .....	32,929,104	-
Interest sensitive contracts liability .....	-	57,754,009
Other reinsurance liabilities .....	1,742,753	45,371,890
Accounts payable and accrued expenses .....	5,069,912	6,186,995
<b>Total Liabilities</b> .....	<b>117,217,808</b>	<b>222,988,144</b>
<b>Stockholders' Equity</b>		
Preferred shares (par value \$1.00; 50,000,000 shares authorized; no shares outstanding) .....	-	-
Common shares (par value \$1.00; 100,000,000 shares authorized; 24,793,811 and 26,338,528 shares outstanding at December 31, 2005 and 2004, respectively) .....	24,793,811	26,338,528
Additional paid-in capital .....	334,123,757	333,810,766
Stock warrants .....	1,350,000	1,350,000
Unamortized stock-based compensation .....	(22,800)	(490,415)
Accumulated other comprehensive income .....	(837,723)	1,016,260
Accumulated deficit .....	(314,232,904)	(295,607,927)
<b>Total Stockholders' Equity</b> .....	<b>45,174,141</b>	<b>66,417,212</b>
<b>Total Liabilities and Stockholders' Equity</b> .....	<b>\$ 162,391,949</b>	<b>\$ 289,405,356</b>

**ANNUITY AND LIFE RE (HOLDINGS), LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited and in U.S. dollars)

	For the Three Months Ended Dec. 31,		For the Year Ended Dec. 31,	
	2005	2004	2005	2004
<b>Revenues</b>				
Net premiums	\$ (3,688,410)	\$ 13,731,847	\$ 8,312,598	\$ 48,297,706
Investment income, net of related expenses	(737,873)	3,822,551	4,068,816	21,697,563
Net realized investment gains (losses)	(69,192)	(16,637)	431,459	439,536
Net change in fair value of embedded derivatives	4,503,208	488,957	5,609,061	2,181,070
Surrender fees and other revenues	(33,574)	865,786	61,313	4,475,691
<b>Total Revenues</b>	<b>\$ (25,841)</b>	<b>\$ 18,892,505</b>	<b>\$ 18,483,247</b>	<b>77,091,566</b>
<b>Benefits and Expenses</b>				
Claims and policy benefits	\$ 5,943,821	(10,581,973)	\$ 16,725,225	14,101,129
Interest credited to interest sensitive products	(1,406,703)	(5,466,085)	(421,089)	5,399,460
Policy acquisition costs and other insurance expenses	5,206,444	92,393,679	8,285,903	110,922,948
Operating expenses	4,918,462	2,181,651	12,518,185	14,628,524
<b>Total Benefits and Expenses</b>	<b>\$ 14,662,024</b>	<b>78,527,272</b>	<b>\$ 37,108,224</b>	<b>145,052,061</b>
Loss before cumulative effect of a change in accounting principle	\$ (14,687,865)	\$ (59,634,767)	\$ (18,624,977)	(67,960,495)
Cumulative effect of a change in accounting principle	-	-	-	(365,960)
<b>Net Loss</b>	<b>\$ (14,687,865)</b>	<b>\$ (59,634,767)</b>	<b>\$ (18,624,977)</b>	<b>\$ (68,326,455)</b>
<b>Loss before cumulative effect of a change in accounting principle per common share</b>				
Basic.....	(0.60)	\$ (2.30)	\$ (0.73)	\$ (2.63)
Diluted.....	\$ (0.60)	\$ (2.30)	\$ (0.73)	\$ (2.63)
<b>Cumulative effect of a change in accounting principle per common share</b>				
Basic.....	\$ -	\$ -	\$ -	\$ (0.01)
Diluted.....	\$ -	\$ -	\$ -	\$ (0.01)
<b>Net loss per common share</b>				
Basic.....	\$ (0.60)	\$ (2.30)	\$ (0.73)	\$ (2.64)
Diluted.....	\$ (0.60)	\$ (2.30)	\$ (0.73)	\$ (2.64)