CONDUIT RE

# Building resilience in a changing world

**Conduit Holdings Limited Interim Report 2023**

## Contents

# Financial performance

Comprehensive income of $78.6 million; RoE of 9.1%

Strong year-on-year growth in gross premiums written of 52.9%; Combined ratio of 72.5%

Efficient business model, strong capital base, positioned for continued growth into favourable market conditions

CHL, the parent company of Conduit Re, a pure-play reinsurance business based in Bermuda, today presents its interim results for the six months ended 30 June 2023, on an IFRS 17 basis.

**Trevor Carvey, Chief Executive Officer, commented:**
"This has been a very successful half year for Conduit, and we are delivering on the goals we set out when we founded the business in 2020. In a half year which has seen high industry losses, our focused underwriting strategy has delivered strong underwriting results which, coupled with our low expense base, have delivered a very attractive combined ratio of 72.5% (83.1% on undiscounted basis). With no back years prior to 2021, we continue to look forward to deploying capital effectively, taking maximum advantage of current market conditions, which we see continuing for some time."

**Neil Eckert, Executive Chairman, commented:**
"We are delighted to announce our maiden interim profit. The low combined ratio and highly attractive return on equity are testament to the effectiveness of our strategy. This is one of the hardest insurance markets in a generation and we are very well placed to capitalise on that with our efficient business model."

| Key financials ($m) | Six months ended 30 June 2023 | Six months ended 30 June 2022 (re-stated)[1] | Change |
|---|---|---|---|
| Estimated ultimate premiums written[2] | 762.2 | 492.2 | 54.9% |
| Gross premiums written[3] | 542.2 | 354.5 | 52.9% |
| Reinsurance revenue | 278.7 | 169.3 | 64.6% |
| Net reinsurance revenue | 242.8 | 148.9 | 63.1% |
| Reinsurance service result | 80.7 | 10.4 | 676.0% |
| Net investment result | 22.6 | (50.0) | 145.2% |
| Comprehensive income (loss) | 78.6 | (39.4) | 299.5% |

| Financial ratios (%) | Six months ended 30 June 2023 | Six months ended 30 June 2022 (re-stated)[4] | Change (pps) |
|---|---|---|---|
| Return on equity | 9.1 | (4.0) | 13.1 |
| Net loss ratio | 57.5 | 85.0 | (27.5) |
| Reinsurance operating expense ratio | 9.3 | 8.0 | 1.3 |
| Other operating expense ratio | 5.7 | 6.9 | (1.2) |
| Combined ratio (discounted) | 72.5 | 99.9 | (27.4) |
| Combined ratio (undiscounted) | 83.1 | 105.8 | (22.7) |
| Total net investment return | 2.1 | (4.7) | 6.8 |

**Key highlights**
**2023 H1 results**

* Gross premiums written for the six months ended 30 June 2023 of $542.2 million, a 52.9% increase over the first six months of 2022
* Overall portfolio risk-adjusted rate change for the first six months of 2023, net of claims inflation, of 15%
* Compounding impact of strong renewal book, with high quality partners, in third year of trading

[1] With the transition to IFRS 17, certain comparative amounts have been re-stated as if the standard had always been in effect.
[2] Estimated ultimate premiums written now exclude reinstatement premiums to ensure consistency with the IFRS 17 view of revenue.
[3] Gross premiums written now exclude reinstatement premiums to ensure consistency with the IFRS 17 view of revenue.
[4] With the transition to IFRS 17, certain comparative amounts have been re-stated as if the standard had always been in effect.

# Financial performance
continued

* In an active natural catastrophe period for the industry, no major event loss, individually or in aggregate, had an outsized or material impact on our results for the period
* Combined ratio of 72.5% for the first six months of 2023 compared with 99.9% for the same period in 2022
* Sponsored the placement of an inaugural $100 million multi-year catastrophe bond issuance to complement traditional retrocession cover
* Total reinsurance and other operating expense ratio of 15.0% for the first six months of 2023 compared with 14.9% for the same period in 2022
* High quality investment portfolio with average credit quality of AA; book yield of 3.2%, and market yield of 5.5% (respectively AA, 1.4% and 3.5% for the same period in 2022)
* Total net investment return of $22.6 million for the six months ended 30 June 2023 which includes a net unrealised gain of $5.7 million, compared to a net investment loss of $50.0 million which included $54.3 million of net unrealised loss in the same period in 2022
* Comprehensive income of $78.6 million, representing a 9.1% return on equity for the half year
* Interim dividend of $0.18 (approximately 14 pence) per common share declared

## Outlook

* $1.9 billion of estimated ultimate premiums written from launch in December 2020 up to 30 June 2023, with significant pipeline of unearned premium of approximately $755 million which will flow through in subsequent years
* Market conditions remain very favourable with property and specialty leading the way
* Capacity for continued growth into a hard market and benefiting from:
    * Our experienced team, which has rapidly developed a reputation for being a responsive, reliable and relevant counterparty – evidenced by the substantial growth we have been able to achieve since launch
    * Established, efficient and scalable underwriting business model
    * Legacy-free balance sheet with ample capacity to support the planned growth and beyond; AM Best A- (Excellent) rating, with “very strong” balance sheet strength

## Underwriting update

During the first six months of 2023, Conduit Re continued to show growth across all segments, benefiting from new business, high retention and underlying growth of renewal business, coupled with improving rates. Client count and submission flow have increased in line with Conduit Re's strategy, with the embedded renewing portfolio providing the key profitable foundations.

## Premiums

Estimated ultimate premiums written - six months ended 30 June

| Segment | 2023 $m | 2022 (re-stated) $m | Change $m | Change % | 2022 (published) $m |
|---|---|---|---|---|---|
| Property | 371.9 | 228.8 | 143.1 | 62.5% | 230.5 |
| Casualty | 237.7 | 171.0 | 66.7 | 39.0% | 171.0 |
| Specialty | 152.6 | 92.4 | 60.2 | 65.2% | 95.2 |
| **Total** | **762.2** | **492.2** | **270.0** | **54.9%** | **496.7** |

Gross premiums written - six months ended 30 June

| Segment | 2023 $m | 2022 (re-stated) $m | Change $m | Change % | 2022 (published) $m |
|---|---|---|---|---|---|
| Property | 308.4 | 186.6 | 121.8 | 65.3% | 188.3 |
| Casualty | 140.6 | 111.6 | 29.0 | 26.0% | 111.6 |
| Specialty | 93.2 | 56.3 | 36.9 | 65.5% | 59.1 |
| **Total** | **542.2** | **354.5** | **187.7** | **52.9%** | **359.0** |

# Financial performance
continued

## Pricing

Pricing levels and terms and conditions continued to improve in the first half of 2023 and we were presented with an increasing number of opportunities to deploy our capital into the areas and products that we target. The non-catastrophe elements of both property and specialty in particular are providing ongoing opportunities for selective growth.

Conduit Re's overall risk-adjusted rate change for the six months ended 30 June 2023, net of claims inflation, was 15%, and by segment was:

| Property | Casualty | Specialty |
|---|---|---|
| 30% | 0% | 12% |

## Net reinsurance revenue

For the six months ended 30 June 2023

| | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance revenue | 152.3 | 77.7 | 48.7 | 278.7 |
| Ceded reinsurance expenses | (31.2) | (0.6) | (4.1) | (35.9) |
| **Net reinsurance revenue** | **121.1** | **77.1** | **44.6** | **242.8** |

For the six months ended 30 June 2022

| | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance revenue | 85.0 | 55.7 | 28.6 | 169.3 |
| Ceded reinsurance expenses | (16.6) | (0.6) | (3.2) | (20.4) |
| **Net reinsurance revenue** | **68.4** | **55.1** | **25.4** | **148.9** |

Reinsurance revenue for the six months ended 30 June 2023 was $278.7 million compared to $169.3 million for the same period in 2022. The increase in reinsurance revenue relative to the prior period is due to continued growth in the business plus the earn-out of premiums from prior underwriting years.

Ceded reinsurance expenses for the six months ended 30 June 2023 were $35.9 million compared to $20.4 million for the same period in 2022. The increase in cost relative to the prior period reflects additional limits purchased due to the growth of the inwards portfolio exposures plus price increases at the 1 January renewals. During the second quarter of 2023, Conduit Re sponsored its first issuance of a $100 million catastrophe bond by Stabilitas Re Ltd., which was placed successfully with strong investor demand.

## Net reinsurance service expenses

For the six months ended 30 June 2023

| | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance losses and loss related amounts | (63.2) | (56.5) | (27.6) | (147.3) |
| Reinsurance operating expenses | (13.6) | (5.7) | (3.2) | (22.5) |
| Ceded reinsurance recoveries | 7.6 | - | 0.1 | 7.7 |
| **Net reinsurance service expenses** | **(69.2)** | **(62.2)** | **(30.7)** | **(162.1)** |

For the six months ended 30 June 2022

| | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance losses and loss related amounts | (40.6) | (48.2) | (49.1) | (137.9) |
| Reinsurance operating expenses | (6.7) | (3.2) | (2.0) | (11.9) |
| Ceded reinsurance recoveries | 3.0 | - | 8.3 | 11.3 |
| **Net reinsurance service expenses** | **(44.3)** | **(51.4)** | **(42.8)** | **(138.5)** |

# Financial performance
continued

## Net reinsurance losses and loss related amounts[5]
In an active natural catastrophe period for the industry, no major event loss, individually or in aggregate, had an outsized or material impact on Conduit during the first six months of 2023.

Our discounted net loss ratio for the six months ended 30 June 2023 was 57.5% compared with 85.0% for the same period in 2022, while our undiscounted net loss ratio was 68.1% and 90.9% respectively. The prior period loss ratio was impacted by our estimated ultimate net impact, on an undiscounted basis, from the Ukraine conflict of $24.6 million.

Our undiscounted ultimate loss estimates, net of ceded reinsurance and reinstatement premiums, for previously reported loss events remain stable.

Our loss and reserve estimates have been derived from a combination of reports and statements from brokers and cedants, modelled loss projections, pricing loss ratio expectations and reporting patterns, all supplemented with market data and assumptions. We will continue to review these estimates as more information becomes available.

## Reinsurance operating expenses and other operating expenses
For the six months ended 30 June 2023:

| | **2023 $m** | 2022 (re-stated) $m | Change $m | Change % |
|---|---|---|---|---|
| Reinsurance operating expenses | 22.5 | 11.9 | 10.6 | 89.1% |
| Other operating expenses | 13.9 | 10.2 | 3.7 | 36.3% |
| **Total expenses** | **36.4** | **22.1** | **14.3** | **64.7%** |

| | **2023 %** | 2022 (re-stated) % | Change (pps) |
|---|---|---|---|
| Reinsurance operating expense ratio | 9.3 | 8.0 | 1.3 |
| Other operating expense ratio | 5.7 | 6.9 | (1.2) |
| **Total reinsurance and other operating expense ratio** | **15.0** | **14.9** | **0.1** |

Reinsurance operating expenses includes brokerage and operating expenses deemed attributable to reinsurance contracts.

Total reinsurance and other operating expenses were $36.4 million for the six months ended 30 June 2023 compared with $22.1 million for the prior year. The increase is due to the continued growth of the business and increased headcount.

The increase in the reinsurance operating expense ratio and respective decrease in the other operating expense ratio were due to a larger proportion of Conduit's operating expenses being deemed attributable to reinsurance operating expense as the business matures.

## Net reinsurance finance income (expense)
The net reinsurance finance expense was $10.1 million for the six months ended 30 June 2023 compared with income of $10.1 million for the same period in the prior year. With the increase in yields in the first quarter of this year broadly reversing in the second quarter, the impact of re-measuring net losses to current discount rates was minimal. The unwind of discount made up most of the expense in the first six months of 2023, given the increasing net reserve balances and rates in 2022. The opposite was true for the income in the prior year as rates increased significantly but there was little discount to unwind from the prior year.

## Investments
In line with our stated strategy, we continue to maintain our conservative approach to managing our invested assets with a strong emphasis on preserving capital and liquidity. Our strategy remains maintaining a short duration, highly-rated portfolio, with due consideration of the duration of our liabilities. Our investment portfolio does not hold any derivatives, equities, alternatives or emerging market debt.

[5] Reinsurance losses and loss related amounts less ceded reinsurance recoveries

# Financial performance
continued

The investment return for the first six months of 2023 was 2.1% driven primarily by investment income given a generally higher yielding portfolio. Narrowing credit spreads also supported the portfolio during a period of yield volatility. In the first six months of 2022 the portfolio returned (4.7)% due to the significant increase in treasury yields.

Net investment income, excluding realised and unrealised gains and losses, was $17.2 million for the six months ended 30 June 2023 (30 June 2022 - $6.4 million). Total investment return, including net investment income, net realised gains and losses, and net change in unrealised gains and losses, was a gain of $22.6 million (30 June 2022 - $50.0 million loss).

While we expect market volatility to remain elevated in the near term, Conduit expects to be able to reinvest at higher rates as the existing portfolio rolls over.

The breakdown of the managed investment portfolio is as follows:

| | **As at 30 June 2023** | As at 30 June 2022 | As at 31 December 2022 |
|---|---|---|---|
| Fixed maturity securities | 91.8% | 91.7% | 91.3% |
| Cash and cash equivalents | 8.2% | 8.3% | 8.7% |
| **Total** | **100.0%** | **100.0%** | **100.0%** |

Key investment portfolio statistics for our fixed maturities and managed cash were:

| | **As at 30 June 2023** | As at 30 June 2022 | As at 31 December 2022 |
|---|---|---|---|
| Duration | 2.4 years | 2.4 years | 2.2 years |
| Credit quality | AA | AA | AA |
| Book yield | 3.2% | 1.4% | 2.4% |
| Market yield | 5.5% | 3.5% | 5.2% |

## Capital & dividends

Total capital and tangible capital available was $0.92 billion as at 30 June 2023 (30 June 2022 - $0.92 billion; 31 December 2022 - $0.87 billion).

Tangible net assets per share as at 30 June 2023 were $5.72 (30 June 2022 - $5.56; 31 December 2022 - $5.41).

On 25 July 2023, Conduit's Board of Directors declared an interim dividend of $0.18 (approximately 14 pence) per common share, resulting in an aggregate payment of $29.7 million. The dividend will be paid in pounds sterling on 8 September 2023 to shareholders of record on 18 August 2023 (the "Record Date") using the pound sterling / US dollar spot exchange rate at 12 noon BST on the Record Date.

# Condensed interim consolidated statement of comprehensive income (loss)

| | Notes | **Six months ended 30 June 2023 $m** | Six months ended 30 June 2022 (re-stated) $m | Twelve months ended 31 Dec 2022 (re-stated) $m |
|---|---|---|---|---|
| Reinsurance revenue | 4,7 | 278.7 | 169.3 | 392.4 |
| Reinsurance service expenses | 4,7 | (169.8) | (149.8) | (362.1) |
| Ceded reinsurance expenses | 4,7 | (35.9) | (20.4) | (48.6) |
| Ceded reinsurance recoveries | 4,7 | 7.7 | 11.3 | 28.7 |
| **Reinsurance service result** | | **80.7** | **10.4** | **10.4** |
| Net investment income | 5 | 17.2 | 6.4 | 17.8 |
| Net realised losses on investments | 5 | (0.3) | (2.1) | (2.8) |
| Net unrealised gains (losses) on investments | 5,6 | 5.7 | (54.3) | (67.8) |
| **Net investment result** | | **22.6** | **(50.0)** | **(52.8)** |
| Net reinsurance finance (expense) income | 4,7 | (10.1) | 10.1 | 20.8 |
| Net foreign exchange gains | | 0.9 | 1.4 | 1.3 |
| **Net financial result** | | **94.1** | **(28.1)** | **(20.3)** |
| Equity-based incentives | | (1.0) | (0.7) | (2.1) |
| Other operating expenses | 4 | (13.9) | (10.2) | (20.7) |
| **Results of operating activities** | | **79.2** | **(39.0)** | **(43.1)** |
| Financing costs | | (0.6) | (0.4) | (0.8) |
| **Total comprehensive income (loss) for the period** | | **78.6** | **(39.4)** | **(43.9)** |
| **Earnings (loss) per share** | | | | |
| Basic and diluted | 9 | $0.49 | $(0.24) | $(0.27) |

# Condensed interim consolidated balance sheet

| | Notes | **As at 30 June 2023 $m** | As at 30 June 2022 (re-stated) $m | As at 31 Dec 2022 (re-stated) $m | As at 1 Jan 2022 (re-stated) $m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | | 118.1 | 92.0 | 112.9 | 67.5 |
| Accrued interest receivable | | 6.7 | 4.0 | 5.5 | 3.7 |
| Investments | 6 | 1,118.7 | 952.7 | 1,021.7 | 1,008.4 |
| Ceded reinsurance contract assets | 7 | 72.6 | 48.2 | 67.3 | 41.0 |
| Other assets | | 3.0 | 2.6 | 3.6 | 1.6 |
| Right-of-use lease assets | | 1.9 | 2.4 | 2.2 | 2.9 |
| Intangible assets | | - | 1.2 | 1.4 | 1.1 |
| **Total assets** | | **1,321.0** | **1,103.1** | **1,214.6** | **1,126.2** |
| | | | | | |
| **Liabilities** | | | | | |
| Reinsurance contract liabilities | 7 | 394.8 | 177.5 | 336.3 | 116.1 |
| Other payables | | 7.0 | 6.2 | 8.7 | 19.0 |
| Lease liabilities | | 2.1 | 2.6 | 2.4 | 2.9 |
| **Total liabilities** | | **403.9** | **186.3** | **347.4** | **138.0** |
| | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | | 1.7 | 1.7 | 1.7 | 1.7 |
| Own shares | | (19.2) | (3.2) | (20.1) | (0.2) |
| Other reserves | 8 | 1,058.1 | 1,056.7 | 1,058.1 | 1,056.0 |
| Retained loss | | (123.5) | (138.4) | (172.5) | (69.3) |
| **Total shareholders' equity** | | **917.1** | **916.8** | **867.2** | **988.2** |
| | | | | | |
| **Total liabilities and shareholders' equity** | | **1,321.0** | **1,103.1** | **1,214.6** | **1,126.2** |

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on 25 July 2023 and signed on its behalf by:

**Trevor Carvey**
CEO

**Elaine Whelan**
CFO

# Condensed interim consolidated statement of changes in shareholders' equity

| | Notes | Share capital $m | Own shares $m | Other reserves $m | Retained loss $m | Total shareholders' equity $m |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2021, as previously reported** | | **1.7** | **(0.2)** | **1,056.0** | **(76.3)** | **981.2** |
| Impact of initial application of IFRS 17 | 11 | – | – | – | 7.0 | 7.0 |
| **Balance as at 1 January 2022, re-stated** | | **1.7** | **(0.2)** | **1,056.0** | **(69.3)** | **988.2** |
| Total comprehensive loss for the period, re-stated | | – | – | – | (39.4) | (39.4) |
| Purchase of own shares | | – | (3.0) | – | – | (3.0) |
| Dividends on common shares | | – | – | – | (29.7) | (29.7) |
| Equity-based incentives | | – | – | 0.7 | – | 0.7 |
| **Balance as at 30 June 2022, re-stated** | | **1.7** | **(3.2)** | **1,056.7** | **(138.4)** | **916.8** |
| Total comprehensive loss for the period, re-stated | | – | – | – | (4.5) | (4.5) |
| Purchase of own shares | | – | (16.9) | – | – | (16.9) |
| Dividends on common shares | | – | – | – | (29.6) | (29.6) |
| Equity-based incentives | | – | – | 1.4 | – | 1.4 |
| **Balance as at 31 December 2022, re-stated** | | **1.7** | **(20.1)** | **1,058.1** | **(172.5)** | **867.2** |
| Total comprehensive income for the period | | – | – | – | 78.6 | 78.6 |
| Distributions by EBT | | – | 0.9 | (1.0) | – | (0.1) |
| Dividends on common shares | | – | – | – | (29.6) | (29.6) |
| Equity-based incentives | | – | – | 1.0 | – | 1.0 |
| **Balance as at 30 June 2023** | | **1.7** | **(19.2)** | **1,058.1** | **(123.5)** | **917.1** |

# Condensed interim statement of consolidated cash flows

| | Notes | **Six months ended 30 June 2023 $m** | Six months ended 30 June 2022 (re-stated) $m | Twelve months ended 31 Dec 2022 (re-stated) $m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Comprehensive income (loss) | | 78.6 | (39.4) | (43.9) |
| Depreciation | | 0.3 | 0.7 | 0.9 |
| Write-off of intangible asset | | 1.4 | - | - |
| Interest expense on lease liabilities | | - | 0.1 | 0.1 |
| Net investment income | 5 | (17.8) | (7.0) | (18.7) |
| Net realised losses on investments | 5 | 0.3 | 2.1 | 2.8 |
| Net unrealised (gains) losses on investments | 5 | (5.7) | 54.3 | 67.8 |
| Net unrealised foreign exchange gains | | (0.9) | (1.5) | (1.0) |
| Equity-based incentives | | 1.0 | 0.7 | 2.1 |
| Change in operational assets and liabilities | | | | |
| – Reinsurance assets and liabilities | | 53.7 | 56.3 | 195.1 |
| – Other assets and liabilities | | (1.1) | (5.5) | (2.0) |
| **Net cash flows from operating activities** | | **109.8** | **60.8** | **203.2** |
| **Cash flows used in investing activities** | | | | |
| Purchase of investments | | (279.2) | (155.6) | (304.9) |
| Proceeds on sale and maturity of investments | | 187.8 | 143.5 | 206.2 |
| Interest received | | 16.4 | 9.5 | 21.1 |
| Purchase of intangible assets | | - | (0.1) | (0.3) |
| **Net cash flows used in investing activities** | | **(75.0)** | **(2.7)** | **(77.9)** |
| **Cash flows used in financing activities** | | | | |
| Lease liabilities paid | | (0.3) | (0.3) | (0.6) |
| Dividends paid | | (29.6) | (29.7) | (59.3) |
| Purchase of own shares | | - | (3.0) | (19.9) |
| Distributions by EBT | | (0.1) | - | - |
| **Net cash flows used in financing activities** | | **(30.0)** | **(33.0)** | **(79.8)** |
| **Net increase in cash and cash equivalents** | | **4.8** | **25.1** | **45.5** |
| Cash and cash equivalents at the beginning of the year | | 112.9 | 67.5 | 67.5 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 0.4 | (0.6) | (0.1) |
| **Cash and cash equivalents at end of period** | | **118.1** | **92.0** | **112.9** |

# Notes to the condensed interim consolidated financial statements

## 1. General information

CHL was incorporated under the laws of Bermuda on 6 October 2020 and, on 7 December 2020, all of its common shares of par value $0.01 per share were admitted to the standard listing segment of the Official List of the UK Financial Conduct Authority and admitted to trading on the LSE's main market for listed securities. CHL's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. CHL's unaudited condensed interim consolidated financial statements as at, and for the six months ended 30 June 2023 include the Company's subsidiaries (together referred to as the "Group"). The principal activity of Conduit is to provide reinsurance products and services to its clients worldwide.

## 2. Summary of significant accounting policies

The basis of preparation, use of judgements and estimates, consolidation principles and significant accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are those that Conduit expects to apply for the year ended 31 December 2023 and are consistent with those followed in the preparation of Conduit's consolidated financial statements for the year ended 31 December 2022, with the exception of the initial application of IFRS 17 and IFRS 9. IFRS 17 became effective on 1 January 2023. The implementation of IFRS 17 requires prior periods to be re-stated as if the standard had always been in effect, unless impracticable, as defined in IAS 8. Conduit has therefore applied the full retrospective approach to the implementation of IFRS 17. Transition is discussed further in note 11. Re-stating comparatives under IFRS 9 is optional. As discussed in note 11, Conduit's accounting policies under IFRS 9 are consistent with IAS 39 and there is no financial impact on transition and therefore no requirement to re-state comparatives. This is the first set of Conduit's financial statements in which IFRS 17 and IFRS 9 have been applied, therefore the reinsurance related accounting policies are not comparable with prior periods and have therefore been included in full in this interim report. Disclosures which have been significantly or materially impacted, which would not typically be included in an interim report, have been included in these unaudited condensed interim consolidated financial statements. Excluding percentages, share and per share data or where otherwise stated, all amounts in tables and narrative disclosures are in millions of US dollars.

### Basis of preparation

Conduit's unaudited condensed interim consolidated financial statements are prepared on a going concern basis using accounting policies consistent with IFRS, and in accordance with IAS 34 Interim Financial Reporting, as issued by the IASB, and the Disclosure Rules Sourcebook and Transparency Rules issued by the Financial Conduct Authority. These should be read in conjunction with Conduit's last annual consolidated financial statements as at and for the year ended 31 December 2022. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS. However, select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Conduit's financial position and performance since the last annual financial statements.

The accounting policies applied, the significant judgements made, and the key sources of estimation uncertainty in the unaudited condensed interim consolidated financial statements are the same as those applied in Conduit's 2022 year-end consolidated financial statements, except for those related to newly adopted standards.

These condensed interim consolidated financial statements are unaudited but have been reviewed by the auditor, KPMG Audit Limited. In preparing these unaudited condensed interim consolidated financial statements, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in preparing Conduit's Interim Report 2023, accounting policies, and the key sources of estimation uncertainty, except where disclosed as new or impacted by IFRS 17 and IFRS 9, were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

### Going concern

The unaudited condensed interim consolidated financial statements of Conduit have been prepared on a going concern basis. In assessing Conduit's going concern position as at 30 June 2023, the Directors have considered a number of factors, including the current balance sheet position, Conduit's strategic and financial plan, possible changes in trading performance and funding retention, stress testing and scenario analysis. Conduit's capital ratios and its capital resources are comfortably in excess of regulatory solvency requirements, and internal stress testing indicates Conduit can withstand severe economic and competitive stresses.

As a result of the assessment, the Directors have a reasonable expectation that CHL and CRL have adequate resources to continue in operational existence for the foreseeable future and therefore believe that Conduit is

# Notes to the condensed interim consolidated financial statements
continued

well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the unaudited condensed interim consolidated financial statements.

### Changes in accounting policies and new standards
As previously disclosed, Conduit has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. There are no other new or amended IFRS standards, that have a material effect, that have become effective during the period ended 30 June 2023. IFRS 17 has had a significant impact on accounting for reinsurance contracts. As a result, Conduit has re-stated certain comparative amounts and presented an additional consolidated unaudited balance sheet as at 1 January 2022. Conduit's updated accounting policies for reinsurance contracts and financial instruments are set out below. Disclosures relating to the transition to IFRS 17 and IFRS 9 have been set out in note 11.

### Use of judgements and estimates
The preparation of the unaudited condensed interim financial statements in conformity with IFRS requires Conduit to make judgements and estimates that affect the reported and disclosed amounts at the balance sheet date, revenues and expenses during the reporting period and the associated financial statement disclosures. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their prediction of future events. Actual results may differ significantly from the estimates made.

The most significant estimates made by management are in relation to the liability for incurred claims and associated ceded reinsurance recoveries, as discussed in note 3.

In addition, some management judgement is exercised when determining the expected premium cash flows that are used to determine the amount of reinsurance revenue recognised in the period.

Less significant estimates are made in determining the estimated fair value of certain financial instruments, as discussed in note 6.

### Reinsurance contracts
Prior to IFRS 17 coming into effect, IFRS was silent in respect of certain aspects relating to the measurement of reinsurance contracts. In such instances, the IFRS framework allows reference to another comprehensive body of accounting principles. Conduit's management therefore determined appropriate measurement bases, to provide the most useful information to users of the financial statements, using their judgement and considering US GAAP.

IFRS 17 sets out the classification, measurement and presentation and disclosure requirements for reinsurance contracts. It requires reinsurance contracts to be measured using current estimates and assumptions that reflect the timing of cash flows and recognition of profits as insurance services are delivered. The standard provides two main measurement models which are the General Measurement Model ("GMM") and the Premium Allocation Approach ("PAA").

The PAA simplifies the measurement of reinsurance contracts for remaining coverage, or pre-claims, in comparison to the GMM. The PAA is similar to Conduit's previous accounting policies under IFRS 4 for calculating revenue, however there are some key presentation changes with respect to certain commissions. The GMM is used for the measurement of the liability for incurred claims.

#### PAA eligibility
Under IFRS 17, Conduit's reinsurance contracts issued and ceded reinsurance contracts held are all eligible to be measured by applying the PAA, due to meeting the following criteria:

* Loss-occurring reinsurance contracts with coverage period of one year or less are automatically eligible.
* Modelling of risk-attaching contracts or contracts with a coverage period greater than one year produces a measurement for the group of reinsurance contracts that does not differ materially from that which would be produced applying the GMM.

#### Classification
Contracts that transfer significant reinsurance risk at the inception of the contract are accounted for as reinsurance contracts. Contracts purchased and held by Conduit under which it transfers significant reinsurance risk to a counterparty are accounted for as ceded reinsurance contracts. Contracts that do not transfer significant reinsurance risk are accounted for as investment contracts. Reinsurance risk is transferred

# Notes to the condensed interim consolidated financial statements
continued

when a reinsurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

Conduit's accounting policies apply to both reinsurance contracts issued and ceded reinsurance contracts held unless explicitly referenced as applying to contracts issued or ceded only. Conduit writes both excess of loss and proportional (also known as quota share or pro-rata) reinsurance contracts. The type of contract impacts the recognition of reinsurance revenue. Contract types are discussed on page 15.

### Separating components from reinsurance contracts

IFRS 17 distinguishes three components that, if embedded in a reinsurance contract, should be bifurcated, and accounted for separately. These are:

* Cash flows relating to embedded derivatives that are required to be separated.
* Cash flows relating to distinct investment components.
* Promises to transfer distinct goods or distinct non-insurance services.

IFRS 17 then applies to all remaining components of the contract. Conduit does not have any contracts containing non-insurance components that require separation. Where contracts contain multiple reinsurance components that meet the requirements for separation, these are separated and accounted for as standalone contracts.

Some reinsurance contracts issued contain profit sharing arrangements, such as profit commissions and no claims bonuses. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive either in the form of profit commission, or as reimbursement for claims, or another contractual payment, irrespective of the insured event happening. These are typically considered non-distinct investment components. Non-distinct investment components are not separated from the reinsurance contract as they are closely interrelated to the measurement of the reinsurance contract. However, the impact of the non-distinct investment components are excluded from the condensed interim consolidated statement of comprehensive income (loss) by adjusting reinsurance revenue and reinsurance service expenses by the minimum amount due. There is no impact to the reinsurance service result as there is an equal reduction to both revenue and expenses.

### Level of aggregation

Conduit manages reinsurance contracts issued by class of business within an operating segment. Classes of business are aggregated into portfolios of contracts that are subject to similar risks. Contracts within each portfolio are grouped into groups of contracts that are issued within a calendar year, the annual cohort, and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of subsequently becoming onerous; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which reinsurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

### Onerous contracts

Under the PAA, it is assumed there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances that may indicate otherwise. Management primarily considers the following to determine whether there are facts and circumstances that mean a group of contracts are onerous:

* Pricing information.
* Results of similar contracts it has recognised.
* External factors, such as a change in market experience or regulations.

If a group of contracts becomes onerous, Conduit increases the carrying amount of the liability for remaining coverage to the amount of the fulfilment cash flows with the amount of such an increase recognised immediately in reinsurance service expenses. Subsequently, Conduit amortises the amount of the loss component by decreasing reinsurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then Conduit remeasures the loss component by reassessing the fulfilment cash flows as required until the loss component is reduced to zero.

Where a loss component is expected to be partially or fully recovered by ceded reinsurance contracts, the amount of recovery is recognised in ceded reinsurance recoveries.

# Notes to the condensed interim consolidated financial statements
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### Recognition
Conduit recognises groups of reinsurance contracts it issues from the earliest of;

* The beginning of the coverage period of the group of contracts;
* The date when the first payment from the cedant is due or when the first payment is received if there is no due date; or
* For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

For ceded reinsurance contracts the Conduit recognises the group of contracts;

* If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of the underlying covered reinsurance contracts issued; or
* In all other cases, from the beginning of the coverage period of the group of contracts.

### Modification and derecognition
Conduit derecognises reinsurance contracts when;

* The rights and obligations relating to the contract are extinguished (meaning discharged, cancelled or expired); or
* The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, Conduit derecognises the initial contract and recognises the modified contract as a new contract When a modification is not treated as a derecognition, Conduit recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

### Contract boundaries
The measurement of a group of reinsurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group. Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which Conduit can compel the cedant to pay the premiums, or in which Conduit has a substantive obligation to provide the cedant with services. A substantive obligation to provide services ends when Conduit has the practical ability to reassess the risks of the cedant and, as a result, can set a price of level of benefits that fully reflects those risks. Where Conduit issues multi-year contracts and does not have the ability to re-price on each policy anniversary the contract is considered one contract and therefore future cash flows from each of the annual periods are considered on initial recognition.

For ceded reinsurance contracts the cash flows are within the boundary of the contract if Conduit has a substantive right to receive services or if Conduit is compelled to pay premiums to the reinsurer. The substantive right to receive services from the reinsurer ends when:

* The reinsurer has the practical ability to reassess the risks transferred to it and can set a price of level of benefits that fully reflects those risks; or
* The reinsurer has a substantive right to terminate the coverage.

Conduit assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effects of changes in circumstances on Conduit's substantive rights and obligations. The assessment of the contract boundary, which defines the future cash flows that are included in the measurement of the contract, requires judgement and consideration of Conduit's substantive rights and obligations. Conduit issues risk-attaching reinsurance contracts which provide reinsurance coverage to underlying contracts issued within the terms of the contract. While the contracts can have an annual term the contract boundary is assessed with consideration of the coverage period of the underlying contracts. Contracts that cover claims from underlying contracts within the contract period, loss-occurring contracts, are typically annual term. Where contracts contain multi-year terms, Conduit exercises judgement on whether provisions within the contract allow cancellation or re-pricing at each anniversary of the contract.

### Measurement - Liability for remaining coverage
On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition, if any, minus any reinsurance acquisition expense cash flows allocated to the group of contracts and any amounts arising from the derecognition of the prepaid reinsurance acquisition expense cash flows asset. Conduit has chosen not to expense reinsurance acquisition expense cash flows on contracts with coverage of one year or less when they are incurred in order to apply a

# Notes to the condensed interim consolidated financial statements
continued

consistent treatment of reinsurance acquisition expense cash flows for all contracts, regardless of the length of coverage.

Subsequently, at the end of each reporting period, the liability for remaining coverage is:

* Increased by any premiums received in the period.
* Decreased for reinsurance acquisition expense cash flows paid in the period.
* Decreased for the amounts of expected premium cash flows recognised as reinsurance revenue for the services provided in the period.
* Increased for the amortisation of reinsurance acquisition expense cash flows in the period recognised as reinsurance service expenses.
* Decreased for any non-distinct investment component paid or transferred to the liability for incurred claims.

Conduit has elected not to adjust the liability for remaining coverage for the time value of money as its reinsurance contracts do not contain a significant financing component.

Conduit measures the reinsurance asset for remaining coverage for its ceded reinsurance contracts that it holds on the same basis as reinsurance contracts issued, adapted to reflect the features that differ between contracts issued versus contracts held.

Reinsurance revenue recognised in the period is based on the total premium cash flows expected to be received over the lifetime of the contract, net of any deductions that are paid to the cedant. The amount of total expected revenue from a contract recognised in the period is dependent on the type of reinsurance contract, as discussed below.

### Excess of loss contracts

For the majority of excess of loss contracts, expected premium cash flows are assessed based on the minimum and deposit or flat premium, as defined in the contract. Subsequent adjustments to the minimum and deposit premium are assessed in the period in which they are determined. For excess of loss contracts where no deposit is specified in the contract, premium cash flows are assessed based on estimates of premiums provided by the ceding company. Subsequent adjustments, based on reports of actual premium by ceding companies, or revisions in estimates, are assessed in the period in which they are determined. For multi-year policies that are payable in annual instalments, where the reinsured has the sole ability to cancel, the total expected premium cash flows for all annual periods are assessed at the inception of the contract. Where unilateral cancellation by the reinsurer exists at each anniversary of the contract the annual periods are assessed as separate contracts.

Reinsurance revenue for excess of loss contracts is generally recognised evenly over the term of the underlying risk period of the reinsurance contract, except where the period of risk differs significantly from the contract period. In these circumstances, reinsurance revenue is recognised over the period of risk in proportion to the amount of reinsurance protection provided. Where contract terms require the reinstatement of coverage after a ceding company's loss, as the reinstatement is contingent on the loss, the estimated mandatory reinstatement premiums are recorded within reinsurance service expenses.

### Proportional contracts

Premium cash flows for proportional contracts are assessed based on estimates of ultimate premiums provided by the ceding company, supplemented by management's estimates of premiums based on its experience with the ceding company, familiarity with each market, the timing of the reported information and its understanding of the characteristics of each class of business. Initial estimates of premium cash flows are assessed in the period in which the contract incepts, or the period in which the contract is bound, if later. Contracts written on a 'risks-attaching' basis cover claims which attach to the underlying reinsurance policy written during the term of the respective policy. Reinsurance revenue on such policies generally extend beyond the original term of the contract. Subsequent adjustments, based on reports of actual premium by the ceding company, or revisions in estimates, are assessed in the period in which they are determined.

# Notes to the condensed interim consolidated financial statements
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### Reinsurance acquisition expense cash flows
Reinsurance acquisition expense cash flows represent the cash flows that arise from the cost of selling and underwriting a group of reinsurance contracts and include:

* Contract specific costs, such as brokerage;
* Operating expenses that are incurred in relation to the fulfilment of reinsurance contracts; and
* An allocation of fixed and variable overheads.

Reinsurance acquisition expenses are deferred over the period in which the related premiums are earned to the extent they are recoverable out of expected future revenue margins and recognised within reinsurance service expenses.

Commissions that are paid to cedants, such as ceding commissions, are not treated as reinsurance acquisition expense cash flows as they do not relate to a service. Such commissions are treated as a reduction in the expected premium recognised as reinsurance revenue.

### Ceded reinsurance expenses
Ceded reinsurance is purchased in the normal course of business to increase capital capacity, to limit the impact of individual risk losses and loss events impacting multiple cedants, such as natural-catastrophes or both. Conduit may purchase ceded reinsurance on both an excess of loss and a proportional basis, and may supplement this with the use of catastrophe bonds or other capital market products. Ceded reinsurance premiums are recognised as ceded reinsurance expenses in the same manner as reinsurance contracts issued, depending on the terms of the contract. Ceding commissions received are deducted from the premium paid that is recognised in ceded reinsurance expenses. Other expenses incurred in the placing of ceded reinsurance contracts that are in relation to a service by a third party, such as brokerage, are recognised in ceded reinsurance expenses.

### Measurement - Liability for incurred claims
The liability for incurred claims represents the estimated ultimate cost of settling all reinsurance claims arising from events that have occurred up to the end of the reporting period, including the operating costs that are expected to be incurred in the course of settling such claims, reinstatement premiums on specific loss events, profit commissions and similar expenses that are contingent on claims plus a provision for IBNR. The liability for incurred claims is derived from the estimated fulfilment cash flows relating to expected claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available, without undue cost of effort, about the amount, timing and uncertainty of those future cash flows. They also include an explicit adjustment for non-financial risk, the risk adjustment. Estimates of future cash flows for incurred claims are discounted on initial recognition and then re-measured to current rates as at a reporting date.

Cash flows for outstanding losses are estimated initially on the basis of reported losses received from cedants. Cash flows for ACRs are determined where management's expectation of the ultimate cost of the reported loss is greater than that reported. Estimated cash flows for IBNR may also consist of a provision for additional development in excess of losses reported by cedants, as well as a provision for losses which have occurred but have not yet been reported by cedants.

Cash flows for IBNR are estimated initially using expected loss and loss adjustment expense ratios which are selected based on information derived by underwriters and actuaries during the initial pricing of the business. These estimates are reviewed regularly and, as experience develops and new information is received, the cash flows are adjusted as necessary. As actual loss information is reported, and Conduit develops its own loss experience, management will use various actuarial methods as well as a combination of management's judgement and experience, historical reinsurance industry loss experience and estimates of pricing adequacy trends to estimate cash flows for IBNR.

The estimation of the liability for incurred claims is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties in the reserving process, delays in cedants reporting losses to Conduit, together with the potential for unforeseen adverse developments, could lead to a material change in the liability for incurred claims.

Any amounts recoverable from reinsurers are estimated using the same methodology as for the underlying losses except for the requirement under IFRS 17 to assess the ceded reinsurance recovery cash flows for the effect of any risk of non-performance. Management monitors the creditworthiness of its reinsurers on an

# Notes to the condensed interim consolidated financial statements
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ongoing basis and assesses any reinsurance assets for the risk of non-performance, with a provision for non-performance risk being recognised as an expense in the period in which it is determined.

### Presentation of reinsurance contracts

#### Reinsurance assets and liabilities

The asset or liability for a portfolio of reinsurance contracts is the net position of both the liability for remaining coverage and the liability for incurred claims. Whether a portfolio is in a liability or asset position is typically impacted by the timing of cash flows received versus cash flows paid. Conduit presents separately in the condensed interim consolidated balance sheet portfolios of reinsurance contracts issued and held that are in an asset position and those that are in a liability position.

All reinsurance contract assets and liabilities are deemed monetary assets and liabilities and are revalued at period end exchange rates.

#### Reinsurance revenue

Reinsurance revenue in the condensed interim consolidated statement of comprehensive income (loss) is the amount of expected premium cash flows, net of any deductions paid to the cedant and excluding any non-distinct investment component. Conduit allocates the expected premium receipts to each period of coverage on the basis of passage of time or the expected risk pattern if it differs significantly from the passage of time.

#### Reinsurance service expenses

Reinsurance service expenses in the condensed interim consolidated statement of comprehensive income (loss) includes changes in the liability for incurred claims that do not arise from the application of discount rates, being recognition and amortisation of any loss components, amortisation of reinsurance acquisition expense cash flows and other attributable operating expenses.

#### Ceded reinsurance income and expenses

Conduit has elected to present the income and expenses from ceded reinsurance contracts separately in the condensed interim consolidated statement of comprehensive income (loss). Ceded reinsurance expenses represent the total expected ceded premium, and other amounts, that are not contingent on recoveries, payable to the reinsurer. Conduit recognises ceded reinsurance expenses based on the passage of time over the coverage period of a group of contracts or expected risk pattern. Income from ceded reinsurance contracts includes expected recoveries on incurred claims, changes in expected recoveries related to past service, the provision for the effects of changes in risk of reinsurer non-performance plus other amounts that are contingent on recoveries, such as ceded profit commissions payable to the reinsured.

#### Net reinsurance finance income (expense)

Reinsurance finance income and expenses include the changes in the carrying amounts of reinsurance and ceded reinsurance assets and liabilities arising from the unwind of discount recognised in prior periods and the effects of remeasuring to current discount rates plus other financial assumptions. Conduit has elected to disaggregate the changes in the risk adjustment for the time value of money and present in net reinsurance finance income (expense).

Conduit has chosen not to disaggregate finance income and expenses between OCI and profit and loss.

## Financial instruments

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, money market funds, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

### Investments

Conduit's fixed maturity securities portfolio meets the requirements for mandatory classification as FVTPL and is carried at estimated fair value in the condensed interim consolidated balance sheet. The classification of financial assets is determined at the time of initial purchase. A financial asset is classified at FVTPL if it is held within a business model that is managed and evaluated on a fair value basis or if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Presentation of these securities in the FVTPL category is consistent with how management monitors and evaluates the performance of these securities on a fair value basis.

Regular way purchases and sales of investments are recognised at estimated fair value on the trade date, and are subsequently carried at estimated fair value. Balances pending settlement are reflected in the condensed

# Notes to the condensed interim consolidated financial statements
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interim consolidated balance sheet in other assets or other payables. The estimated fair value of Conduit's fixed maturity securities portfolio is determined based on bid prices from recognised exchanges, broker-dealers, recognised indices or pricing vendors. Changes in estimated fair value of investments classified as FVTPL are recognised in the condensed interim consolidated statement of comprehensive income (loss) within net unrealised gains and losses on investments.

Investments are derecognised when Conduit has transferred substantially all the risks and rewards of ownership. On derecognition of an investment held at FVTPL, previously recorded unrealised gains and losses are recycled from net unrealised gains and losses on investments to net realised gains and losses on investments.

Interest income, amortisation and accretion of premiums and discounts on fixed maturity securities are calculated using the effective interest rate method and recognised in net investment income. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

### Seasonality of operations
Conduit underwrites worldwide, short-tail and long-tail reinsurance contracts that transfer insurance risk, including risks exposed to both natural and man-made catastrophes and risk and liability losses. Conduit has exposure to large losses arising from non-seasonal natural catastrophes, such as earthquakes, and also from risk losses throughout the year and from fire, explosion, war, terrorism, political risk and other non-seasonal losses. On certain classes of business, Conduit's most significant exposures to catastrophe losses are greater during the second half of the fiscal year. There is therefore potential for significantly greater volatility in earnings during that period. This is broadly in line with the most active period of the North American windstorm season which is typically June to November. Conduit is also exposed to the Japanese and European windstorm seasons which are typically June to November and November to March, respectively.

## 3. Risk disclosures
### Introduction
Conduit is exposed to risks from several sources as outlined in detail on pages 103 to 119 in Conduit's Annual Report and Accounts for the year ended 31 December 2022. Where risks or our view of the risk has changed due to the implementation of IFRS 17, additional disclosure has been included below. Where quantitative information is provided within this note, the comparative for 31 December 2022 has been re-stated to reflect the implementation of IFRS 17.

The primary risk categories are: (a) reinsurance risk; (b) market risk; (c) liquidity risk; (d) credit risk; (e) operational risk; and (f) strategic risk. These remain the most relevant risks and uncertainties for Conduit.

### a. Reinsurance risk
#### Fulfilment cash flows
Fulfilment cash flows consist of:

* The estimates of future cash flows required in the ultimate settlement of claims;
* An adjustment for the time value of money; and
* A risk adjustment for non-financial risk

#### Estimates of future cash flows
A significant and critical judgement and estimate made by management is the estimation of future cash flows in relation to ultimate claims settlements. Management estimates, in an unbiased way, future cash flows to cover its estimated liability for both reported and unreported claims on events that have occurred up to the latest valuation date, incorporating all reasonable and supportable information that is available without undue cost or effort. Management uses methodologies that calculate a point estimate for the ultimate losses, representing management's best estimate of ultimate future cash flows. Conduit establishes its liability for incurred claims by taking outstanding losses, adding an estimate for IBNR and, if deemed necessary, ACRs which represent Conduit's estimate for losses related to specific contracts that management believes may not be adequately estimated by the cedant as at that date.

Liabilities for incurred claims are not permitted until the occurrence of an event which may give rise to a claim. As a result, only provisions applicable to losses that have occurred up to the reporting date are established, with no allowance for the provision of a contingency liability to account for expected future losses or for the emergence of new types of latent claims. Claims arising from future events can be expected

# Notes to the condensed interim consolidated financial statements
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to require the establishment of substantial liabilities from time to time. The estimated timing of the future cash flows is determined by applying cash flow payment assumptions to the best estimate of ultimate future cash flows.

The reserving process is dependent on management's judgement and is subject to meaningful uncertainty due to both qualitative and quantitative factors, including, but not limited to: the nature of the business written, whether it is short-tail or long-tail, whether it is excess of loss or proportional, the magnitude and timing of loss events, the geographic areas impacted by loss events, time lags in the reporting process from the original claimant, limited claims data, policy coverage interpretations, case law, regulatory directives, demand surge and inflation, potential uncertainties related to reinsurance and ceding company reserving practices, and other factors inherent in the estimation process for net ultimate liability for incurred claims.

The judgements and estimates used in establishing future cash flow calculations may be revised as additional experience or other data becomes available. Future cash flows are also reviewed as new or improved methodologies are developed and as laws or regulations change. Furthermore, as a business operating within a broker market, management must rely on loss information reported to brokers by other insurers and their loss adjusters, who must estimate their own losses at the policy level, often based on incomplete and changing information. The information management receives varies by cedant and may include paid losses, estimated case reserves and an estimated provision for IBNR reserves. Additionally, reserving practices and the quality of data reporting may vary among ceding companies, which adds further uncertainty to management’s estimates of the ultimate losses.

Conduit’s internal actuaries review the assumptions and methodologies on a quarterly basis and develop an actuarial best estimate of Conduit’s future cash flows using the processes outlined above. The management Reserving Committee reviews the estimate for the liability for incurred claims on a quarterly basis. The reserves are subject to a semi-annual independent review by Conduit’s external actuaries. The results of the internal and independent reserve reviews are presented to the Audit Committee.

### Risk adjustment
The risk adjustment for non-financial risk is the compensation that Conduit requires for bearing the uncertainty about the amount and timing of the cash flows arising from reinsurance contracts. Conduit determines the risk adjustment at the entity level and allocates to the groups of reinsurance contracts.

Conduit has estimated the risk adjustment using a margin-based approach. The margins are calibrated to a targeted confidence interval range using the BMA BSCR risk framework. Conduit has estimated that the risk adjustment recognised within the fulfilment cash flow corresponds to between the 75th and the 85th percentile, gross of ceded reinsurance, as at 30 June 2023 and as at 31 December 2022.

## b. Market risk
Conduit is at risk of loss due to movements in market factors. The main market risks Conduit was exposed to include:

- Reinsurance risk;
- Investment risk;
- Currency risk.

### Reinsurance finance risk
Estimates of future cash flows for incurred claims are discounted on initial recognition and then re-measured to current rates as at each reporting date. Reinsurance liabilities and ceded assets for incurred claims are therefore sensitive to the level of market interest rates. Interest rate risk on reinsurance contracts is the risk that the value of the future cash flows will fluctuate due to changes in market interest rates. Movements in interest rates may lead to an adverse impact on the value of Conduit’s reinsurance contract assets and liabilities. Conduit manages this risk by monitoring the duration of reinsurance contract cash flows and adopting policies regarding asset and liability matching to reduce the volatility arising from interest rate movements on assets and liabilities in the condensed interim consolidated statement of comprehensive income (loss).

# Notes to the condensed interim consolidated financial statements
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The total investment assets and reinsurance contract assets and liabilities exposed to interest rate risk are detailed below:

| **As at 30 June 2023** | **Note** | **Estimated fair value total $m** |
|---|---|---|
| Fixed maturity securities, at FVTPL | 6 | 1,118.7 |
| Ceded asset for incurred claims | 7 | 47.7 |
| Liability for incurred claims | 7 | (480.5) |
| **Total** | | **685.9** |

| As at 31 December 2022 | Note | Estimated fair value total $m |
|---|---|---|
| Fixed maturity securities, at FVTPL | 6 | 1,021.7 |
| Ceded asset for incurred claims | 7 | 58.5 |
| Liability for incurred claims | 7 | (391.1) |
| **Total** | | **689.1** |

## Discount rates

All future cash flows are discounted using yield curves that are adjusted to reflect the characteristics of the cash flows and the liquidity of the reinsurance contracts. Conduit determines its discount rates using a bottom-up method of using a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields published by EIOPA for the relevant, material currencies. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting future cash flows are shown below:

| | **30 June 2023** | | | | 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| **All portfolios** | **1 year** | **3 years** | **5 years** | **10 years** | 1 year | 3 years | 5 years | 10 years |
| USD | 5.88% | 4.00% | 3.64% | 3.72% | 5.30% | 4.60% | 4.37% | 4.17% |
| EUR | 4.48% | 3.46% | 3.03% | 3.22% | 3.68% | 3.52% | 3.55% | 3.63% |
| GBP | 6.56% | 5.47% | 4.41% | 3.94% | 4.96% | 4.54% | 4.10% | 3.87% |

The sensitivity of Conduit's reinsurance contract assets and liabilities to interest rate movements is detailed below, assuming linear movements in interest rates. For the sensitivity of Conduit's fixed maturity securities, refer to the risk disclosure note in the 2022 annual consolidated financial statements.

| **Net reinsurance liability for incurred claims** | **30 June 2023** | | 31 December 2022 | |
|---|---|---|---|---|
| | **$m** | **%** | $m | % |
| **Immediate shift in yield (basis points)** | | | | |
| 100 | **14.4** | **3.3** | 10.7 | 3.2 |
| 75 | **10.8** | **2.5** | 8.1 | 2.4 |
| 50 | **7.2** | **1.7** | 5.4 | 1.6 |
| 25 | **3.6** | **0.8** | 2.7 | 0.8 |
| 0 | **-** | **-** | - | - |
| -25 | **(3.6)** | **(0.8)** | (2.7) | (0.8) |
| -50 | **(7.3)** | **(1.7)** | (5.5) | (1.7) |
| -75 | **(11.0)** | **(2.5)** | (8.2) | (2.5) |
| -100 | **(14.7)** | **(3.4)** | (11.0) | (3.3) |

# Notes to the condensed interim consolidated financial statements
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### Currency risk

Conduit is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pound sterling and the US dollar and the euro. Even though risks are assumed on a worldwide basis, they are predominantly denominated in US dollars. Conduit is exposed to currency risk to the extent its assets are denominated in different currencies to its liabilities. Foreign currency gains and losses are recorded in the period they occur in the condensed interim consolidated statement of comprehensive income (loss).

Conduit hedges monetary non-US dollar exposures primarily with non-US dollar assets but may also use derivatives, such as currency forwards, to mitigate foreign currency exposures. The main foreign currency exposure relates to its reinsurance obligations, cash holdings, premiums receivable and dividend payable, if applicable.

With the adoption of IFRS 17 all reinsurance assets and liabilities are monetary items and are revalued at period end exchange rates. The carrying value of total assets and total liabilities categorised by Conduit's main currencies are summarised below. Prior periods have been re-stated for the adoption of IFRS 17:

| **As at 30 June 2023** | **USD $m** | **GBP $m** | **EUR $m** | **Other $m** | **Total $m** |
|---|---|---|---|---|---|
| Total assets | 1,258.3 | 34.0 | 15.0 | 13.7 | 1,321.0 |
| Total liabilities | (346.0) | (14.5) | (22.7) | (20.7) | (403.9) |
| **Net assets (liabilities)** | **912.3** | **19.5** | **(7.7)** | **(7.0)** | **917.1** |

| As at 31 December 2022 (re-stated) | USD $m | GBP $m | EUR $m | Other $m | Total $m |
|---|---|---|---|---|---|
| Total assets | 1,176.4 | 27.0 | 4.2 | 7.0 | 1,214.6 |
| Total liabilities | (303.3) | (8.9) | (22.4) | (12.8) | (347.4) |
| **Net assets (liabilities)** | **873.1** | **18.1** | **(18.2)** | **(5.8)** | **867.2** |

The impact on profit or loss from a proportional foreign exchange movement of 10.0% against the US dollar at period end spot rates would be an increase or decrease of $1.1 million (31 December 2022: $1.3 million).

### c. Liquidity risk

The estimated maturity profile of the reinsurance liability for incurred claims and financial liabilities of Conduit is as follows:

| | | **Years until liability becomes due – discounted** | | | | | |
|---|---|---|---|---|---|---|---|
| **As at 30 June 2023** | **Note** | **Carrying value $m** | **Less than one $m** | **One to three $m** | **Three to five $m** | **Over five $m** | **Total $m** |
| Reinsurance liability for incurred claims | 7 | 480.5 | 137.6 | 184.9 | 84.1 | 73.9 | 480.5 |
| Other payables | | 7.0 | 7.0 | - | - | - | 7.0 |
| Lease liabilities | | 2.1 | 0.6 | 1.2 | 0.3 | - | 2.1 |
| **Total** | | **489.6** | **145.2** | **186.1** | **84.4** | **73.9** | **489.6** |

| | | Years until liability becomes due – discounted | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 December 2022 | Note | Carrying value $m | Less than one $m | One to three $m | Three to five $m | Over five $m | Total $m |
| Reinsurance liability for incurred claims | 7 | 391.1 | 109.9 | 160.0 | 66.1 | 55.1 | 391.1 |
| Other payables | | 8.7 | 8.7 | - | - | - | 8.7 |
| Lease liabilities | | 2.4 | 0.6 | 1.2 | 0.6 | - | 2.4 |
| **Total** | | **402.2** | **119.2** | **161.2** | **66.7** | **55.1** | **402.2** |

# Notes to the condensed interim consolidated financial statements
continued

## 4. Segmental reporting

Management and the Board review Conduit's business and evaluates its performance primarily by three segments: Property, Casualty and Specialty. These are considered to be the reportable segments for the purposes of segmental reporting. Further classes of business are underwritten within each reportable segment. The nature of these individual classes is discussed further in the "Risk disclosures" section of Conduit's consolidated financial statements for the year ended 31 December 2022.

| Reportable segments | Operations and classes of business |
|---|---|
| **Property** | US and international property risks on an excess of loss and proportional contract basis. |
| **Casualty** | US and international casualty risks principally including directors and officers, financial institutions, general, medical malpractice, professional and transactional liability. |
| **Specialty** | Diverse portfolio of business, including aviation, energy, marine, political violence and terrorism and whole account. |

Reportable segment performance is measured by the net underwriting profit or loss and the combined ratio. The chief operating decision maker does not manage Conduit's assets by reportable segment, and, accordingly, investment income and other non-underwriting related items are not allocated to each reportable segment.

All amounts reported are transactions with external parties and associates. There are no significant inter-segmental transactions.

| For the six months ended 30 June 2023 | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance revenue written by geographic region | | | | |
| US | 86.6 | 53.2 | 8.5 | 148.3 |
| Worldwide | 43.4 | 11.4 | 32.2 | 87.0 |
| Europe | 9.4 | 12.2 | 7.6 | 29.2 |
| Other | 12.9 | 0.9 | 0.4 | 14.2 |
| Reinsurance revenue | 152.3 | 77.7 | 48.7 | 278.7 |
| Ceded reinsurance expenses | (31.2) | (0.6) | (4.1) | (35.9) |
| **Net reinsurance revenue** | **121.1** | **77.1** | **44.6** | **242.8** |
| Reinsurance losses and loss related amounts, discounted | (63.2) | (56.5) | (27.6) | (147.3) |
| Reinsurance operating expenses | (13.6) | (5.7) | (3.2) | (22.5) |
| **Reinsurance service expenses** | **(76.8)** | **(62.2)** | **(30.8)** | **(169.8)** |
| Ceded reinsurance recoveries | 7.6 | - | 0.1 | 7.7 |
| **Reinsurance service result** | **51.9** | **14.9** | **13.9** | **80.7** |
| Net reinsurance finance income (expense) | (3.3) | (4.4) | (2.4) | (10.1) |
| **Reinsurance service and finance result** | **48.6** | **10.5** | **11.5** | **70.6** |
| Other operating expenses | | | | (13.9) |
| Net unallocated revenue / expenses | | | | 21.9 |
| **Total comprehensive income (loss)** | | | | **78.6** |
| | | | | |
| Net loss ratio | 45.9% | 73.3% | 61.7% | 57.5% |
| Reinsurance operating expense ratio | 11.2% | 7.4% | 7.2% | 9.3% |
| Other operating expense ratio | | | | 5.7% |
| **Combined ratio** | **57.1%** | **80.7%** | **68.9%** | **72.5%** |

# Notes to the condensed interim consolidated financial statements
continued

| For the six months ended 30 June 2022 | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance revenue written by geographic region | | | | |
| US | 48.0 | 49.2 | 1.7 | 98.9 |
| Worldwide | 25.6 | 3.0 | 25.1 | 53.7 |
| Europe | 3.8 | 3.4 | 1.5 | 8.7 |
| Other | 7.6 | 0.1 | 0.3 | 8.0 |
| Reinsurance revenue | 85.0 | 55.7 | 28.6 | 169.3 |
| Ceded reinsurance expenses | (16.6) | (0.6) | (3.2) | (20.4) |
| **Net reinsurance revenue** | **68.4** | **55.1** | **25.4** | **148.9** |
| Reinsurance losses and loss related amounts, discounted | (40.6) | (48.2) | (49.1) | (137.9) |
| Reinsurance operating expenses | (6.7) | (3.2) | (2.0) | (11.9) |
| **Reinsurance service expenses** | **(47.3)** | **(51.4)** | **(51.1)** | **(149.8)** |
| Ceded reinsurance recoveries | 3.0 | - | 8.3 | 11.3 |
| **Reinsurance service result** | **24.1** | **3.7** | **(17.4)** | **10.4** |
| Net reinsurance finance income (expense) | 1.1 | 6.3 | 2.7 | 10.1 |
| **Reinsurance service and finance result** | **25.2** | **10.0** | **(14.7)** | **20.5** |
| Other operating expenses | | | | (10.2) |
| Net unallocated revenue / expenses | | | | (49.7) |
| **Total comprehensive income (loss)** | | | | **(39.4)** |
| | | | | |
| Net loss ratio | 55.0% | 87.5% | 160.6% | 85.0% |
| Reinsurance operating expense ratio | 9.8% | 5.8% | 7.9% | 8.0% |
| Other operating expense ratio | | | | 6.9% |
| **Combined ratio** | **64.8%** | **93.3%** | **168.5%** | **99.9%** |

# Notes to the condensed interim consolidated financial statements
continued

| For the year ended 31 December 2022 | Property $m | Casualty $m | Specialty $m | Total $m |
|---|---|---|---|---|
| Reinsurance revenue written by geographic region | | | | |
| US | 109.8 | 104.0 | 3.9 | 217.7 |
| Worldwide | 56.5 | 14.9 | 51.4 | 122.8 |
| Europe | 15.7 | 16.2 | 7.0 | 38.9 |
| Other | 10.8 | 1.6 | 0.6 | 13.0 |
| Reinsurance revenue | 192.8 | 136.7 | 62.9 | 392.4 |
| Ceded reinsurance expenses | (40.5) | (1.2) | (6.9) | (48.6) |
| **Net reinsurance revenue** | **152.3** | **135.5** | **56.0** | **343.8** |
| Reinsurance losses and loss related amounts, discounted | (142.9) | (116.1) | (73.5) | (332.5) |
| Reinsurance operating expenses | (16.7) | (8.5) | (4.4) | (29.6) |
| **Reinsurance service expenses** | **(159.6)** | **(124.6)** | **(77.9)** | **(362.1)** |
| Ceded reinsurance recoveries | 21.4 | 0.2 | 7.1 | 28.7 |
| **Reinsurance service result** | **14.1** | **11.1** | **(14.8)** | **10.4** |
| Net reinsurance finance income (expense) | 2.5 | 13.8 | 4.5 | 20.8 |
| **Reinsurance service and finance result** | **16.6** | **24.9** | **(10.3)** | **31.2** |
| Other operating expenses | | | | (20.7) |
| Net unallocated revenue / expenses | | | | (54.4) |
| **Total comprehensive income (loss)** | | | | **(43.9)** |
| | | | | |
| Net loss ratio | 79.8% | 85.5% | 118.6% | 88.4% |
| Reinsurance operating expense ratio | 11.0% | 6.3% | 7.9% | 8.6% |
| Other operating expense ratio | | | | 6.0% |
| **Combined ratio** | **90.8%** | **91.8%** | **126.5%** | **103.0%** |

## 5. Investment return

| **For the six months ended 30 June 2023** | **Net investment income $m** | **Net realised gains / (losses) $m** | **Net unrealised gains / (losses) $m** | **Total investment return $m** |
|---|---|---|---|---|
| Fixed maturity securities | 15.3 | (0.3) | 5.7 | 20.7 |
| Cash and cash equivalents | 1.9 | - | - | 1.9 |
| **Total** | **17.2** | **(0.3)** | **5.7** | **22.6** |

| For the six months ended 30 June 2022 | Net investment income $m | Net realised gains / (losses) $m | Net unrealised gains / (losses) $m | Total investment return $m |
|---|---|---|---|---|
| Fixed maturity securities | 6.3 | (2.1) | (54.3) | (50.1) |
| Cash and cash equivalents | 0.1 | - | - | 0.1 |
| **Total** | **6.4** | **(2.1)** | **(54.3)** | **(50.0)** |

# Notes to the condensed interim consolidated financial statements
continued

| For the year ended 31 December 2022 | Net investment income $m | Net realised gains / (losses) $m | Net unrealised gains / (losses) $m | Total investment return $m |
|---|---|---|---|---|
| Fixed maturity securities | 16.5 | (2.8) | (67.8) | (54.1) |
| Cash and cash equivalents | 1.3 | - | - | 1.3 |
| **Total** | **17.8** | **(2.8)** | **(67.8)** | **(52.8)** |

Included in net investment income is $0.6 million of investment management and custody fees for the six months ended 30 June 2023 (30 June 2022 – $0.6 million; 31 December 2022 - $1.1 million).

## 6. Investments

| **As at 30 June 2023** | **Cost or amortised cost $m** | **Unrealised gains $m** | **Unrealised losses $m** | **Estimated fair value $m** |
|---|---|---|---|---|
| **Fixed maturity securities, at FVTPL** | | | | |
| Short-term investments | 66.9 | - | (0.1) | 66.8 |
| US treasuries | 285.5 | - | (12.9) | 272.6 |
| US agency debt | 3.9 | - | (0.2) | 3.7 |
| US municipals | 16.9 | - | (1.0) | 15.9 |
| Non-US government and agency | 2.1 | - | (0.1) | 2.0 |
| Asset-backed | 162.8 | 0.1 | (5.9) | 157.0 |
| US government agency mortgage-backed | 132.4 | 0.1 | (15.8) | 116.7 |
| Non-agency mortgage-backed | 14.4 | - | (2.1) | 12.3 |
| Agency commercial mortgage-backed | 3.7 | - | (0.5) | 3.2 |
| Non-agency commercial mortgage-backed | 60.0 | - | (7.2) | 52.8 |
| Corporate | 439.8 | 0.1 | (24.2) | 415.7 |
| **Total** | **1,188.4** | **0.3** | **(70.0)** | **1,118.7** |

| As at 30 June 2022 | Cost or amortised cost $m | Unrealised gains $m | Unrealised losses $m | Estimated fair value $m |
|---|---|---|---|---|
| **Fixed maturity securities, at FVTPL** | | | | |
| Short-term investments | 6.0 | - | - | 6.0 |
| US treasuries | 185.5 | - | (8.7) | 176.8 |
| US agency debt | 2.0 | - | (0.2) | 1.8 |
| US municipals | 12.4 | - | (0.8) | 11.6 |
| Non-US government and agency | 2.2 | - | (0.1) | 2.1 |
| Asset-backed | 170.4 | - | (6.7) | 163.7 |
| US government agency mortgage-backed | 105.7 | 0.1 | (11.5) | 94.3 |
| Non-agency mortgage-backed | 16.3 | - | (1.4) | 14.9 |
| Agency commercial mortgage-backed | 3.8 | - | (0.4) | 3.4 |
| Non-agency commercial mortgage-backed | 60.1 | - | (5.4) | 54.7 |
| Corporate | 450.2 | - | (26.8) | 423.4 |
| **Total** | **1,014.6** | **0.1** | **(62.0)** | **952.7** |

# Notes to the condensed interim consolidated financial statements
continued

| As at 31 December 2022 | Cost or amortised cost $m | Unrealised gains $m | Unrealised losses $m | Estimated fair value $m |
|---|---|---|---|---|
| **Fixed maturity securities, at FVTPL** | | | | |
| Short-term investments | 37.9 | - | - | 37.9 |
| US treasuries | 221.6 | 0.2 | (11.6) | 210.2 |
| US agency debt | 2.0 | - | (0.2) | 1.8 |
| US municipals | 16.4 | - | (1.2) | 15.2 |
| Non-US government and agency | 2.1 | - | (0.1) | 2.0 |
| Asset-backed | 171.6 | - | (7.8) | 163.8 |
| US government agency mortgage-backed | 116.3 | 0.1 | (15.8) | 100.6 |
| Non-agency mortgage-backed | 15.1 | - | (2.3) | 12.8 |
| Agency commercial mortgage-backed | 3.7 | - | (0.5) | 3.2 |
| Non-agency commercial mortgage-backed | 59.7 | - | (7.0) | 52.7 |
| Corporate | 450.7 | 0.1 | (29.3) | 421.5 |
| **Total** | **1,097.1** | **0.4** | **(75.8)** | **1,021.7** |

As at 30 June 2023 other assets and other payables included nil and nil for investments sold and purchased, respectively (30 June 2022 - nil and $2.0 million, respectively; 31 December 2022 - $1.2 million and $1.2 million, respectively).

Conduit determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for Conduit's investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing.

Conduit has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for the six months ended 30 June 2023, 30 June 2022, and the year ended 31 December 2022.

The fair value of securities in Conduit's investment portfolio is estimated using the following techniques:

LEVEL (I) - Level (I) investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

LEVEL (II) - Level (II) investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (II) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, credit spreads, interest rates, prepayment speeds and default rates.

LEVEL (III) - Level (III) investments are securities for which valuation techniques are not based on observable market data and require significant management judgement.

Conduit determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers from Level (I) to (II) securities amounted to $14.7 million and transfers from Level (II) to (I) securities amounted to $63.2 million during the six months ended 30 June 2023 using end of current period positions and estimated fair values. Transfers from Level (I) to (II) securities amounted to $70.5 million and transfers from Level (II) to (I) securities amounted to $104.4 million during the six months ended 30 June 2022 using end of period positions and estimated fair values. Transfers from Level (I) to (II) securities amounted to $76.2 million and transfers from

# Notes to the condensed interim consolidated financial statements
continued

Level (II) to (I) securities amounted to $37.8 million during the year ended 31 December 2022 using end of period position and estimated fair values. There were no investments included in Level (III) as at 30 June 2023, 30 June 2022 and 31 December 2022.

The fair value hierarchy of Conduit's investment portfolio is as follows:

| **As at 30 June 2023** | **Level I $m** | **Level II $m** | **Total $m** |
|---|---|---|---|
| **Fixed maturity securities, at FVTPL** | | | |
| Short-term investments | 51.8 | 15.0 | 66.8 |
| US treasuries | 272.6 | - | 272.6 |
| US agency debt | - | 3.7 | 3.7 |
| US municipals | - | 15.9 | 15.9 |
| Non-US government and agency | - | 2.0 | 2.0 |
| Asset-backed | - | 157.0 | 157.0 |
| US government agency mortgage-backed | - | 116.7 | 116.7 |
| Non-agency mortgage-backed | - | 12.3 | 12.3 |
| Agency commercial mortgage-backed | - | 3.2 | 3.2 |
| Non-agency commercial mortgage-backed | - | 52.8 | 52.8 |
| Corporate | 78.2 | 337.5 | 415.7 |
| **Total** | **402.6** | **716.1** | **1,118.7** |

| As at 30 June 2022 | Level I $m | Level II $m | Total $m |
|---|---|---|---|
| **Fixed maturity securities, at FVTPL** | | | |
| Short-term investments | 6.0 | - | 6.0 |
| US treasuries | 176.8 | - | 176.8 |
| US agency debt | - | 1.8 | 1.8 |
| US municipals | - | 11.6 | 11.6 |
| Non-US government and agency | - | 2.1 | 2.1 |
| Asset-backed | - | 163.7 | 163.7 |
| US government agency mortgage-backed | - | 94.3 | 94.3 |
| Non-agency mortgage-backed | - | 14.9 | 14.9 |
| Agency commercial mortgage-backed | - | 3.4 | 3.4 |
| Non-agency commercial mortgage-backed | - | 54.7 | 54.7 |
| Corporate | 144.4 | 279.0 | 423.4 |
| **Total** | **327.2** | **625.5** | **952.7** |

# Notes to the condensed interim consolidated financial statements
continued

| As at 31 December 2022 | Level I $m | Level II $m | Total $m |
|---|---|---|---|
| **Fixed maturity securities, at FVTPL** | | | |
| Short-term investments | 37.9 | - | 37.9 |
| US treasuries | 210.2 | - | 210.2 |
| US agency debt | - | 1.8 | 1.8 |
| US municipals | - | 15.2 | 15.2 |
| Non-US government and agency | - | 2.0 | 2.0 |
| Asset-backed | - | 163.8 | 163.8 |
| US government agency mortgage-backed | - | 100.6 | 100.6 |
| Non-agency mortgage-backed | - | 12.8 | 12.8 |
| Agency commercial mortgage-backed | - | 3.2 | 3.2 |
| Non-agency commercial mortgage-backed | - | 52.7 | 52.7 |
| Corporate | 51.3 | 370.2 | 421.5 |
| **Total** | **299.4** | **722.3** | **1,021.7** |

## 7. Reinsurance contracts

The breakdown of portfolios of reinsurance contracts issued and reinsurance contracts held, that are in an asset position and those in a liability position and by type of reinsurance asset or liability, is set out below.

| **As at** | **30 June 2023** | 30 June 2022 | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|---|---|
| Reinsurance contract liabilities | (394.8) | (177.5) | (336.3) | (116.1) |
| **Reinsurance net asset (liability)** | **(394.8)** | **(177.5)** | **(336.3)** | **(116.1)** |
| Liability for remaining coverage | 107.1 | 83.4 | 71.0 | 49.1 |
| Liability for incurred claims | (480.5) | (256.2) | (391.1) | (162.8) |
| Other reinsurance receivables (payables) | (21.4) | (4.7) | (16.2) | (2.4) |
| **Reinsurance net asset (liability)** | **(394.8)** | **(177.5)** | **(336.3)** | **(116.1)** |
| Ceded reinsurance contract assets | 72.6 | 48.2 | 67.3 | 41.0 |
| **Ceded reinsurance net asset (liability)** | **72.6** | **48.2** | **67.3** | **41.0** |
| Ceded asset (liability) for remaining coverage | 24.9 | (4.5) | (3.7) | (2.5) |
| Ceded asset for incurred claims | 47.7 | 52.7 | 58.5 | 43.5 |
| Ceded other receivables (payables) | - | - | 12.5 | - |
| **Ceded reinsurance net asset (liability)** | **72.6** | **48.2** | **67.3** | **41.0** |

The reconciliation from the opening to the closing balances of the liability for remaining coverage and the liability for incurred claims for reinsurance contracts issued and ceded reinsurance contracts held is shown below. The reconciliation shows the movement in the liability by the reinsurance service result, total comprehensive income (loss) and cash flows separately for reinsurance contracts issued and ceded reinsurance contracts held.

# Notes to the condensed interim consolidated financial statements
continued

| $m | 6 months ending 30 June 2023 | | | |
|---|---|---|---|---|
| | Remaining coverage | Incurred claims | | Total |
| | Excl loss component | Present value of future cash flows | Risk adjustment | |
| **Reinsurance asset (liability) as at 31 December 2022** | **71.0** | **(365.8)** | **(25.3)** | **(320.1)** |
| Reinsurance revenue | 278.7 | - | - | 278.7 |
| Reinsurance service expenses | | | | - |
| Incurred claims and other expenses | - | (135.6) | (12.1) | (147.7) |
| Amortisation of reinsurance acquisition expense cash flows | (16.9) | - | - | (16.9) |
| Changes to liabilities for incurred claims for past service | - | (7.8) | 2.6 | (5.2) |
| Reinsurance service expenses | (16.9) | (143.4) | (9.5) | (169.8) |
| **Reinsurance service result** | **261.8** | **(143.4)** | **(9.5)** | **108.9** |
| Reinsurance finance income (expense) | - | (10.7) | (0.8) | (11.5) |
| Effect of exchange rates | 0.2 | (0.6) | - | (0.4) |
| **Total changes in comprehensive income (loss)** | **262.0** | **(154.7)** | **(10.3)** | **97.0** |
| Investment components | 8.4 | (8.4) | - | - |
| **Cash flows** | | | | |
| Premiums received | (243.0) | - | - | (243.0) |
| Claims and other attributable expenses paid | - | 84.0 | - | 84.0 |
| Reinsurance acquisition expense cash flows | 8.7 | - | - | 8.7 |
| **Total cash flows** | **(234.3)** | **84.0** | **-** | **(150.3)** |
| **Reinsurance asset (liability) as at 30 June 2023** | **107.1** | **(444.9)** | **(35.6)** | **(373.4)** |

| $m | 6 months ending 30 June 2023 | | | |
|---|---|---|---|---|
| | Remaining coverage | Incurred claims | | Total |
| | Excl loss component recovery | Present value of future cash flows | Risk adjustment | |
| **Ceded reinsurance asset (liability) as at 31 December 2022** | **(3.7)** | **58.5** | | **54.8** |
| Ceded reinsurance expenses | (35.9) | - | - | (35.9) |
| Ceded reinsurance recoveries | | | | |
| Amounts recoverable on incurred claims | - | - | - | - |
| Changes to amounts recoverable for incurred claims | - | 7.7 | - | 7.7 |
| Ceded reinsurance recoveries | - | 7.7 | - | 7.7 |
| **Reinsurance service result** | **(35.9)** | **7.7** | **-** | **(28.2)** |
| Ceded reinsurance finance income (expense) | - | 1.4 | - | 1.4 |
| Effect of exchange rates | - | - | - | - |
| **Total changes in comprehensive income (loss)** | **(35.9)** | **9.1** | **-** | **(26.8)** |
| Investment components | - | - | - | - |
| **Cash flows** | | | | |
| Premiums paid | 64.5 | - | - | 64.5 |
| Recoveries received | - | (19.9) | - | (19.9) |
| **Total cash flows** | **64.5** | **(19.9)** | **-** | **44.6** |
| **Ceded reinsurance asset (liability) as at 30 June 2023** | **24.9** | **47.7** | **-** | **72.6** |

# Notes to the condensed interim consolidated financial statements
continued

| $m | Remaining coverage – Excl loss component | Incurred claims – Present value of future cash flows | Incurred claims – Risk adjustment | Total |
|---|---|---|---|---|
| | 6 months ending 31 December 2022 | | | |
| **Reinsurance asset (liability) as at 30 June 2022** | **83.4** | **(240.4)** | **(15.8)** | **(172.8)** |
| Reinsurance revenue | 223.1 | - | - | 223.1 |
| Reinsurance service expenses | | | | |
| Incurred claims and other expenses | - | (193.4) | (13.0) | (206.4) |
| Amortisation of reinsurance acquisition cash flows | (13.8) | - | - | (13.8) |
| Changes to liabilities for incurred claims for past service | - | 5.4 | 2.5 | 7.9 |
| Reinsurance service expenses | (13.8) | (188.0) | (10.5) | (212.3) |
| **Reinsurance service result** | **209.3** | **(188.0)** | **(10.5)** | **10.8** |
| Reinsurance finance income (expense) | - | 8.8 | 1.0 | 9.8 |
| Effect of exchange rates | - | (0.8) | - | (0.8) |
| **Total changes in comprehensive income (loss)** | **209.3** | **(180.0)** | **(9.5)** | **19.8** |
| Investment components | 7.3 | (7.3) | - | - |
| **Cash flows** | | | | |
| Premiums received | (237.1) | - | - | (237.1) |
| Claims and other attributable expenses paid | - | 61.9 | - | 61.9 |
| Reinsurance acquisition cash flows | 8.1 | - | - | 8.1 |
| **Total cash flows** | **(229.0)** | **61.9** | **-** | **(167.1)** |
| **Reinsurance asset (liability) as at 31 December 2022** | **71.0** | **(365.8)** | **(25.3)** | **(320.1)** |

| $m | Remaining coverage – Excl loss component recovery | Incurred claims – Present value of future cash flows | Incurred claims – Risk adjustment | Total |
|---|---|---|---|---|
| | 6 months ending 31 December 2022 | | | |
| **Ceded reinsurance asset (liability) as at 30 June 2022** | **(4.5)** | **52.7** | **-** | **48.2** |
| Ceded reinsurance expenses | (28.2) | - | - | (28.2) |
| Ceded reinsurance recoveries | | | | |
| Amounts recoverable on incurred claims | - | 19.6 | - | 19.6 |
| Changes to amounts recoverable for incurred claims | - | (2.2) | - | (2.2) |
| Ceded reinsurance recoveries | - | 17.4 | - | 17.4 |
| **Reinsurance service result** | **(28.2)** | **17.4** | **-** | **(10.8)** |
| Ceded reinsurance finance income (expense) | - | 0.9 | - | 0.9 |
| Effect of exchange rates | - | - | - | - |
| **Total changes in comprehensive income (loss)** | **(28.2)** | **18.3** | **-** | **(9.9)** |
| Investment components | - | - | - | - |
| **Cash flows** | | | | |
| Premiums paid | 29.0 | - | - | 29.0 |
| Recoveries received | - | (12.5) | - | (12.5) |
| **Total cash flows** | **29.0** | **(12.5)** | **-** | **16.5** |
| **Ceded reinsurance asset (liability) as at 31 December 2022** | **(3.7)** | **58.5** | **-** | **54.8** |

# Notes to the condensed interim consolidated financial statements
continued

| $m | 6 months ending 30 June 2022 | | | |
|---|---|---|---|---|
| | Remaining coverage | Incurred claims | | Total |
| | Excl loss component | Present value of future cash flows | Risk adjustment | |
| **Reinsurance asset (liability) as at 31 December 2021** | **49.1** | **(154.4)** | **(8.4)** | **(113.7)** |
| Reinsurance revenue | 169.3 | - | - | 169.3 |
| Reinsurance service expenses | | | | |
| Incurred claims and other expenses | - | (131.0) | (8.0) | (139.0) |
| Amortisation of reinsurance acquisition cash flows | (9.1) | - | - | (9.1) |
| Changes to liabilities for incurred claims for past service | - | (1.2) | (0.5) | (1.7) |
| Reinsurance service expenses | (9.1) | (132.2) | (8.5) | (149.8) |
| **Reinsurance service result** | **160.2** | **(132.2)** | **(8.5)** | **19.5** |
| Reinsurance finance income (expense) | - | 11.1 | 1.1 | 12.2 |
| Effect of exchange rates | 0.3 | 1.8 | - | 2.1 |
| **Total changes in comprehensive income (loss)** | **160.5** | **(119.3)** | **(7.4)** | **33.8** |
| Investment components | 6.4 | (6.4) | - | - |
| **Cash flows** | | | | |
| Premiums received | (139.4) | - | - | (139.4) |
| Claims and other attributable expenses paid | - | 39.7 | - | 39.7 |
| Reinsurance acquisition cash flows | 6.8 | - | - | 6.8 |
| **Total cash flows** | **(132.6)** | **39.7** | **-** | **(92.9)** |
| **Reinsurance asset (liability) as at 30 June 2022** | **83.4** | **(240.4)** | **(15.8)** | **(172.8)** |

| $m | 6 months ending 30 June 2022 | | | |
|---|---|---|---|---|
| | Remaining coverage | Incurred claims | | Total |
| | Excl loss component recovery | Present value of future cash flows | Risk adjustment | |
| **Ceded reinsurance asset (liability) as at 31 December 2021** | **(2.5)** | **43.5** | **-** | **41.0** |
| Ceded reinsurance expenses | (20.4) | - | - | (20.4) |
| Ceded reinsurance recoveries | | | | |
| Amounts recoverable on incurred claims | - | 8.4 | - | 8.4 |
| Changes to amounts recoverable for incurred claims | - | 2.9 | - | 2.9 |
| Ceded reinsurance recoveries | - | 11.3 | - | 11.3 |
| **Reinsurance service result** | **(20.4)** | **11.3** | **-** | **(9.1)** |
| Ceded reinsurance finance income (expense) | - | (2.1) | - | (2.1) |
| Effect of exchange rates | - | - | - | - |
| **Total changes in comprehensive income (loss)** | **(20.4)** | **9.2** | **-** | **(11.2)** |
| Investment components | - | - | - | - |
| **Cash flows** | | | | |
| Premiums paid | 18.4 | - | - | 18.4 |
| Recoveries received | - | - | - | - |
| **Total cash flows** | **18.4** | **-** | **-** | **18.4** |
| **Ceded reinsurance asset (liability) as at 30 June 2022** | **(4.5)** | **52.7** | **-** | **48.2** |

# Notes to the condensed interim consolidated financial statements
continued

Conduit did not book any additional case reserves for the six months ended 30 June 2023, 30 June 2022 or for the year ended 31 December 2022. The net liability for incurred claims had an estimated duration of 3.2 years (30 June 2022 - 3.4 years; 31 December - 3.1 years).

Despite an active period for natural catastrophe losses for the industry, there were no major event losses individually or in aggregate which had a material impact on Conduit during the first half of 2023. During the first six months of 2022 the most significant loss event impacting Conduit was the Ukraine war. The estimated undiscounted ultimate net impact on the first six months of 2022, after ceded reinsurance and reinstatement premiums, is $24.6 million, including for aviation-related claims.

Our undiscounted ultimate loss estimates, net of ceded reinsurance and reinstatement premiums, for previously reported loss events remain stable. During the six months to 30 June 2023 the changes in the net liability for incurred claims for prior accident years was $2.5 million.

The estimation of the ultimate fulfilment cash flows for claims is a complex process which incorporates a significant amount of judgement. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to Conduit, together with the potential for unforeseen adverse developments, could lead to a material change in estimated liability for incurred claims. Further information on the calculation of the liability for incurred claims and associated risks are provided in the risk disclosures in note 3.

## 8. Share capital, own shares and other reserves

### Own shares

On 18 May 2023, CHL completed the transfer of 757,823 common shares held in treasury to the EBT. These shares, along with the shares previously purchased by the EBT will be held for the benefit of employees under CHL's variable incentive schemes. As the EBT is fully consolidated, the $3.6 million value of these treasury shares remains within the own shares balance.

## 9. Earnings (loss) per share

The following reflects the loss and share data used in the basic and diluted loss per share computations:

| | **Six months ended 30 June 2023 $m** | Six months ended 30 June 2022 (re-stated) $m | Twelve months ended 31 Dec 2022 (re-stated) $m |
|---|---|---|---|
| Earnings (loss) for the period | 78.6 | (39.4) | (43.9) |
| | **Number** | Number | Number |
| Basic weighted average number of shares | 160,288,840 | 164,920,213 | 163,441,264 |
| Dilutive effect of equity-based incentives | 398,098 | 58,450 | 167,093 |
| **Diluted weighted average number of shares** | **160,686,938** | **164,978,663** | **163,608,357** |
| | **Per share $** | Per share $ | Per share $ |
| Basic and diluted earnings (loss) per share | 0.49 | (0.24) | (0.27) |

Equity-based incentive awards are only treated as dilutive when their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations. Incremental shares from ordinary restricted share options where relevant performance criteria have not been met are not included in the calculation of dilutive shares.

# Notes to the condensed interim consolidated financial statements
continued

## 10. Related party disclosures

### EBT

On 18 May 2023, CHL completed the transfer of 757,823 common shares held in treasury with a value of $3.6 million to the EBT. Refer to note 8 for additional details.

### Stabilitas Re

Stabilitas Re Ltd., a special purpose vehicle ("Stabilitas Re"), was launched in June 2023. Conduit sponsored the launch of the catastrophe bond issued by Stabilitas Re and CRL entered into a collateralised reinsurance agreement with Stabilitas Re as part of the transaction. The catastrophe bond was issued to third-party investors by Stabilitas Re. Conduit has no ownership interest in nor any control over Stabilitas Re and therefore does not consolidate that entity.

## 11. Transition to IFRS 17 and IFRS 9

### IFRS 17, Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. In addition to the updated accounting policies and disclosure in notes 2, 3, 4 and 7, some of the key differences between IFRS 17 and the accounting policies previously adopted by Conduit under IFRS 4 are outlined below.

#### Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of Conduit's reinsurance contracts issued or ceded reinsurance contracts held. Under IFRS 17, Conduit's reinsurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA.

The measurement principles of the PAA are similar to accounting policies previously applied under IFRS 4 but are different in the following key areas:

* Under IFRS 4 gross premiums written were recognised at the top of the condensed interim consolidated statement of comprehensive income (loss) with an adjustment for the change in unearned premium liability. IFRS 17 defines reinsurance revenue as the expected premium cash flows net of any deductions that are paid to the cedant, excluding any investment components.
* If contracts are assessed as being onerous, a loss component is recognised. Previously these may have formed an unexpired risk reserve provision determine through the liability adequacy test.
* Previously, only contract specific acquisition cash flows were deferred and amortised. Under IFRS 17, the recognition of reinsurance acquisition expense cash flows includes an allocation of acquisition-related operating expenses incurred in the period.
* Conduit recognises its reinsurance acquisition expense cash flows as part of the liability or asset for remaining coverage and amortises over the coverage period in line with the service provided.
* Measurement of the liability for incurred claims (previously losses and loss adjustment expenses) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. Previously, under IFRS 4, losses and loss adjustment expenses were undiscounted without an explicit adjustment for non-financial risk.
* IFRS 17 identifies cash flows that are contingent on claims as being presented within the reinsurance service expenses, such as reinstatement premiums and profit commissions. Previously under IFRS 4 these were recorded in gross premiums written and net acquisition expenses, respectively.

#### Changes to presentation and disclosure

Under IFRS 4 separate assets and liabilities were recognised for premium receivables, deferred acquisition costs, unearned premiums, and loss and loss adjustment reserves. These assets and liabilities were shown aggregated for all reinsurance contracts, separately for ceded. IFRS 17 groups the reinsurance assets and liabilities by portfolio, as defined by Conduit's level of aggregation accounting policy on page 13, separately for reinsurance contracts issued and ceded reinsurance contracts held and presents a net asset or liability for the portfolio as a whole. This means that different portfolios could be in an asset or liability position depending on the timing of cash flows.

The condensed interim consolidated statement of comprehensive income (loss) has changed significantly in its presentation. Previously Conduit reported items such as gross premiums written, net premiums earned and loss and loss adjustment expenses. Under IFRS 17, the standard defines and requires separate presentation of reinsurance revenue and reinsurance service expenses. Conduit has chosen to present income and expenses from ceded reinsurance contracts as separate line items.

# Notes to the condensed interim consolidated financial statements
continued

The standard requires separate presentation of reinsurance finance income or expense which represents the unwind of discounting and changes in reinsurance liabilities due to updating to current discount rates.

## Transition to IFRS 17

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. Under the full retrospective approach, as at 1 January 2022 Conduit:

* Identified, recognised and measured each group of reinsurance contracts as if IFRS 17 had always applied.
* Derecognised any existing balances that would not exist had IFRS 17 always applied. These include deferred acquisition expenses, reinsurance receivables and payables, net loss and loss adjustment expense reserves, and unearned premium reserves. Under IFRS 17, they are included in the measurement of reinsurance contract assets or liabilities.
* Recognised any resulting net difference in equity.

The increase to shareholders' equity from IFRS 17 is predominantly driven by the discounting of net loss reserves which were previously undiscounted, the deferral of certain acquisition related operating expenses and the revaluation of reinsurance balances that are now considered monetary items under IFRS 17. The impacts of discounting and the deferral of acquisition related operating expenses are timing differences as both will be unwound over the settlement of claims liabilities and insurance contract coverage periods respectively. The effects of adopting IFRS 17 on the consolidated financial statements as at 1 January 2022 are shown below. Similar impacts were noted on the consolidated financial statements as at 30 June 2022 and 31 December 2022.

| | As at 31 Dec 2021 (as reported) $m | As at 1 Jan 2022 (re-stated) $m | Impact of adopting IFRS 17 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 67.5 | 67.5 | - |
| Accrued interest receivable | 3.7 | 3.7 | - |
| Investments | 1,008.4 | 1,008.4 | - |
| Inwards premiums receivable | 155.0 | - | (155.0) |
| Ceded reinsurance contract assets | 50.0 | 41.0 | (9.0) |
| Other assets | 1.6 | 1.6 | - |
| Right-of-use lease assets | 2.9 | 2.9 | - |
| Deferred acquisition expenses | 44.6 | - | (44.6) |
| Intangible assets | 1.1 | 1.1 | - |
| **Total assets** | **1,334.8** | **1,126.2** | **(208.6)** |
| **Liabilities** | | | |
| Reinsurance contract liabilities | 324.4 | 116.1 | (208.3) |
| Amounts payable to reinsurers | 7.3 | - | (7.3) |
| Other payables | 19.0 | 19.0 | - |
| Lease liabilities | 2.9 | 2.9 | - |
| **Total liabilities** | **353.6** | **138.0** | **(215.6)** |
| **Shareholders' equity** | | | |
| Share capital | 1.7 | 1.7 | - |
| Own shares | (0.2) | (0.2) | - |
| Other reserves | 1,056.0 | 1,056.0 | - |
| Retained loss | (76.3) | (69.3) | 7.0 |
| **Total shareholders' equity** | **981.2** | **988.2** | **7.0** |
| **Total liabilities and shareholders' equity** | **1,334.8** | **1,126.2** | **(208.6)** |

# Notes to the condensed interim consolidated financial statements
continued

### IFRS 9, Financial Instruments
IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, Conduit elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

#### Changes to classification and measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of Conduit's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

* Financial assets at fair value through profit or loss, including equity instruments and derivatives.
* Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition.
* Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition.
* Debt instruments at amortised cost.

Conduit's classification of its financial assets is explained in the accounting policies on page 17. Conduit's financial investment portfolio of fixed maturity securities meets the requirements for mandatory FVTPL which is consistent with the measurement of Conduit's previous accounting policies under IAS 39.

#### Changes to presentation and disclosure
To reflect the differences between IAS 39 and IFRS 9, IFRS 7 Financial Instruments: Disclosures was also amended. There was no impact to Conduit with the implementation of IFRS 9.

#### Transition to IFRS 9
As Conduit's accounting policies under IFRS 9 are consistent with those applied under IAS 39, there is no financial impact on transition. There is therefore no restatement of comparatives nor any impact from adoption on shareholders' equity.

## 12. Subsequent events
### Dividends
On 25 July 2023, Conduit's Board of Directors declared an interim dividend for 2023 of $0.18 (approximately £0.14) per common share, which will result in an aggregate payment of $29.7 million. The dividend will be paid in pounds sterling on 8 September 2023 to shareholders of record on 18 August 2023 (the “Record Date”) using the pound sterling / US dollar spot exchange rate at 12 noon on the Record Date.

# Responsibility statement of the directors in respect of the interim report

The Directors confirm that to the best of our knowledge:

* the unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting; and

* the interim management report provides a true and fair review of the information required by the following sections of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority:

  - DTR Section 4.2.7R – (1) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and (2) a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  - DTR Section 4.2.8R – (1a) related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and (1b) any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

The unaudited condensed interim financial statements were approved for issue on 25 July 2023 and the Directors responsible for authorising the responsibility statement on behalf of the Board are:

**Trevor Carvey**
CEO

**Elaine Whelan**
CFO

# Independent Review Report to Conduit Holdings Limited ("Company")

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## Conclusion

We have been engaged by the Company to review the condensed set of interim consolidated financial statements in the Interim Report for the six months ended 30 June 2023 which comprises the condensed interim consolidated statement of comprehensive income (loss), the condensed interim consolidated balance sheet, the condensed interim consolidated statement of changes in shareholders' equity, the condensed interim statement of consolidated cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim consolidated financial statements in the Interim Report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Interim Report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim consolidated financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the DTR of the UK FCA.

As disclosed in Note 2 of the condensed set of interim consolidated financial statements, the annual consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards.

The directors are responsible for preparing the condensed set of interim consolidated financial statements included in the Interim Report in accordance with IAS 34.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of interim consolidated financial statements in the Interim Report based on our review.

## The purpose of our review work and to whom we owe our responsibilities.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

KPMG Audit Limited
Chartered Professional Accountants
Hamilton, Bermuda
25 July 2023

# Additional performance measures (the "APMs")

Conduit presents certain APMs to evaluate, monitor and manage the business and to aid readers' understanding of Conduit's financial statements and methodologies used. These are common measures used across the (re) insurance industry and allow the reader of Conduit's financial reports to compare those with other companies in the (re)insurance industry. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with IFRS. Conduit's Audit Committee has evaluated the use of these APMs and reviewed their overall presentation to ensure that they were not given undue prominence. This information has not been audited.

Management believes the APMs included in the condensed interim consolidated financial statements are important for understanding Conduit's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the (re)insurance industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the (re)insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by Conduit for its condensed interim consolidated financial statements or in accordance with IAS 34.

Below are explanations, and associated calculations, of the APMs presented by Conduit:

| APM | Explanation | Calculation |
|---|---|---|
| Gross premiums written | For the majority of excess of loss contracts, premiums written are recorded based on the minimum and deposit or flat premium, as defined in the contract. Premiums written for proportional contracts on a risks attaching basis are written over the term of the contract in line with the underlying exposures. Subsequent adjustments, based on reports of actual premium by the ceding company, or revisions in estimates, are recorded in the period in which they are determined. Reinstatement premiums are excluded. | Amounts payable by the cedant before any deductions, which may include taxes, brokerage and commission. |
| Net loss ratio | Ratio of net losses and loss related amounts expressed as a percentage of net reinsurance revenue in a period. | Net losses and loss related amounts/ Net reinsurance revenue (note 4) |
| Reinsurance operating expense ratio | Ratio of reinsurance operating expenses, which includes acquisition expenses charged by insurance brokers and other insurance intermediaries to Conduit, and operating expenses paid that are attributable to the fulfilment of reinsurance contracts, expressed as a percentage of net reinsurance revenue in a period. | Reinsurance operating expenses/Net reinsurance revenue (note 4) |
| Other operating expense ratio | Ratio of other operating expenses expressed as a percentage of net reinsurance revenue in a period. | Other operating expenses/Net reinsurance revenue (note 4) |
| Combined ratio (KPI) | The sum of the net loss ratio, reinsurance operating expense ratio and other operating expense ratio. A combined ratio below 100% generally indicates profitable underwriting, whereas a combined ratio over 100% generally indicates unprofitable underwriting, each prior to the consideration of total net investment return. | Net loss ratio + Net reinsurance operating expense ratio + Other operating expense ratio (note 4) |
| Accident year loss ratio | Ratio of the net losses and loss related amounts of an accident year (or calendar year) revalued at the current balance sheet date expressed as a percentage of net reinsurance revenue in a period. | Accident year net losses and loss related amounts/Net reinsurance revenue |

# Additional performance measures (the "APMs") continued

| APM | Explanation | Calculation |
|---|---|---|
| Underwriting year loss ratio | Ratio of net losses and loss related amounts of an underwriting year expressed as a percentage of net reinsurance revenue in a period. | Underwriting year net losses and loss adjustment expenses / Net reinsurance revenue |
| Total net investment return (KPI) | Conduit's principal investment objective is to preserve capital and provide adequate liquidity to support the payment of losses and other liabilities. In light of this, Conduit looks to generate an appropriate total net investment return. Conduit bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities. Total net investment return is calculated daily and expressed as a percentage. | Net investment income + Net unrealised gains (losses) on investments + Net realised gains (losses) on investments / Non-operating cash and cash equivalents + Fixed maturity securities, at beginning of period |
| Return on equity (KPI) | RoE enables Conduit to compare itself against other peer companies in the immediate industry. It is also a key measure internally and is integral in the performance-related pay determinations. RoE is calculated as the profit for the period divided by the opening total shareholders' equity. | Profit (loss) after tax for the period/ Total shareholders' equity, at beginning of period |
| Total shareholder return (KPI) | Total shareholder return allows Conduit to compare itself against other public peer companies. Total shareholder return is calculated as the percentage change in Common Share price over a period, after adjustment for Common Share dividends. | Closing Common Share price - Opening Common Share price + Common Share dividends during the period / Opening Common Share price |
| Dividend yield | Calculated by dividing the annual dividends per Common Share by the Common Share price on the last day of the given year and expressed as a percentage. | Annual dividends per Common Share / Closing Common Share price |

# Glossary

The following definitions apply throughout the Annual Report unless the context otherwise requires. All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof. Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

**100 year return period** A 1% probability of a catastrophe loss event of a certain size (or greater) occurring in any given year.

**250 year return period** A 0.4% probability of a catastrophe loss event of a certain size (or greater) occurring in any given year.

**ABIR** The Association of Bermuda Insurers and Reinsurers (ABIR) represents the public policy interests of its members.

**Additional case reserves (ACRs)** ACRs represent Conduit's estimate for losses related to specific contracts which Conduit believes may not be adequately reported, or adequately covered in the application of IBNR.

**Admission** The admission of all of CHL's Common Shares (1) to the standard listing segment of the Official List of the UK Financial Conduct Authority, and (2) to trading on the London Stock Exchange's main market for listed securities which occurred on 7 December 2020.

**Aggregate excess of loss (XOL) reinsurance** A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.

**AGM** Annual General Meeting of CHL shareholders.

**AM Best** AM Best is a full-service credit rating organisation dedicated to serving the financial services industries, focusing on the insurance sector.

**AM Best rating** A forward-looking, independent and objective opinion issued by AM Best regarding an insurer's, issuer's, or financial obligation's relative creditworthiness.

**BCAR** The AM Best measure of capital adequacy.

**Best Capital Adequacy Rating (BCAR)** Depicts the quantitative relationship between a rating unit's balance sheet strength and key financial risks that could impact such strength.

**BMA** Bermuda Monetary Authority.

**Board of Directors** Board unless otherwise stated refers to the CHL Board of Directors.

**Book value per share** Calculated by dividing the value of the total shareholders' equity by the sum of all common voting shares outstanding.

**Broker** An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered.

**Brokerage** The commission that is payable to a broker for placing an insurance or reinsurance contract with an insurer or a reinsurer.

**BSCR** Bermuda Solvency Capital Requirement.

**BI** Business interruption Insurance coverage that replaces income lost in the event that business is halted due to direct physical loss or damage.

**Cedant** A ceding insurer or a reinsurer that writes and issues a policy to an (re)insured and contractually transfers (cedes) a portion of the risk to a reinsurer or retrocessionaire.

**CEO** Chief Executive Officer

**CFO** Chief Financial Officer

**CHL** Conduit Holdings Limited.

**Claim** A request by an insured or reinsured for indemnification by an insurance or reinsurance company for loss incurred from an insured peril or event.

**CML** Conduit MIP Limited.

**Combined ratio** The sum of the net loss ratio, reinsurance operating expense ratio and other operating expense ratio.

**Common shares** common shares of CHL of $0.01 par value per share.

**Company** Conduit Holdings Limited.

**Consortium underwriting** Underwriting on the part of a group of either companies or insurers, where risks, premiums and costs are split proportionately between the participants. If a consortium member fails, losses do not fall back on the other capital providers.

**Coverholder** A coverholder is a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a binding authority.

# Glossary
continued

**Conduit** The brand for Conduit Holdings Limited and all associated group companies.

**Conduit Re** The brand for all the group's reinsurance business.

**CRL** Conduit Reinsurance Limited.

**CRSL** Conduit Reinsurance Services Limited (previously named Conduit Marketing Limited).

**CSL** Conduit Services Limited.

**CRO** Chief Risk Officer.

**CUO** Chief Underwriting Officer.

**Cyber** Cyber insurance (or cyber risk or cyber liability insurance) is a form of cover designed to protect businesses from digital threats, such as data breaches or malicious cyber hacks.

**Deductible or excess or retention** The amount of the loss which is retained net by the insured (i.e., prior to the inception of a reinsurance programme). Also known as an "excess" or "retention". The amount that is deducted from some or all claims arising under an insurance or reinsurance contract. The practical effect is the same as an excess: the insured or reassured must bear a proportion of the relevant loss. If that loss is less than the amount of deductible/excess then the insured or reassured must bear all of the loss (unless there is other insurance in place to cover the deductible). An increase in deductible should result in a reduction in premium.

**Diluted earnings (loss) per share** Calculated by dividing comprehensive income (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares, plus the weighted average number of common shares that would be issued on the conversion of all potentially dilutive equity-based compensation awards.

**DSBP** The deferred share bonus plan is an equity-based incentive plan where a certain percentage of employee bonuses is deferred into nil-cost options.

**Directors' & Officers' (D&O)** A specialised form of professional liability coverage for legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a corporation or non-profit organisation.

**Dividend yield** Calculated by dividing the annual dividends per Common Share by the Common Share price on the last day of the given year and expressed as a percentage.

**Earnings (loss) per share (EPS)** Calculated by dividing comprehensive income (loss) for the year attributable to shareholders by the weighted average number of common shares outstanding during the year, excluding treasury shares.

**EBT** The Conduit Group EBT is a trust established for the sole purpose of administering Conduit's equity-based incentive schemes.

**ECR** Enhanced capital requirement. Under the BSCR Model, the reinsurer's minimum required statutory capital and surplus is referred to as the enhanced capital requirement ("ECR"). The ECR is the greater of the calculated BSCR and the minimum solvency margin ("MSM").

**ERM** Enterprise risk management is the process of assessing the risk of an organisation's activities in order to minimise the effects of those risks.

**Estimated ultimate premiums written** Premium reported by ceding companies, excluding reinstatement premiums, supplemented by management's judgement on the estimate provided.

**Excess of loss (XOL, XL) or non-proportional** Reinsurance that indemnifies against all or a specified portion of loss and loss expenses in excess of a specified monetary amount or other threshold, known as the cedant's retention or reinsurers attachment point, generally subject to a negotiated reinsurance contract limit.

**Facultative reinsurance** The cedant cedes, and the reinsurer assumes, all or part of the risk under a single insurance contract.

**FVTPL** Fair value through profit or loss.

**Gross premiums written (GPW)** Amounts payable by the cedant before any deductions, which may include taxes, brokerage and commission.

**IAS** International Accounting Standard(s) are created by the IASB for the preparation and presentation of financial statements.

**IASB** International Accounting Standards Board.

**IFRS** International Financial Reporting Standard(s).

**Incurred But Not Reported (IBNR)** Reserve for anticipated or likely losses that may result from insured events which have taken place, but which have not yet been reported and/or possible adverse development.

**IPO** Initial public offering.

**IRR** Internal rate of return.

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**Invested equity** Means the aggregate of initial equity invested in CHL on Admission and equity invested pursuant to any future equity raises by the Company, with the US dollar value of Invested Equity for the USD MIP Shares being calculated at the spot rate at the time the relevant proceeds of the equity raise were received by the Company.

**Liability for incurred claims** Liabilities established by reinsurers to reflect the estimated cost of claims payments and the related expenses that the reinsurer will ultimately be required to pay in respect of reinsurance contracts it has written. The liability for incurred claims includes the risk adjustment and contractual payments made that are contingent on loss events, such as profit commissions and reinstatement premiums. The liability for incurred claims is discounted.

**Liability for remaining coverage** The liability for remaining coverage represents the balance of premium received, net of acquisition expenses, less the premium income and acquisition expenses amortised in the period.

**LOC** Letter of credit.

**Long-tail** A type of liability that carries a long settlement period.

**Losses occurring business** Business where the wording stipulates that claims against liability policies can be notified to the company at any time following the issue of the policy.

**Loss reserve development** The difference between the amount of the liability for incurred claims initially estimated by an insurer or reinsurer and the amount re-estimated in an evaluation at a later date.

**LSE** London Stock Exchange.

**Market value** Refers to (1) the market capitalisation of CHL calculated by reference to the six-month average closing share price prior to the date of the relevant exchange of MIP Shares for common shares of CHL (adjusted to take into account any capital events or distributions during that period); or, (2) in the case of a takeover of CHL, the value of the consideration for the takeover, or (3) in the case of a sale of CHL, the net sale consideration, or (4) in the case of the liquidation of CHL, the amount available for distribution in the liquidation, in each case taking into account any prior dividends, returns of capital or other distributions. The market value for the USD MIP Shares will be calculated in US dollars based on the prevailing spot rate on the date of the relevant share price and in the case of a takeover of CHL, or sale or liquidation of CML, the latest reasonably practicable spot rate prior to the date of the exchange of MIP Shares for common shares of CHL as determined by the Remuneration Committee of CHL.

**Net loss ratio** Ratio of net losses and loss related amounts expressed as a percentage of net reinsurance revenue in a period.

**OEP** Occurrence exceedance probability, the probability that the largest loss in a year exceeds a certain amount (of loss).

**Other operating expense ratio** Ratio of other operating expenses expressed as a percentage of net reinsurance revenue in a period.

**Overriding commission** A commission that is paid by a reinsurer to the reassured to cover the latter's overheads in administering the reinsurance.

**Performance Condition** The compound annual growth rate achieved by CHL's shareholders on the date of the relevant exchange of MIP Shares for common shares of CHL is equal to or greater than 10%. per annum. The Performance Condition is measured by reference to (1) any growth in CHL's market capitalisation, (2) any dividends paid to common shareholders, and (3) any other returns of value to common shareholders. The Performance Condition is calculated from admission of its common shares to trading on the London Stock Exchange on 7 December 2020 on the initial capital raised then (and from the date of any future equity investment in the Company on that equity) to the date of the relevant exchange. It also takes into account the timing of any prior returns to common shareholders. The Performance Condition will be calculated separately in US dollars for the USD MIP Shares and sterling for the GBP MIP Shares.

**Quota share reinsurance** A form of proportional reinsurance in which the reinsurer assumes an agreed percentage of each insurance contract being reinsured.

**Return on Equity (RoE)** RoE is calculated as the profit for the period divided by the opening total shareholders' equity.

**Renewal price index (RPI)** Internal methodology that management uses to track trends in premium rates of a portfolio of reinsurance contracts.

**Risk transfer** The transfer of all or a part of a risk to another party.

**Risk-adjusted return** A concept that defines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number.

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**TCFD** The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the G20 established Financial Stability Board in December 2015 to improve the quality, quantity and consistency of climate-related disclosures. To achieve this, it developed a reporting framework which consists of a number of recommendations structured into four pillars: governance, strategy, risk, and metrics and targets.

**The UK Code** The UK Corporate Governance Code, monitored by the UK Financial Reporting Council.

**Total shareholder return (TSR)** The percentage of the increase/(decrease) in share price over a period, stated in percentages, after adjustment for dividends.

**Treaty reinsurance** A form of reinsurance in which the ceding company makes an agreement to cede certain business and the reinsurer, in turn, agrees to accept all business qualifying under the agreement, known as the “treaty”.

**Ultimate loss ratio** The ratio of ultimate losses and loss related amounts to total reinsurance revenue received for all policies written in a given period.

**US GAAP** Accounting principles generally accepted in the United States.

**VaR** Value at Risk.

# Disclaimer regarding forward-looking statements

This interim report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", “goals”, “objective”, “rewards”, ”expectations”, "projects", "anticipates", "expects", “achieve”, "intends", “tends”, “on track”, “well placed”, "estimated", “projected”, "may", "will", "aims", "could" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, targets, future events or intentions. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, unearned premiums pricing rate changes, terms and conditions, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, claims development, losses and loss estimates and future business prospects; and (ii) business and management strategies and the expansion and growth of Conduit's operations. Forward-looking statements may and often do differ materially from actual results. Forward-looking statements reflect Conduit's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Conduit's business, results of operations, financial position, liquidity, prospects, growth and strategies. These risks, uncertainties and assumptions include, but are not limited to: the possibility of greater frequency or severity of claims and loss activity than Conduit’s underwriting, reserving or investment practices have anticipated; the reliability of catastrophe pricing, accumulation and estimated loss models; the actual development of losses and expenses impacting estimates for claims which arose as a result of recent loss activity such as the Ukraine crisis, Hurricanes Ian and Ida, the European storms and floods in 2021 and 2022 and the earthquake in Turkey; the impact of complex causation and coverage issues associated with attribution of losses to wind or flood damage; unusual loss frequency or losses that are not modelled; the effectiveness of Conduit’s risk management and loss limitation methods, including to manage volatility; the recovery of losses and reinstatement premiums from our own reinsurance providers; the development of Conduit’s technology platforms; a decline in Conduit’s ratings with A.M. Best or other rating agencies; the impact that Conduit’s future operating results, capital position and ratings may have on the execution of Conduit’s business plan, capital management initiatives or dividends; Conduit’s ability to implement successfully its business plan and strategy during ‘soft’ as well as ‘hard’ markets; the premium rates which are available at the time of renewals within Conduit’s targeted business lines; increased competition on the basis of pricing, capacity or coverage terms and the related demand and supply dynamics as contracts come up for renewal; the successful recruitment, retention and motivation of Conduit’s key management and the potential loss of key personnel; the credit environment for issuers of fixed maturity investments in Conduit’s portfolio; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates and the timing and extent of any such changes; the impact of inflation or deflation in relevant economies in which Conduit operates; Conduit becoming subject to income taxes in the United States or in the United Kingdom; and changes in insurance or tax laws or regulations in jurisdictions where Conduit conducts business. Forward-looking statements contained in this trading update may be impacted by the escalation or expansion of the Ukraine conflict on Conduit's clients, the volatility in global financial markets and governmental, regulatory and judicial actions, including coverage issues.

Forward-looking statements speak only as of the date they are made. No representation or warranty is made that any forward-looking statement will come to pass. These forward-looking statements speak only as at the date of this announcement. Conduit disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein to reflect actual results or any change in the assumptions, conditions or circumstances on which any such statements are based unless required to do so by law or regulation.

"Estimated ultimate premiums written" is the estimated total gross premiums written (excluding reinstatement premiums) that is expected to be earned assuming all bound contracts run to the end of the period of cover, after management discount for prudence.

The Conduit renewal year on year indicative pricing change measure is an internal methodology that management intends to use to track trends in premium rates of a portfolio of reinsurance contracts. The change measure reflects management's assessment of relative changes in price, exposure and terms and conditions. It is also net of the estimated impact of claims inflation. The calculation involves a degree of judgement in relation to comparability of contracts and the assessment noted above, particularly in Conduit's initial years of underwriting. To enhance the methodology, management may revise the methodology and assumptions underlying the change measure, so the trends in premium rates reflected in the change measure may not be comparable over time. Consideration is only given to renewals of a comparable nature so it does not reflect every contract in the portfolio of Conduit contracts. The future profitability of the portfolio of contracts within the change measure is dependent upon many factors besides the trends in premium rates.

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