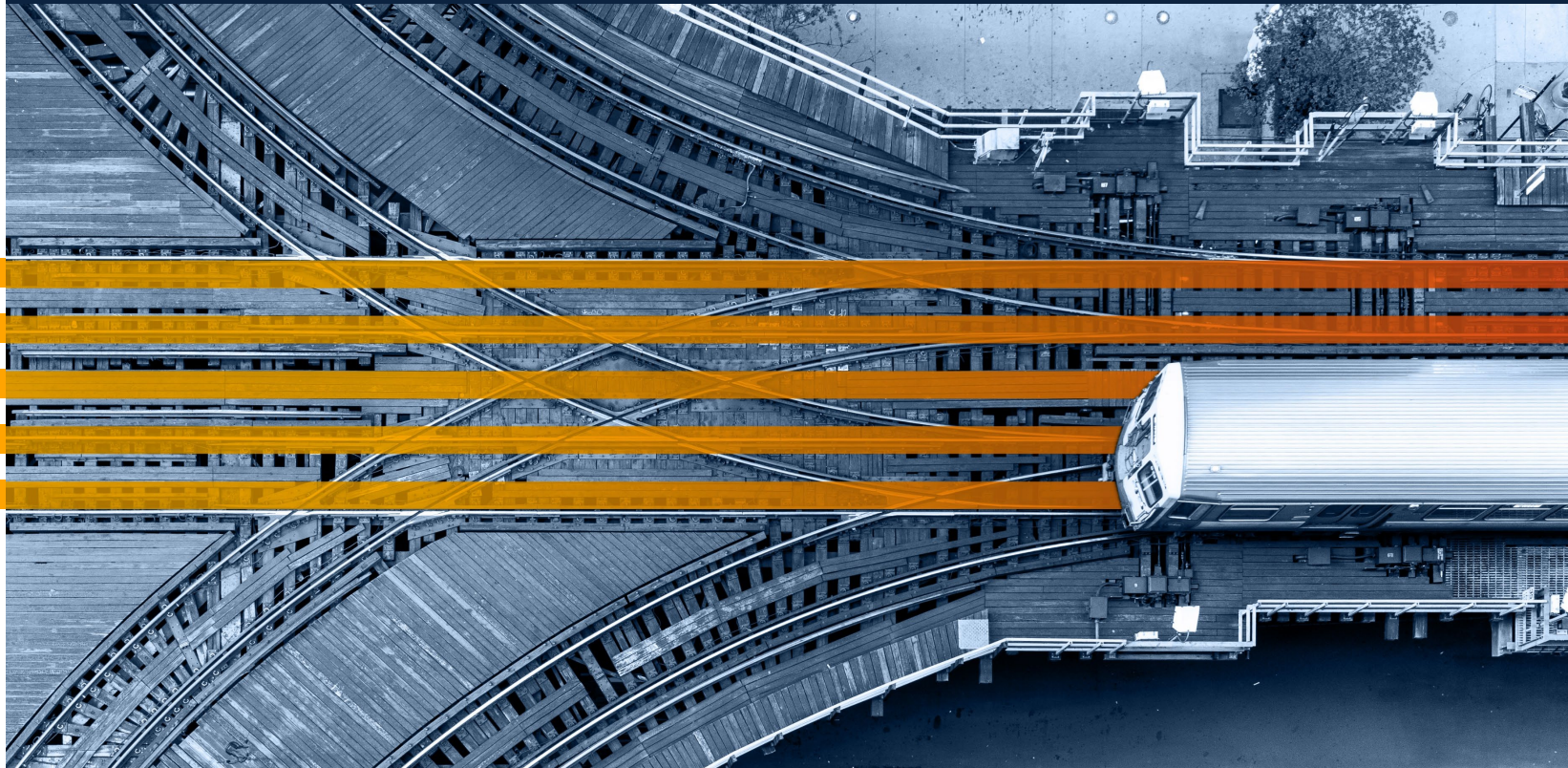




## Conduit Holdings Limited

IFRS 17 and IFRS 9 Transition Investor and Analyst Presentation

30 June 2023



# Disclaimer

## Important note

**All numbers presented are illustrative or indicative, unaudited and subject to change.**

References to "Conduit" include Conduit Holdings Limited and all its subsidiary companies. Conduit Holdings Limited is the ultimate parent of Conduit Reinsurance Limited and is listed on the London Stock Exchange (ticker: CRE).

This announcement includes 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. 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. All subsequent written and oral forward-looking statements attributable to Conduit and/or the group or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above.

# Agenda

- 01** Key messages
- 02** Conduit's accounting policies
- 03** Key impacts of IFRS 17
- 04** IFRS 17 transition and comparatives
- 05** Key performance indicators
- 06** Next steps

# Key messages

## No impact to strategy and reserving approach

- IFRS 17 and 9 are accounting changes and do not impact our underwriting strategy or the underlying economics.
- Our reserving approach is unchanged but will include more granular disclosures surrounding the Risk adjustment.
- No numerical changes from transition to IFRS 9, with some minor changes to policy wording.

## Shareholders' equity

- Net increase to opening Shareholders' equity of \$7.0m on transition to IFRS 17, which represents 0.7% of Shareholders' equity under IFRS 4 as at 31 December 2021.
- The increase is primarily due to discounting and the effect of a net deferral of acquisition related operating expenses with minor impacts from foreign currency revaluation.
- No impact to solvency position, cash generation or dividend paying ability.

## Profitability and earnings

- No change to overall profitability. The timing of earnings initially benefit from the recognition of net incurred losses on a discounted basis, with the unwind of discount occurring over the settlement period of losses.
- Reduced income statement volatility as movement in net reinsurance liabilities due to updating discount rates will partially offset unrealised gains/losses on investments caused from interest rate movements.

## Presentation and disclosure

- New look income statement which presents the Reinsurance service result separately.
- Condensed balance sheet format but with more granular disclosures.

# IFRS 17 and IFRS 9 key accounting policies

Measurement model	<ul style="list-style-type: none"><li>▪ Premium allocation approach (PAA) used for all reinsurance contracts.</li><li>▪ PAA is more closely aligned to current accounting, more appropriate to Conduit and easier to understand than the General Model.</li><li>▪ Presentation of ceding commissions as reduction to revenue will be a significant change in presentation.</li></ul>
Discount rates	<ul style="list-style-type: none"><li>▪ Bottom-up approach comprising of risk-free rate plus illiquidity premium.</li><li>▪ Risk-free rate produced using EIOPA curves.</li></ul>
Risk adjustment	<ul style="list-style-type: none"><li>▪ Risk adjustment will be determined by the existing reserving approach using actuarial projections, historical loss experience and management's judgement and experience.</li><li>▪ Risk adjustment will be translated to a confidence interval range and disclosed.</li></ul>
Expenses	<ul style="list-style-type: none"><li>▪ IFRS 17 definition of expenses classifies operating expenses as attributable or non-attributable.</li><li>▪ Attributable operating expenses related to acquisition of reinsurance contracts will be deferred and amortised over the coverage period.</li></ul>
Investments	<ul style="list-style-type: none"><li>▪ All fixed maturity securities to be classified as fair value through profit and loss (FVTPL), consistent with current policy.</li></ul>

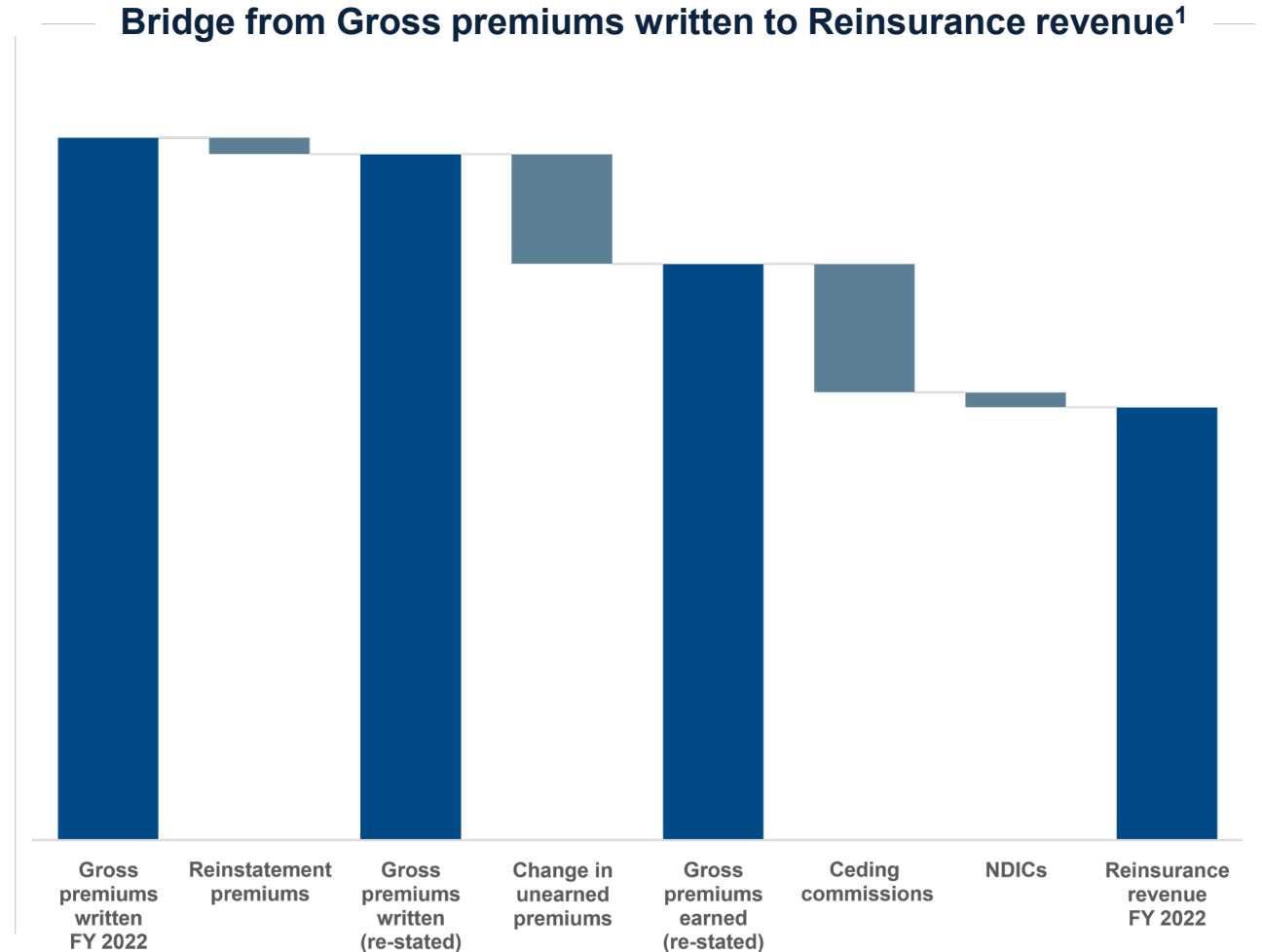
# Key impacts of IFRS 17

# Reinsurance revenue will be lower than Gross premiums written

The change to top line is presentational only with Gross premiums written no longer disclosed on the face of the income statement.

- Reinstatement premiums are presented as part of loss related amounts as they are contingent on claims
- Ceding commissions paid to the cedant are deducted from revenue, not shown separately as an expense
- Non-distinct investment components<sup>2</sup> (NDICs) are removed from Reinsurance revenue and Reinsurance service expenses, with a zero net impact on the Reinsurance service result

**As an important growth metric, Gross premiums written will remain as a non-GAAP alternative performance measure, and a KPI, but will exclude reinstatement premiums.**



<sup>1</sup> Graph presented as directional movements and axes are not to scale

<sup>2</sup> NDICs are identified where contract features exist that create a minimum amount payable in all circumstances

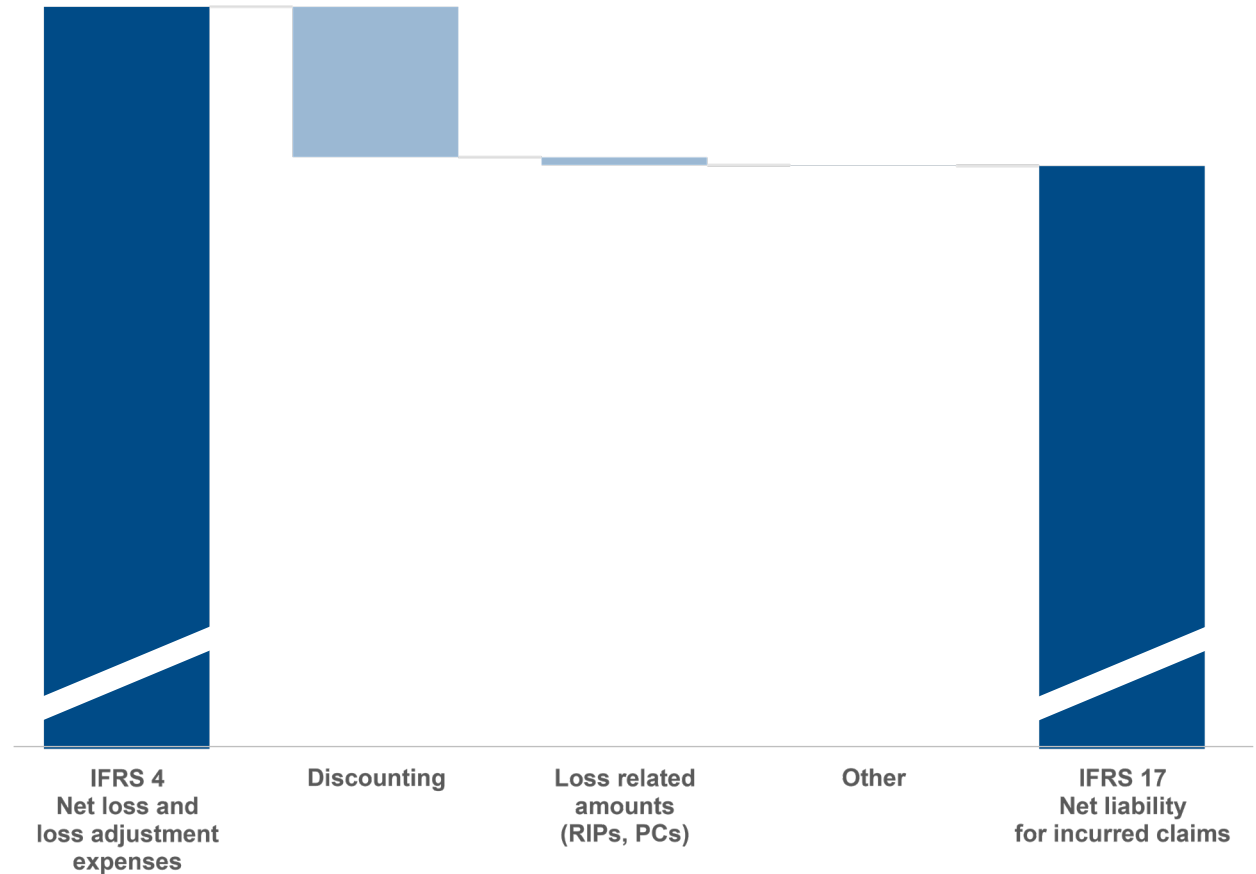
# Loss reserves will be discounted and include loss related amounts

The Net liability for incurred claims will be discounted and include any amounts payable or receivable that are contingent on claims.

Key measurement and presentation changes:

- Net liabilities for incurred claims are re-measured each reporting period using current discount rates, with the movement due to discount rates being presented as part of Reinsurance finance income or expense.
- Loss related amounts payable or receivable include reinstatement premiums, profit commissions and no claims bonuses.
- Incurred losses and loss related expenses will be presented with Reinsurance operating expenses as part of Reinsurance service expenses. Ceded reinsurance recoveries are presented separately.
- We intend to present losses and loss related amounts separately in our segmental reporting disclosure to allow recalculation of our net loss ratio<sup>2</sup>.

IFRS 4 Net Reserves to IFRS 17 Net liability for incurred claims<sup>1</sup> as at 31 December 2022



<sup>1</sup> Graph presented as directional movements and axes are not to scale

<sup>2</sup> Defined later in the presentation

# The discounting of liabilities provides better matching with assets

The interest rate movements seen over the past 18 months clearly highlight the current accounting mismatch between investments and reinsurance liabilities with unrealised losses on investments not being offset by the revaluation of liabilities under IFRS 4.

- We have elected to present all movements in reinsurance liabilities due to discount rates in the profit and loss, in line with our FVTPL classification for investments
- The matching of interest rate impacts will occur within the Net financial result, reducing the volatility on Total comprehensive income from the previous accounting mismatch.
- The impact of discounting on reinsurance liabilities is calculated using different yield curves depending on the transaction. The curves used in each reporting period will be ① the opening curve, ② a specific date of loss curve for material events and ③ the closing curve.

Discounting on incurred losses and movements in prior accident year reserves ① ②

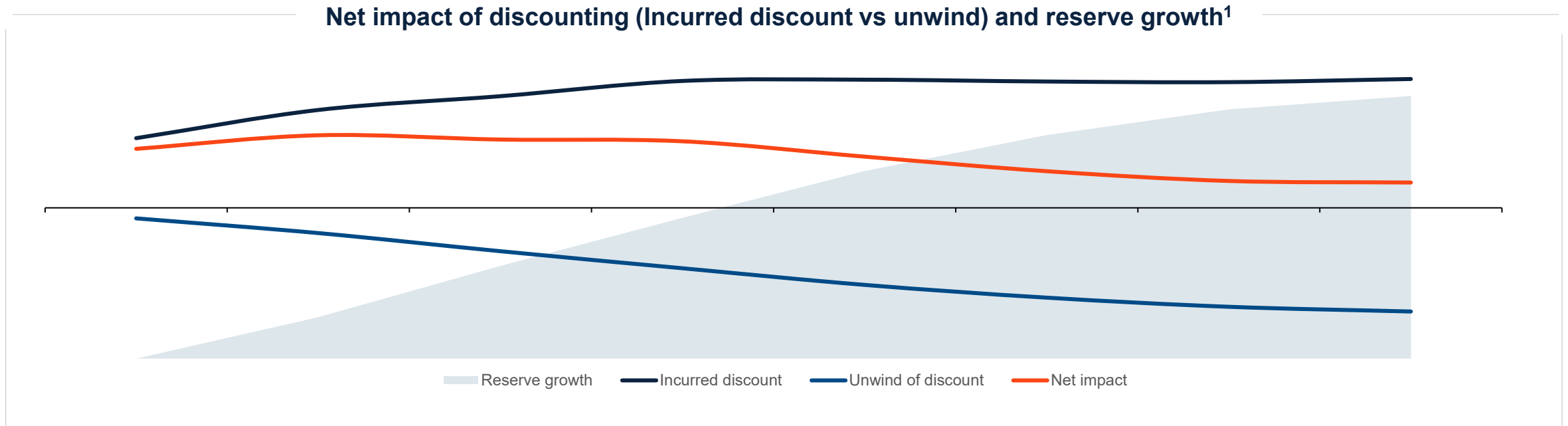
Fair value movement in investments caused by interest rates

Unwind of previous recognised discount ① ②

Change in liabilities due to updating to current discount rates ③

IFRS 17	
Reinsurance revenue	
Reinsurance service expenses	
Ceded reinsurance expense	
Ceded reinsurance recoveries	
<b>Reinsurance service result</b>	
Net investment income	
Net realised losses on investments	
Net unrealised losses on investments	
Net foreign exchange gains	
<b>Net investment result</b>	
Net reinsurance finance income	
<b>Net financial result</b>	
Equity-based incentives	
Other operating expenses	
<b>Results of operating activities</b>	
Financing costs	
<b>Total comprehensive income</b>	

# Illustrative discounting impact over time



In a constant rate environment, we expect discounting on loss reserves to provide a net benefit to income while reserve growth is causing the discount on initial incurred claims to outpace the unwind.

As reserve growth slows the unwind of previous recognised discount that is recorded will increase as a proportion to the discounting benefit on incurred claims reducing the net impact of discounting to the income statement.

A similar concept would be present depending on whether rates are rising or falling. In a rising environment, incurred discount will typically exceed the unwind whereas when rates are falling it is more likely that the unwind from prior years will exceed the incurred benefit.

<sup>1</sup> Graph presented as illustrative only

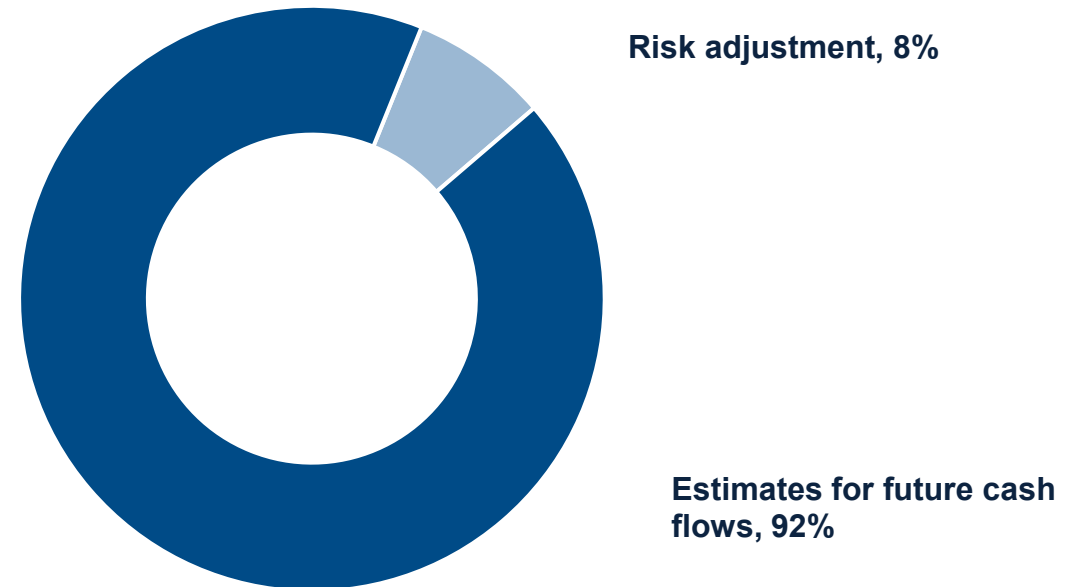
# Best estimate versus Risk adjustment

Estimates of future losses are projected on a actuarial best estimate basis with an explicit adjustment for non-financial risk which is termed the Risk adjustment.

Key measurement and presentation changes:

- Financial statement disclosures will present the roll forward of the Liability for incurred claims separately for the Risk adjustment versus the estimates for future cash flows.
- The Risk adjustment is determined in line with our current reserve approach so there will be no change in how the ultimate undiscounted loss reserves are calculated.
- Confidence level of the Risk adjustment is expected to be between 75<sup>th</sup> and 85<sup>th</sup> percentile range.

IFRS 17 Net liability for incurred claims split, as at 31 December 2022



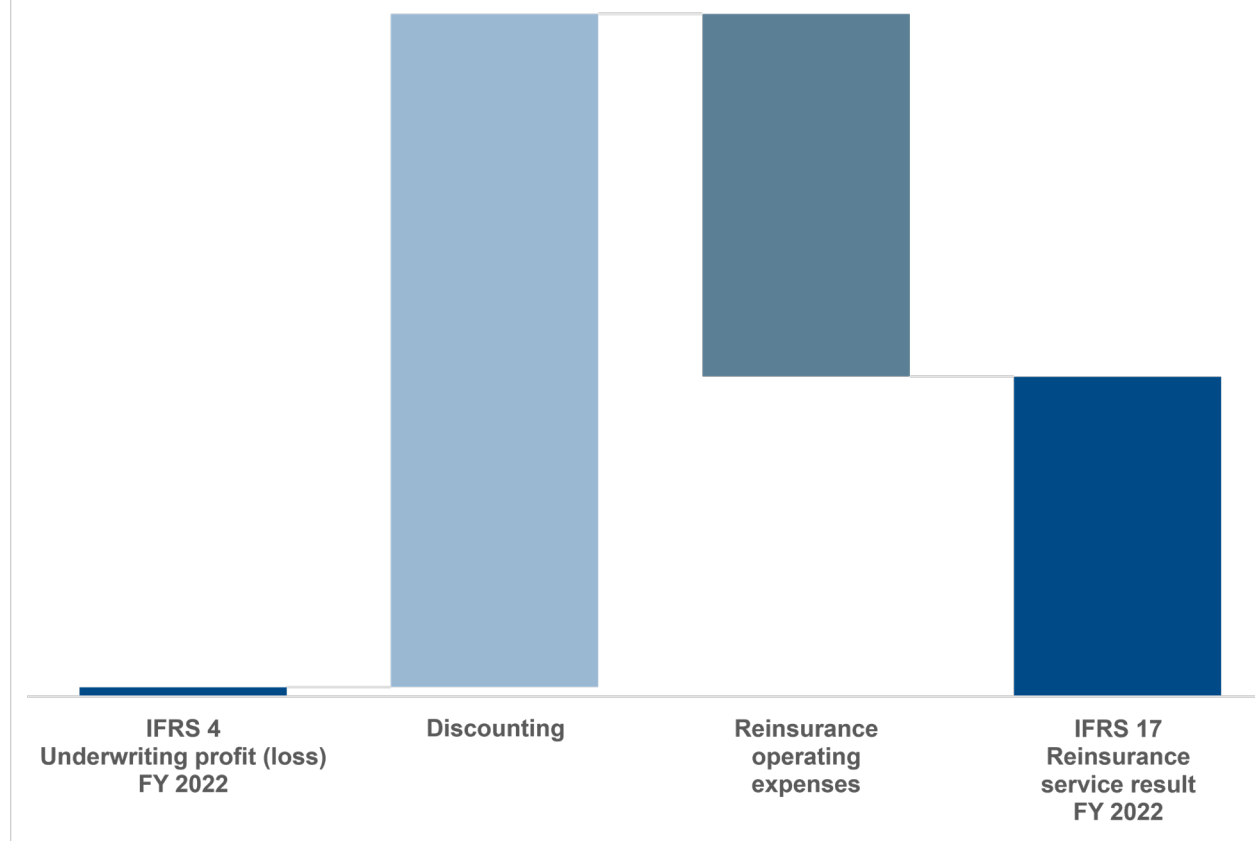
# Underwriting profit (loss)<sup>2</sup> replaced by Reinsurance service result<sup>3</sup>

Under IFRS 17, the Reinsurance service result, as disclosed in the Income statement, is replacing the current non-GAAP measure of Underwriting profit (loss).

Key measurement and presentation changes for the Reinsurance service result:

- Revenue and expenses from reinsurance contracts issued and ceded reinsurance contracts are shown separately.
- Losses and recoveries are discounted.
- Operating expenses that are deemed attributable are recognised in the service result as Reinsurance operating expenses.

Bridge for FY 2022 Underwriting profit (loss) to Reinsurance service result<sup>1</sup>



<sup>1</sup> Graph presented as directional movements and axes are not to scale

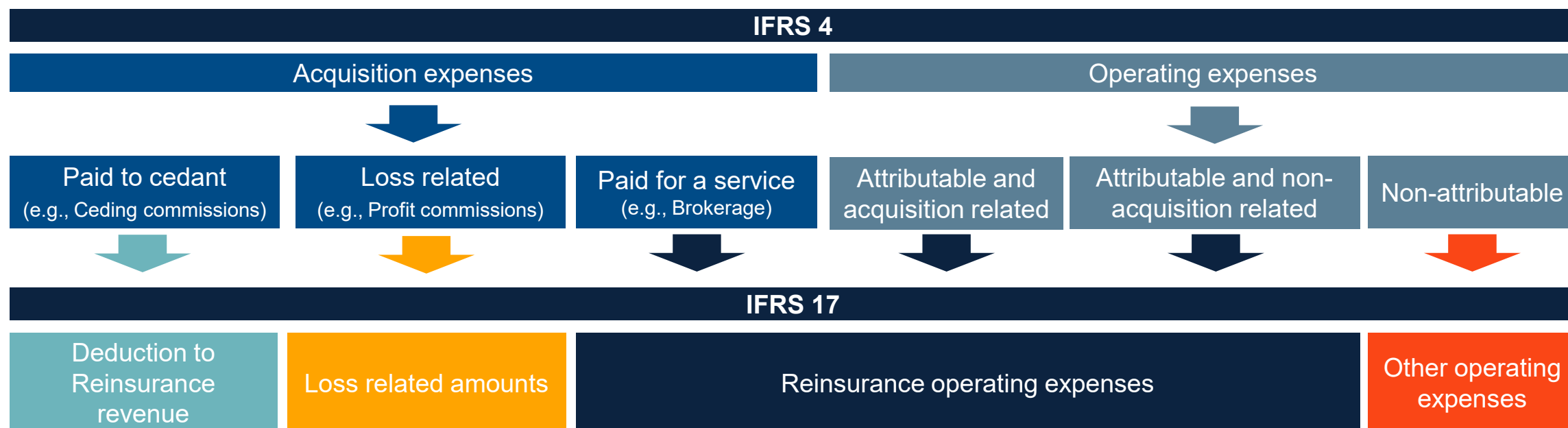
<sup>2</sup> Underwriting profit (loss) was a non-GAAP measure under IFRS 4

<sup>3</sup> Reinsurance service result is a GAAP measure under IFRS 17

# A clear distinction on reinsurance versus other operating expenses

All expenses will be shown in the operating result but expenses identified as attributable to fulfilling reinsurance contracts will be presented as part of the Reinsurance service result as 'Reinsurance operating expenses'.

- Two expense classifications under IFRS 4 become four classifications for IFRS 17
- A provision for the expected claims related operating expenses required to fulfil the settlement of all outstanding claims is included in the Liability for incurred claims, similar to current ULAE provision.



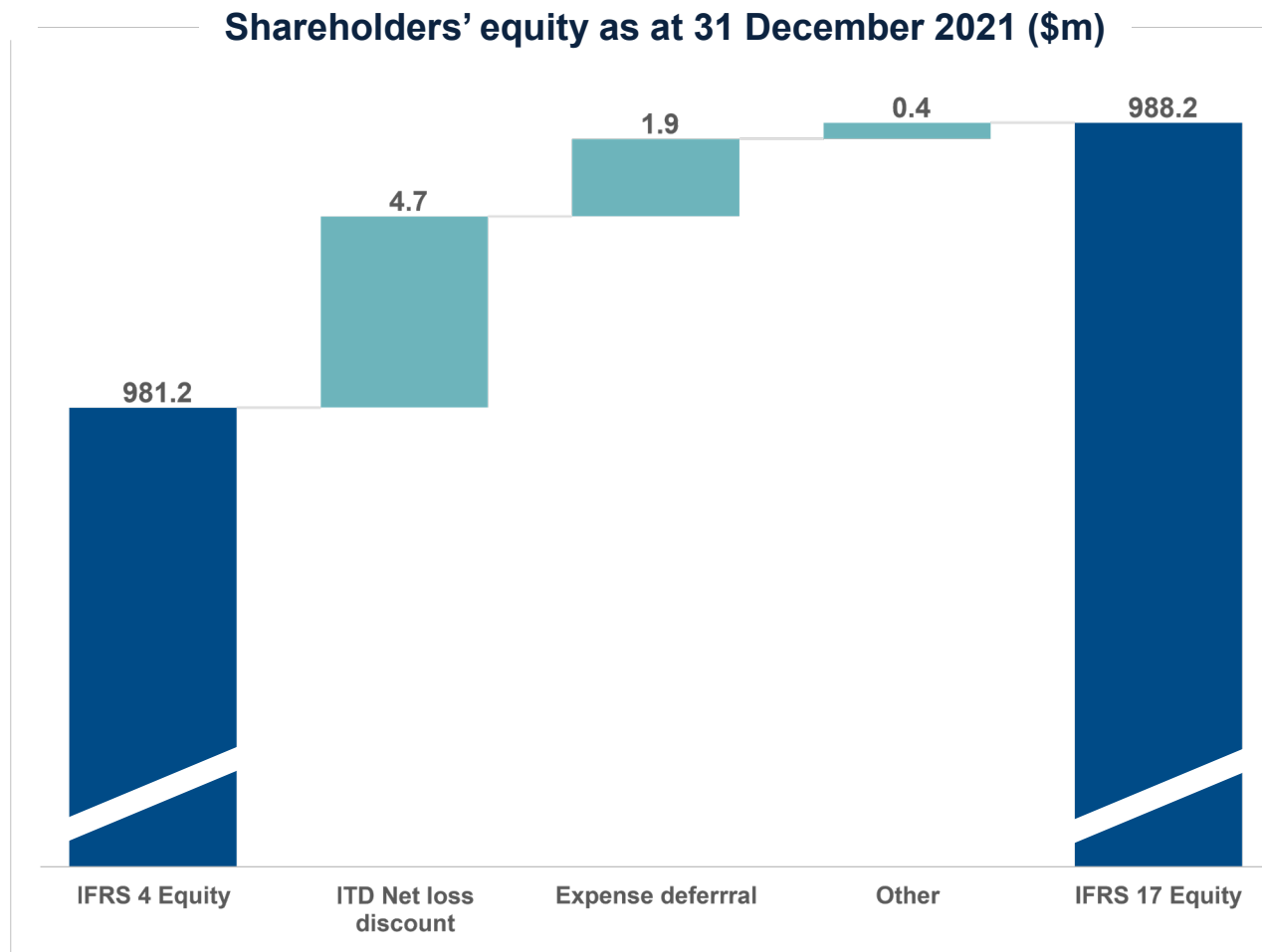
# IFRS 17 transition and comparatives

# Impact to Shareholders' equity on transition, as at 31 December 2021

We expect a \$7.0m increase to equity from re-statement of our financials from inception on transition to IFRS 17, which represents 0.7% of Shareholders' equity under IFRS 4 as at 31 December 2021.

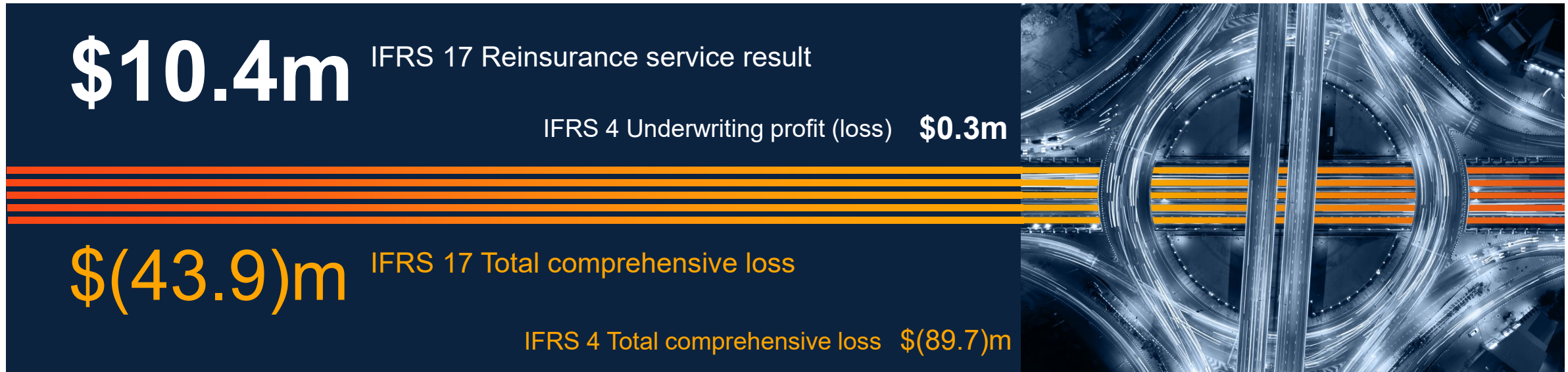
The increase to Shareholders' equity is driven by the following measurement differences:

- Net impact of discounting the Liability for incurred claims
- Net deferral of acquisition related operating expenses
- No change to the approach to setting the Risk adjustment
- Other measurement changes (revaluation of items previously recorded as non-monetary under IFRS 4 and provision for non-performance risk on ceded reinsurance recoveries)



All numbers presented are illustrative or indicative, unaudited and subject to change.

# FY 2022 results benefit from better matching of assets and liabilities



Total comprehensive loss improved by \$45.8m under IFRS 17 compared with total comprehensive loss of \$(89.7)m reported under IFRS 4

The improvement in results is driven by the discounting of loss reserves and reflecting the movement in liabilities due to updating to current discount rates, which removed some of the accounting mismatch between asset and liability movements due to rising interest rates.

Unrealised loss of \$(67.8)m on investments now partially offset by \$26.8m change in net reinsurance liabilities due to discount rates.

All numbers presented are illustrative or indicative, unaudited and subject to change.

# FY 2022 comparatives – Income statement bridge

IFRS 4	2022	Remove IFRS 4 UW result	Presentation Changes	Measurement changes			2022	IFRS 17
	\$m		\$m	Discounting	Expenses	Other	\$m	
Gross premium written	637.5	(637.5)	406.1			(13.7)	392.4	Reinsurance revenue
Ceded premium written	(56.6)	56.6	(404.2)	26.6	1.8	13.7	(362.1)	Reinsurance service expenses
<b>Net premium written</b>	<b>580.9</b>							
Change in gross UEPR	(99.6)	99.6	(48.6)				(48.6)	Ceded reinsurance expense
Change in ceded UEPR	1.0	(1.0)	33.4	(4.7)			28.7	Ceded reinsurance recoveries
<b>Net premium earned</b>	<b>482.3</b>		<b>(13.3)</b>	<b>21.9</b>	<b>1.8</b>	<b>-</b>	<b>10.4</b>	<b>Reinsurance service result</b>
Net investment income	17.8						17.8	Net investment income
Net realised losses on investments	(2.8)						(2.8)	Net realised losses on investments
Net unrealised losses on investments	(67.8)						(67.8)	Net unrealised losses on investments
Net foreign exchange gains	-					1.3	1.3	Net foreign exchange gains
							<b>(51.5)</b>	<b>Net investment result</b>
				20.8			20.8	Net reinsurance finance income
<b>Total net revenue</b>	<b>429.5</b>						<b>(20.3)</b>	<b>Net financial result</b>
Net insurance losses	(345.9)	345.9						
Net acquisition costs	(136.1)	136.1						
Equity-based incentives	(2.1)						(2.1)	Equity-based incentives
Other operating expenses	(34.3)		13.6				(20.7)	Other operating expenses
<b>Total expenses</b>	<b>(518.4)</b>							
<b>Results of operating activities</b>	<b>(88.9)</b>						<b>(43.1)</b>	<b>Results of operating activities</b>
Financing costs	(0.8)						(0.8)	Financing costs
<b>Total comprehensive loss</b>	<b>(89.7)</b>	<b>(0.3)<sup>1</sup></b>	<b>0.3<sup>1</sup></b>	<b>42.7</b>	<b>1.8</b>	<b>1.3</b>	<b>(43.9)</b>	<b>Total comprehensive loss</b>

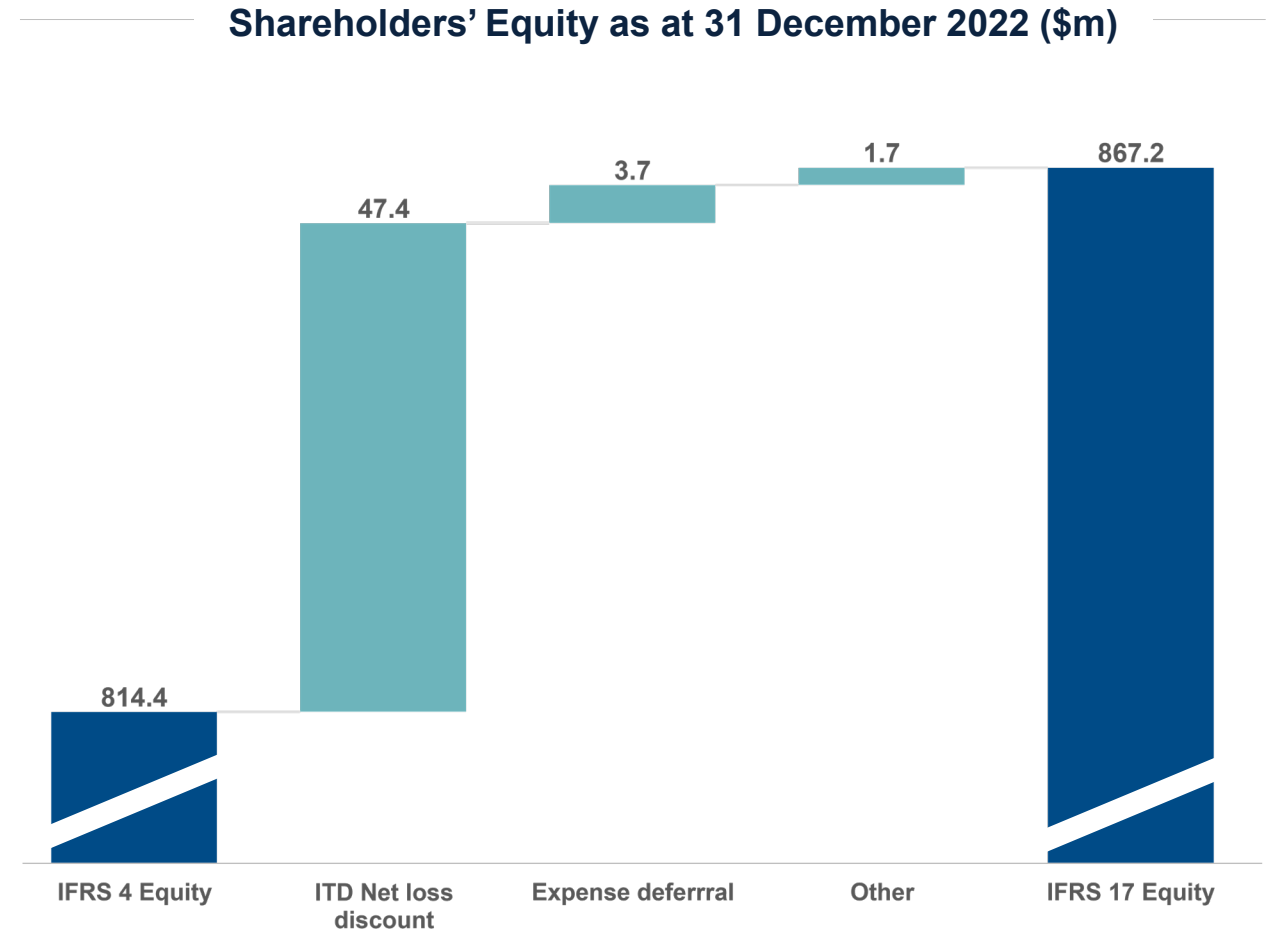
1 0.3m previous reported underwriting result under IFRS 4

All numbers presented are illustrative or indicative, unaudited and subject to change.

# Impact to Shareholders' equity, as at 31 December 2022

As at 31 December 2022, the increase in equity from IFRS 17 is \$52.8m compared to IFRS 4.

- The increase in the impact of IFRS 17 to equity is driven mostly by the movements in interest rates observed in 2022.
- Change in net insurance liabilities due to the 2022 increase in interest rates was \$26.8m.
- No change to the approach to setting the Risk adjustment.
- Expense deferral increases by \$1.8m as a greater proportion of our expenses were deemed attributable in 2022.



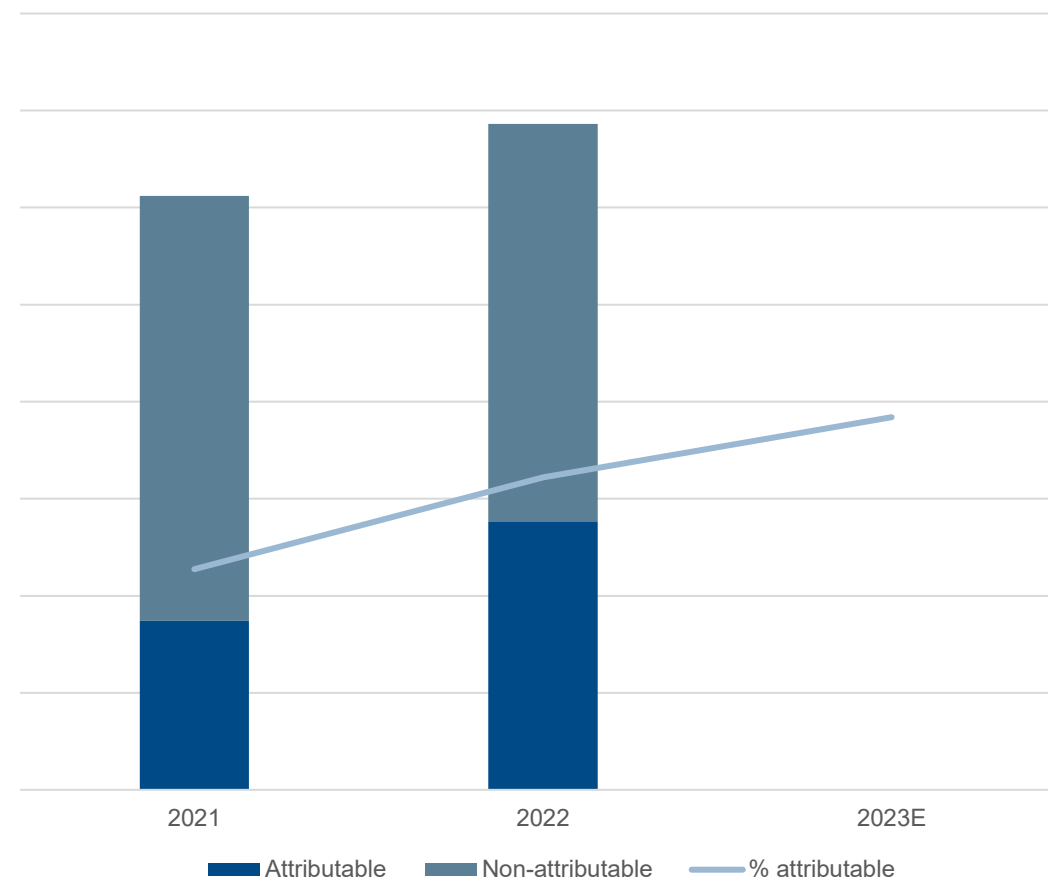
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# Attributable operating expenses

As we have grown since commencing business in December 2020, an increasing proportion of our operating expenses are attributable.

- We expect the percentage of total operating expenses recognised in the Reinsurance service result to increase slightly as our cost base continues to mature.
- The expectation for 2023 is illustrative and the actual percentage of operating expenses recognised as attributable operating may be different.

Attributable versus non-attributable operating expenses



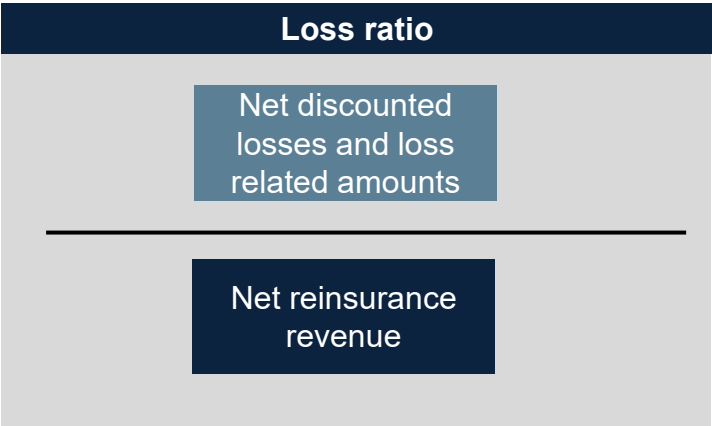
# FY 2022 comparatives – Balance sheet bridge

IFRS 4	2022	Remove IFRS 4	Presentation changes	Measurement changes	Discounting	Expenses	Other	IFRS Portfolio Groupings	2022	IFRS 17
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Cash and cash equivalents	112.9								112.9	Cash and cash equivalents
Accrued interest	5.5								5.5	Accrued interest
Investments	1,021.7								1,021.7	Investments
Inwards premium receivable	260.5	(260.5)	64.3		3.7	1.8	(69.8)		-	Reinsurance assets
Reinsurance assets	91.2	(91.2)	78.6	(7.4)		(0.2)	(3.7)		67.3	Ceded reinsurance assets
Deferred acquisition costs	69.4	(69.4)							-	Deferred acquisition costs
Other assets	7.2								7.2	Other assets
<b>Total assets</b>	<b>1,568.4</b>	<b>(421.1)</b>	<b>142.9</b>	<b>(7.4)</b>	<b>3.7</b>	<b>1.6</b>	<b>(73.5)</b>	<b>1,214.6</b>	<b>Total assets</b>	
Reinsurance contracts										
- Losses and loss adjustment expenses	459.3	(459.3)	461.1	(54.8)		(0.2)	(69.8)		336.3	Reinsurance liabilities
- Unearned premiums	252.4	(252.4)								
- Other reinsurance payables	15.0	(15.0)								
Amounts payable to reinsurers	16.2	(16.2)	3.6			0.1	(3.7)		-	Ceded reinsurance liabilities
Other liabilities	11.1								11.1	Other liabilities
<b>Total liabilities</b>	<b>754.0</b>	<b>(742.9)</b>	<b>464.7</b>	<b>(56.8)</b>	<b>-</b>	<b>(0.1)</b>	<b>(73.5)</b>	<b>347.4</b>	<b>Total liabilities</b>	
Share capital	1.7								1.7	Share capital
Other reserves	1,038.0								1,038.0	Other reserves
Retained earnings	(225.3)	321.8	(321.8)	47.4	3.7	1.7	(172.5)			Retained earnings
<b>Shareholders' equity</b>	<b>814.4</b>	<b>321.8</b>	<b>(321.8)</b>	<b>49.1</b>	<b>3.7</b>	<b>1.7</b>	<b>-</b>	<b>867.2</b>	<b>Shareholders' equity</b>	
<b>Total liabilities and shareholders' equity</b>	<b>1,568.4</b>	<b>(421.1)</b>	<b>142.9</b>	<b>(7.4)</b>	<b>3.7</b>	<b>1.6</b>	<b>(73.5)</b>	<b>1,214.6</b>	<b>Total liabilities and shareholders' equity</b>	

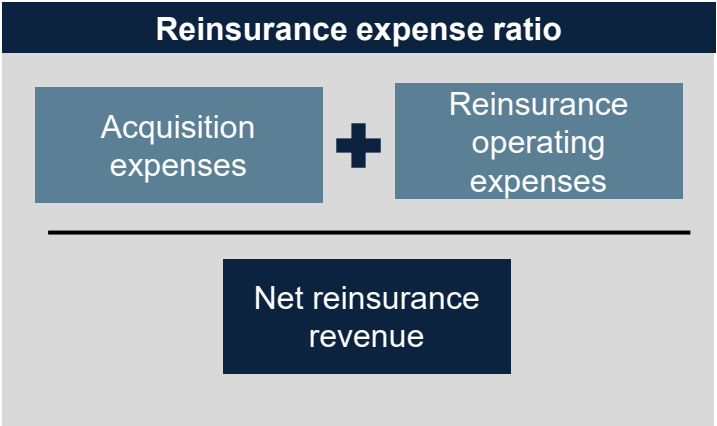
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# Key performance indicators

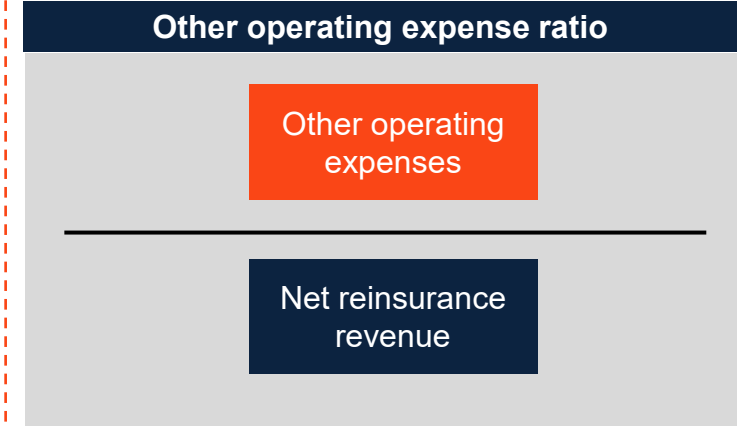
# Key performance ratios



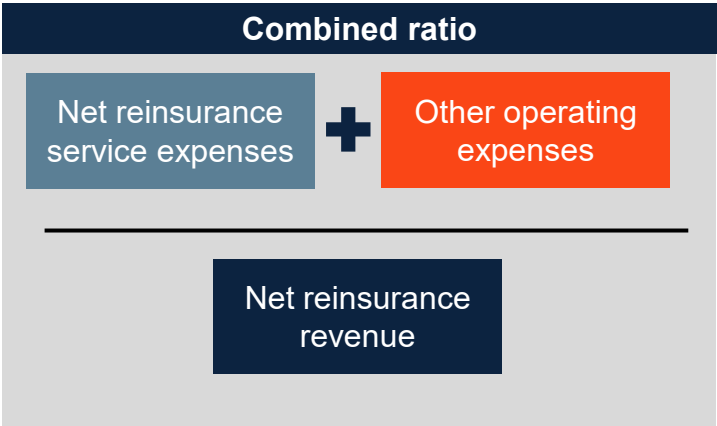
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Other operating expenses are not presented within the Reinsurance service result, however we intend to include all operating expenses within our Combined ratio, in line with our previous methodology.

# FY 2022 comparative key ratios

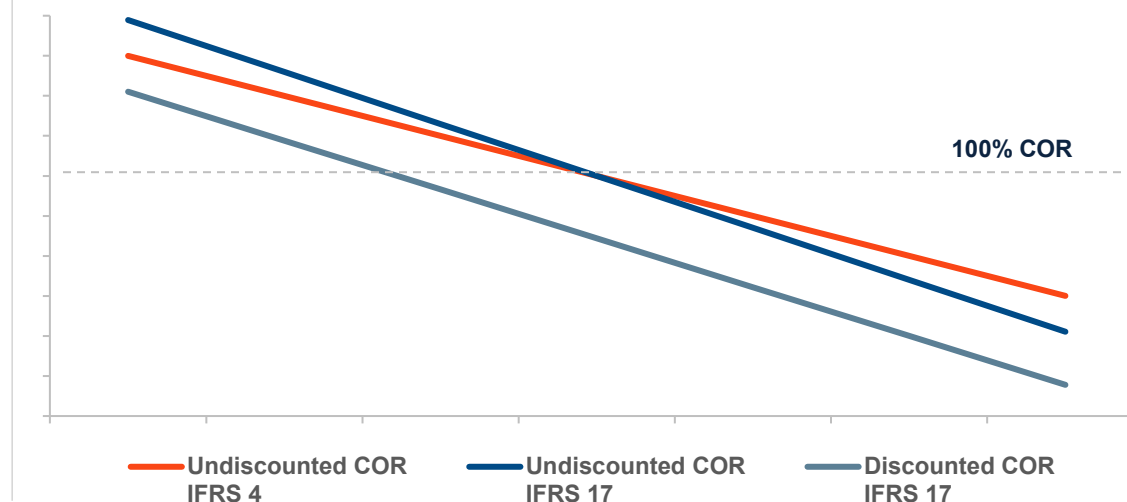
	IFRS 4			
FY 2022	Property	Casualty	Specialty	Total
Net loss ratio	66.5%	66.0%	100.8%	71.7%
Net acquisition ratio	26.4%	32.2%	23.1%	28.2%
Other operating expense ratio				7.1%
<b>Combined ratio</b>	<b>92.9%</b>	<b>98.2%</b>	<b>123.9%</b>	<b>107.0%</b>

Excluding the effects of discounting, the IFRS 17 COR methodology will produce a lower COR when <100% and a higher COR when >100% due to the re-representation of certain deductions to the denominator.

- The IFRS 17 COR is impacted by discounting on incurred losses and loss related amounts. This is a reduction to the COR but the size of the reduction could be volatile from period to period due to movements in the market interest rates.
- Reinsurance operating expense ratio includes expenses that were previously shown in the other operating expense ratio.

	IFRS 17			
FY 2022	Property	Casualty	Specialty	Total
Net loss ratio, undiscounted	83.0%	93.9%	128.6%	94.7%
Reinsurance expense ratio	11.0%	6.3%	7.9%	8.6%
Other operating expense ratio				6.0%
<b>Combined ratio, undiscounted</b>	<b>94.0%</b>	<b>100.2%</b>	<b>136.5%</b>	<b>109.3%</b>
Discount on net loss ratio	(3.2)%	(8.4)%	(10.0)%	(6.3)%
<b>Combined ratio, discounted</b>	<b>90.8%</b>	<b>91.8%</b>	<b>126.5%</b>	<b>103.0%</b>

Illustrative COR Comparison



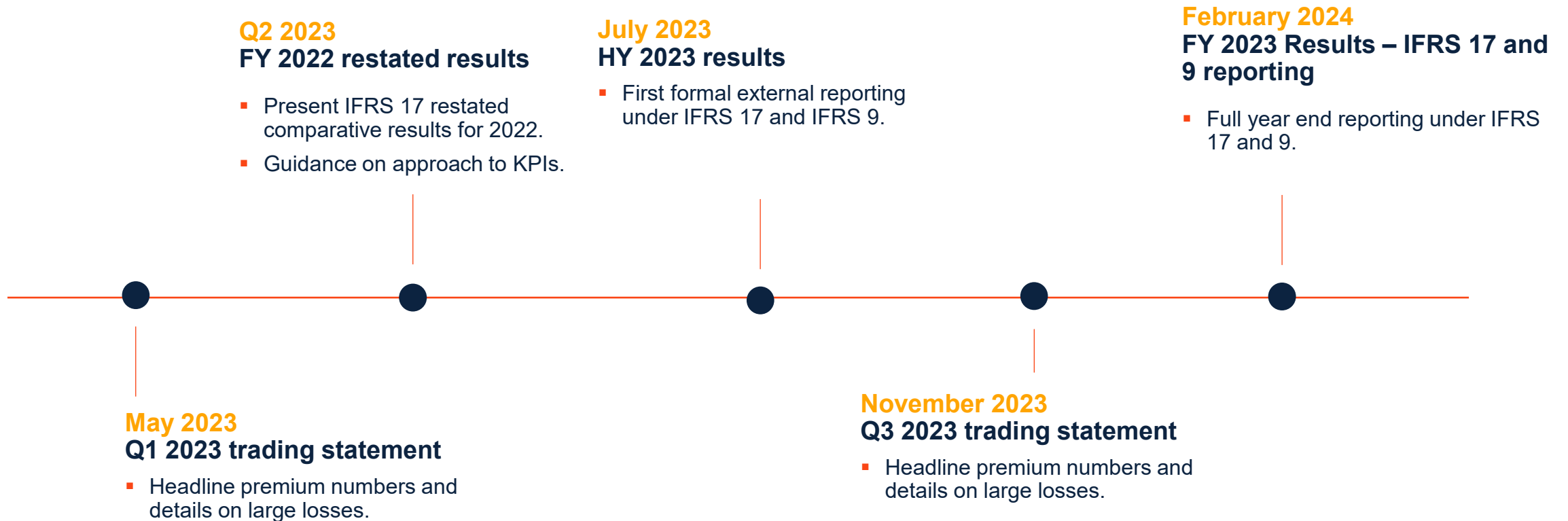
# Presenting our FY 2022 KPIs under IFRS 17

<b>Gross premiums written</b>		▪ Decrease driven by removal of reinstatement premiums	<b>Total net investment return</b>		▪ No impact
<b>Original</b>	<b>Restated</b>		<b>Original</b>	<b>Restated</b>	
<b>\$637.5m</b>	<b>\$622.4m</b>		<b>(5.0)%</b>	<b>(5.0)%</b>	
<b>RoE</b>		▪ Increase in profit in the period primarily due to discounting	<b>Total shareholder return</b>		▪ No impact
<b>Original</b>	<b>Restated</b>		<b>Original</b>	<b>Restated</b>	
<b>(9.1)%</b>	<b>(4.4)%</b>		<b>5.5%</b>	<b>5.5%</b>	
<b>Combined ratio</b>		▪ COR lower primarily due to impact of discounting.	<b>Net tangible asset value per share</b>		▪ Net asset value increase due to higher profit for the period and higher opening equity from IFRS 17
<b>Original</b>	<b>Restated</b>		<b>Original</b>	<b>Restated</b>	
<b>107.0%</b>	<b>103.0%</b>		<b>\$5.08</b>	<b>\$5.40</b>	

All numbers presented are illustrative or indicative, unaudited and subject to change.

# Next steps and final comments

# 2023 external reporting roadmap



# Final comments

## No impact to strategy and reserving approach

- IFRS 17 and 9 are accounting changes and do not impact our underwriting strategy or the underlying economics.
- Our reserving approach is unchanged but will include more granular disclosures surrounding the Risk adjustment.

## Profitability and earnings

- No change to overall profitability. The timing of earnings initially benefit from the recognition of net incurred losses on a discounted basis, with the unwind of discount occurring over the settlement period of losses.
- FY 2022 Total comprehensive loss under IFRS 17 of \$(43.9)m versus \$(89.7)m under IFRS 4
- Reduced volatility as movement in net insurance liabilities due to updating discount rates will partially offset unrealised gains/losses on investments caused from interest rate movements.

## Presentation and disclosure

- New look income statement which presents the Reinsurance service result separately.
- Condensed balance sheet format but with more granular disclosures.

# Appendices

# HY 2022 comparatives – Income statement

IFRS 4	2022
	\$m
Gross premium written	359.0
Ceded premium written	(45.6)
<b>Net premium written</b>	<b>313.4</b>
Change in gross UEPR	(125.6)
Change in ceded UEPR	22.2
<b>Net premium earned</b>	<b>210.0</b>
Net investment income	6.4
Net realised losses on investments	(2.1)
Net unrealised losses on investments	(54.3)
Net foreign exchange gains	0.2
<b>Total net revenue</b>	<b>160.2</b>
Net insurance losses	(142.3)
Net acquisition costs	(61.5)
Equity-based incentives	(0.7)
Other operating expenses	(16.7)
<b>Total expenses</b>	<b>(221.2)</b>
<b>Results of operating activities</b>	<b>(61.0)</b>
Financing costs	(0.4)
<b>Total comprehensive loss</b>	<b>(61.4)</b>

2022	IFRS 17
\$m	
169.3	Reinsurance revenue
(149.8)	Reinsurance service expenses
(20.4)	Ceded reinsurance expense
11.3	Ceded reinsurance recoveries
<b>10.4</b>	<b>Reinsurance service result</b>
6.4	Net investment income
(2.1)	Net realised losses on investments
(54.3)	Net unrealised losses on investments
1.4	Net foreign exchange gains
<b>(48.6)</b>	<b>Net investment result</b>
10.1	Net reinsurance finance income
<b>(28.1)</b>	<b>Net financial result</b>
(0.7)	Equity-based incentives
(10.2)	Other operating expenses
<b>(39.0)</b>	<b>Results of operating activities</b>
(0.4)	Financing costs
<b>(39.4)</b>	<b>Total comprehensive loss</b>

All numbers presented are illustrative or indicative, unaudited and subject to change.

# HY 2022 comparatives – Balance sheet

IFRS 4	2022
	\$m
Cash and cash equivalents	92.0
Accrued interest	4.0
Investments	952.7
Inwards premium receivable	288.7
Reinsurance assets	87.8
Deferred acquisition costs	73.1
Other assets	6.2
<b>Total assets</b>	<b>1,504.5</b>
Reinsurance contracts	
- Losses and loss adjustment expenses	290.1
- Unearned premiums	278.4
- Other reinsurance payables	5.0
Amounts payable to reinsurers	34.4
Other liabilities	8.8
<b>Total liabilities</b>	<b>616.7</b>
Share capital	1.7
Other reserves	1,053.5
Retained earnings	(167.4)
<b>Shareholders' equity</b>	<b>887.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,504.5</b>

2022	IFRS 17
\$m	
92.0	Cash and cash equivalents
4.0	Accrued interest
952.7	Investments
-	Reinsurance assets
48.2	Ceded reinsurance assets
6.2	Other assets
<b>1,103.1</b>	<b>Total assets</b>
177.5	Reinsurance liabilities
-	Ceded reinsurance liabilities
8.8	Other liabilities
<b>186.3</b>	<b>Total liabilities</b>
1.7	Share capital
1,053.5	Other reserves
(138.4)	Retained earnings
<b>916.8</b>	<b>Shareholders' equity</b>
<b>1,103.1</b>	<b>Total liabilities and shareholders' equity</b>

All numbers presented are illustrative or indicative, unaudited and subject to change.

# The definition of some of our KPIs will change

Metric	Current definition	Impact of IFRS 17	Calculation
Gross premiums written (GPW)	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.	<ul style="list-style-type: none"> <li>GPW is no longer disclosed as the top line and is replaced by Reinsurance revenue.</li> <li>We will continue to disclose GPW as a KPI but will exclude reinstatement premiums.</li> </ul>	Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries.
Combined ratio (COR)	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	<ul style="list-style-type: none"> <li>New methodology for the COR due to IFRS 17 presentation and measurement changes.</li> <li>Continue to use a Net/Net calculation methodology.</li> </ul>	Net loss ratio + Net reinsurance operating expense ratio + Other operating expense ratio
Total net investment return	The Group'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, the Group looks to generate an appropriate total net investment return. The Group bases its total net investment return on the sum of non-operating cash and cash equivalents and fixed maturity securities.	<ul style="list-style-type: none"> <li>No change to methodology</li> </ul>	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	ROE enables the Group 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.	<ul style="list-style-type: none"> <li>No change to methodology but impacted through change in profit emergence and opening equity from adoption of IFRS 17</li> </ul>	Profit (loss) after tax for the period/Total shareholders' equity, at beginning of period
Total shareholder return	TSR allows the Group to compare itself against other public peer companies. TSR is calculated as the percentage change in common share price over a period, after adjustment for common share dividends.	<ul style="list-style-type: none"> <li>No change to methodology</li> </ul>	Closing common share price - Opening common share price + Common share dividends during the period/Opening common share price
Net tangible asset value per share	Year-end shareholders' equity includes the profit/(loss) for the financial year and dividends declared. Intangible assets consist of capitalised costs related to our internal software development. Intangible assets are excluded from shareholders' equity to calculate the net tangible asset value per share.	<ul style="list-style-type: none"> <li>No change to methodology but impacted through change in equity from adoption of IFRS 17</li> </ul>	(Net assets – Intangible assets) / Common shares in issue

# Glossary

Term	Definition
Attributable expenses	Expenses that are attributable to fulfilling obligations towards the cedants i.e., underwriting and claims handling activities plus an allocation of other operating expenses. Attributable expenses are classified as those relating to (a) Acquisition (b) Policy Maintenance (c) Claims Maintenance.
Ceded reinsurance expense	The amount payable to the reinsurer net of any commission due.
Ceded reinsurance recoveries	The discounted recoveries expected or received from the reinsurer, net of reinstatement premiums, profit commissions, and loss component recoveries recognised.
IFRS 17 class of business	The IFRS 17 class of business is an aggregation of management classes of business that are similar in risk coverage and managed together as a portfolio. The IFRS 17 classes of business are; liability, financial and professional lines, catastrophe, risk and worldwide, marine and energy, and other specialty.
Interest accretion	The unwind of previously recognised discount on the liability for incurred claims over the expected settlement period.
Level of aggregation	Contract grouping at which the measurement requirements under IFRS 17 are applied. For CHL this is IFRS 17 class of business split further by underwriting year and profitable versus onerous.
Liability for incurred claims (LIC)	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 LIC includes the Risk adjustment and contractual payments made that are contingent on loss events, such as profit commissions and reinstatement premiums. The LIC is discounted.
Liability for remaining coverage (LRC)	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. Not discounted
Losses and loss related expenses	Expected amounts to reflect the estimated cost of claims payments and the related amounts that the insurer or reinsurer will ultimately be required to pay or receive in respect of insurance or reinsurance contracts it has written. This includes reinstatement premiums and profit commissions.
Non-distinct investment components (NDIC)	An amount that is repayable to the cedant in all circumstances, irrespective of loss occurrence. This typically reflects the profit commission payable under a zero loss scenario. The amount of NDIC is removed from both revenue and service expenses.

# Glossary

Term	Definition
Premium allocation approach (PAA)	The measurement model under IFRS 17 that is applied to short duration contracts.
Reinsurance finance expense	Finance expense is comprised of interest accretion and the change in liability for incurred claims due to updating of discount rates.
Reinsurance revenue	The amount payable by the cedant net of any deductions due, to the cedant, and taxes.
Reinsurance service expenses	Total expenses incurred for the fulfilment of reinsurance contracts. Includes discounted losses and loss adjustment expenses, net of reinstatement premiums, profit commissions, brokerage, attributable expenses and loss components recognised.
Risk adjustment	The judgemental allowance for uncertainty about the amount and timing of cash flows that arise from non-financial risks and is determined as a margin above the Actuarial Best Estimate.

