



CONDUIT RE

Conduit Holdings Limited

H1 2022 results

27 July 2022



Forward looking statements

Important note:

This presentation and related 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, future events or intentions. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, pricing rate changes, terms and conditions, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, claims development, losses and future prospects investment returns, gains and losses; and (ii) business and management strategies and the expansion and growth of CHL's operations.

Forward-looking statements may and often do differ materially from actual results. Forward-looking statements reflect CHL'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 CHL'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 CHL'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 conflict in Ukraine, Hurricane Ida, and the European storms and floods in 2021; the impact of complex causation and coverage issues associated with attribution of losses to wind or flood damage or the conflict in Ukraine; unusual loss frequency or losses that are not modelled; the effectiveness of CHL's risk management and loss limitation methods, including to manage volatility; the development of CHL's technology platforms; a decline in Conduit Re's ratings with A.M. Best or other rating agencies; the impact that CHL's future operating results, capital position and ratings may have on the execution of CHL's business plan, capital management initiatives or dividends; CHL'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 Re'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 CHL's key management and the potential loss of key personnel; the credit environment for issuers of fixed maturity investments in CHL's portfolio, including those with ESG ratings; 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 CHL operates; CHL 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 CHL conducts business. Forward-looking statements contained in this trading update may be impacted by the escalation or expansion of the Ukraine conflict on Conduit Re'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. CHL 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 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 Re renewal year on year 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 Re'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 Re contracts. The future profitability of the portfolio of contracts within the change measure is dependent upon many factors besides the trends in premium rates.

First half of 2022 highlights

- Continued build of a high-quality business focused on selective underwriting, with excellent support from clients and brokers:
 - Estimated ultimate premiums written of \$496.7 million, an increase of 49.1% on the first half of 2021 estimated ultimate premiums written of \$333.1 million
 - Gross premiums written of \$359.0 million, an increase of 70.7% over the same period of 2021

- Conduit had minimal exposure to the natural catastrophe events in the first half of 2022; unchanged net incurred losses in the first half of 2022 related to the Ukraine War: \$24.6 million¹⁾ net impact

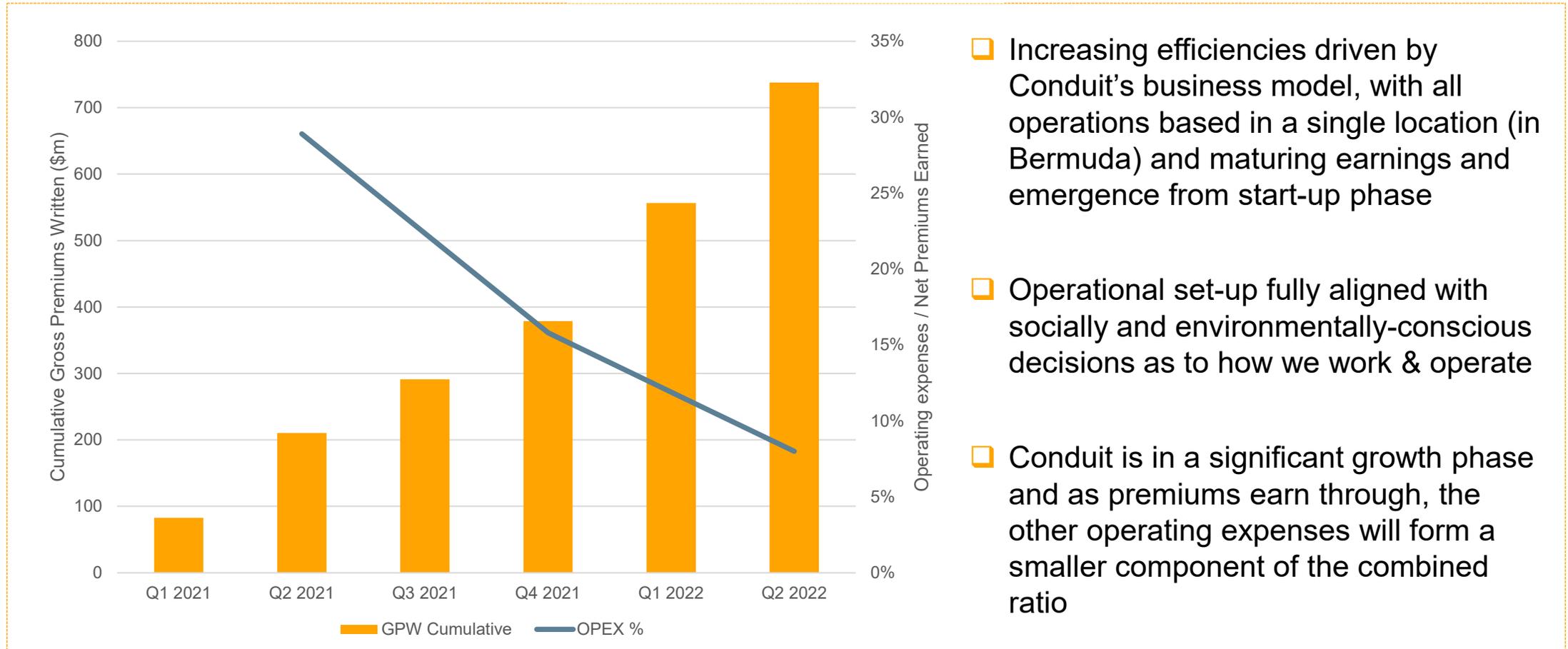
- Market conditions remain strong, with continuing rate increases and improvements in terms & conditions, promoting diversified and balanced portfolio growth, with an overall risk-adjusted rate change of 4% net of inflation

- With the quality of the business bound, and now earning through, increasing revenues plus operations fully in place, our underlying combined ratio will be trending towards the mid-80s steady state level

1) After reinsurance and reinstatement premiums

Other operating expense ratio reducing as business matures

Conduit's efficient business model



First half of 2022, segment update

Gross Premiums Written

Property



- ❑ Shortage of capacity in the market
- ❑ Significant growth achieved with quality of underwriting portfolio maintained
- ❑ Target line size maintained thus achieving growth without altering risk profile of the underwriting portfolio

Casualty



- ❑ Rates continue to move ahead of inflation due to historical underpriced business and reserve stresses
- ❑ Selected business available at commercially attractive rates

Specialty



- ❑ Growth driven by improving underlying underwriting market discipline, evidenced by underwriters identifying and pricing specifically for risks which were historically bundles together and not charged for

Conduit Re pricing experience outpaces inflation

□ July 2022 renewals:

- Clear and measurable mismatch in supply & demand of cat capacity with price alone not sufficient to get certain deals completed, leaving potential risk management issues for incumbents
- Conduit has taken advantage of capacity constraints on the property market

□ On a year-to-date basis our overall risk-adjusted rate change is 4% net of inflation:

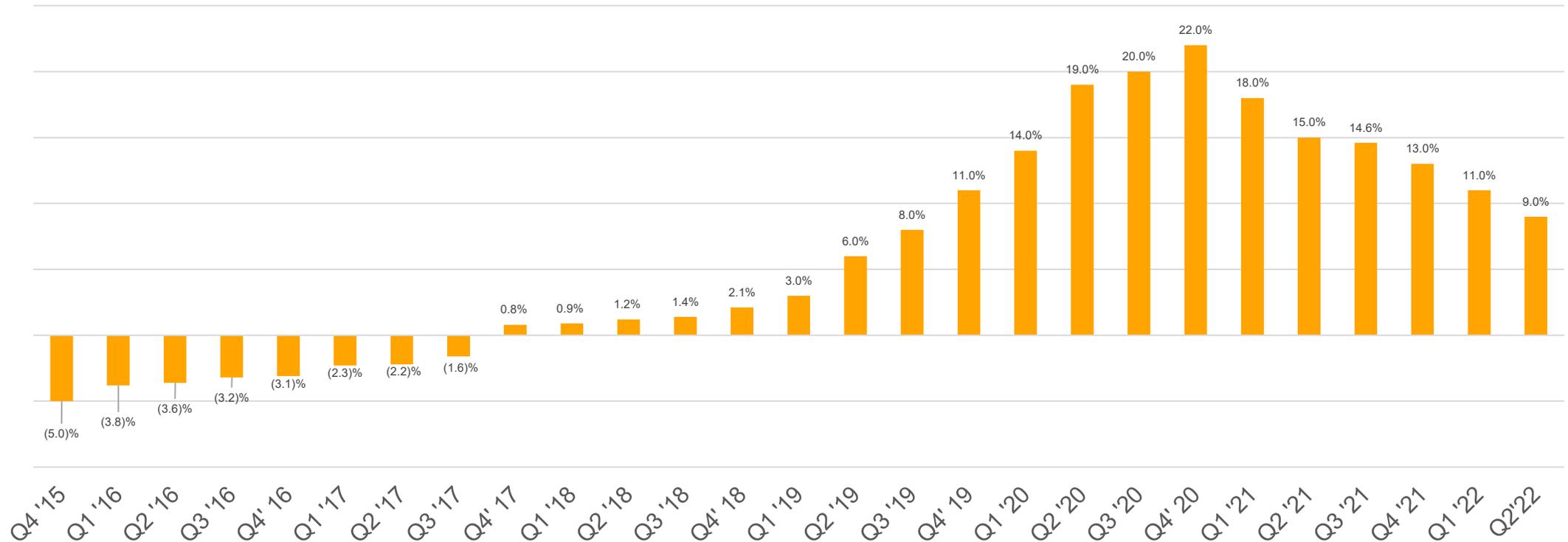
Division	1/1 Renewals	Q1 to date	H1 to date
Property	8%	8%	8%
Casualty	4%	3%	1%
Specialty	2%	2%	2%
Weighted	5%	5%	4%

□ Conduit Re's second half of 2022 renewals outlook:

- Continue execution of plans to build a balanced and diversified portfolio
- Selectively provide capacity to clients, geographies and perils which may experience supply shortage and/or as a consequence of cedants' H1 loss experiences

Strong global pricing environment

Marsh Global Insurance Pricing Change



Global commercial insurance prices rose 9% in the second quarter of 2022, marking the nineteenth consecutive quarter that composite prices rose

Conduit has a legacy-free balance sheet, which limits the impact from inflation

- ❑ Conduit was created in December 2020 with a legacy-free balance sheet
- ❑ Our recent start means a small book of prior year reserves compared to other (re)insurers
- ❑ Robust inflation assumptions have been built into our portfolios from the outset, on a case-by-case basis and with class-by-class differentiation
- ❑ Conduit does not write auto, trade credit or mortgage classes

First half of 2022, financial highlights

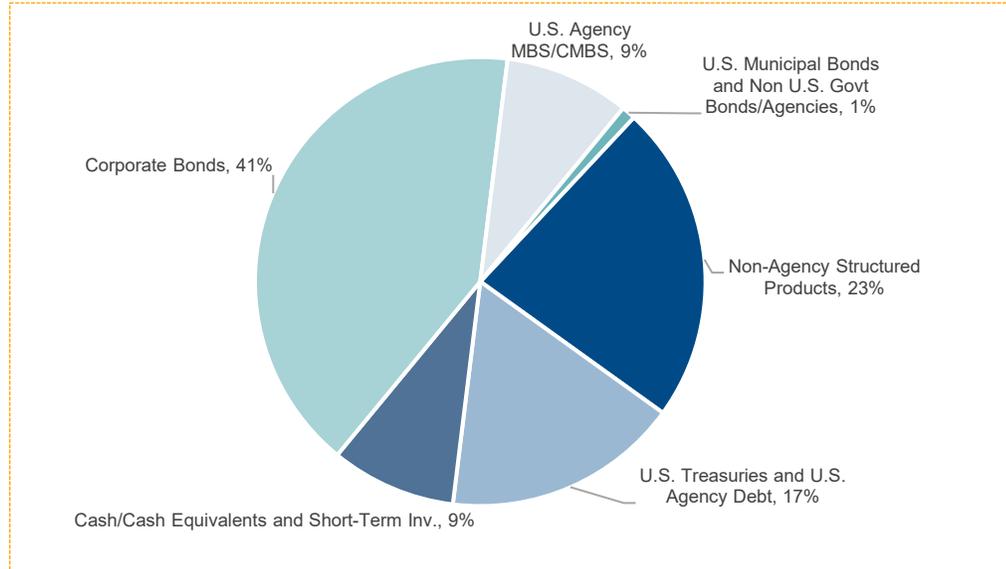
	<u>H1 2022</u>	<u>H1 2021</u>	<u>Change</u>
\$millions			
Gross premiums written	359.0	210.3	148.7
Net premiums earned	210.0	47.7	162.3
Net losses and loss adjustment expenses	142.3	33.4	108.9
Net acquisition expenses	61.5	13.8	47.7
Net underwriting profit	6.2	0.5	5.7
Net investment income	6.4	1.3	5.1
Net realised losses on investments	(2.1)	(0.4)	(1.7)
Net unrealised losses on investments	(54.3)	(0.1)	(54.2)
Other operating expenses	16.7	13.5	3.2
Total comprehensive loss	(61.4)	(12.4)	(49.0)

Net loss ratio	67.8%	70.0%	(2.2%)
Net acquisition expense ratio	29.3%	28.9%	0.4%
Other operating expense ratio	8.0%	28.3%	(20.3%)
Combined ratio	105.1%	127.2%	(22.1%)
Total investment return	(4.7%)	0.1%	(4.8%)
Loss per share	\$(0.37)	\$(0.08)	\$(0.25)

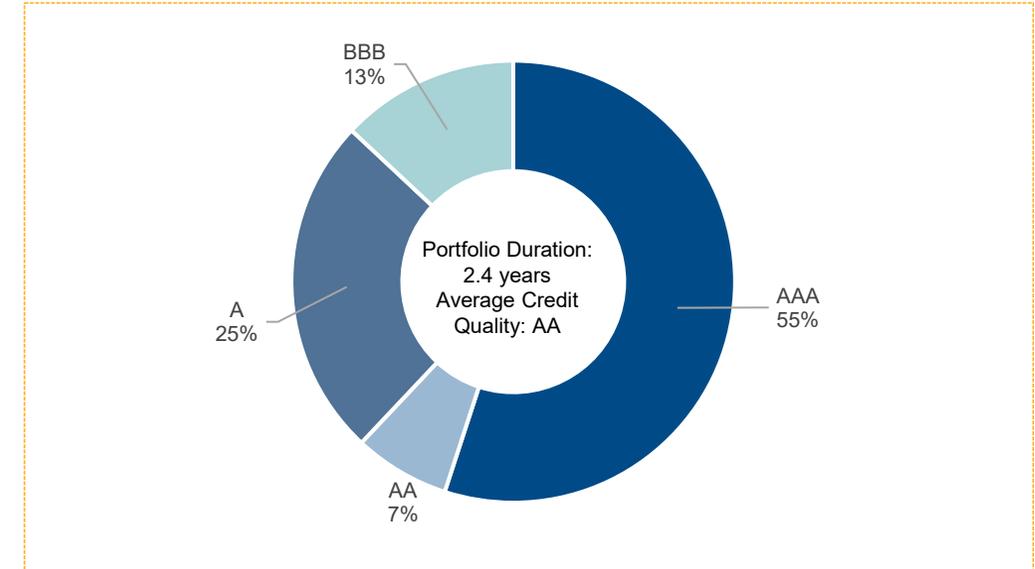
- ❑ Strong growth driven by continued positive rate increases, outpacing inflation
- ❑ H1 Combined ratio of 105.1% affected by Q1 Ukraine loss of \$24.6 million after reinsurance and reinstatement premiums
- ❑ Net income for the first six months of 2022, excluding Mark-to-Market and Ukraine net loss estimate, of \$17.5 million
- ❑ During the first quarter of 2022, the Group's Board of Directors declared a final dividend of \$0.18 (approximately £0.14) per common share (in respect of the second half of 2021)
 - The dividend was paid in pounds sterling on 22 April 2022 to shareholders on record on 25 March 2022, resulting in an aggregate payment of \$29.7 million
- ❑ On 26 July 2022, the Group's Board of Directors declared an interim dividend of \$0.18 (approximately £0.15) per common share, resulting in an aggregate payment of \$29.6 million
 - The dividend will be paid in pounds sterling on 9 September 2022 to shareholders on record on 19 August 2022

High quality investment portfolio

Asset Allocation as at 30 June 2022



Credit Quality as at 30 June 2022



- ❑ Capital preservation and liquidity to support our underwriting teams remain of paramount importance and determine our low-risk strategic portfolio allocation
- ❑ High quality investment portfolio, USD focused, with no equities, derivatives or alternatives
- ❑ Short duration portfolio allows Conduit Re to mitigate the impact of expected interest rate hikes or credit spread movements
- ❑ (4.7)% net investment return driven by expected rate hikes; \$54.3 million unrealised loss
- ❑ Market yield as at 30 June 2022 of 3.5%

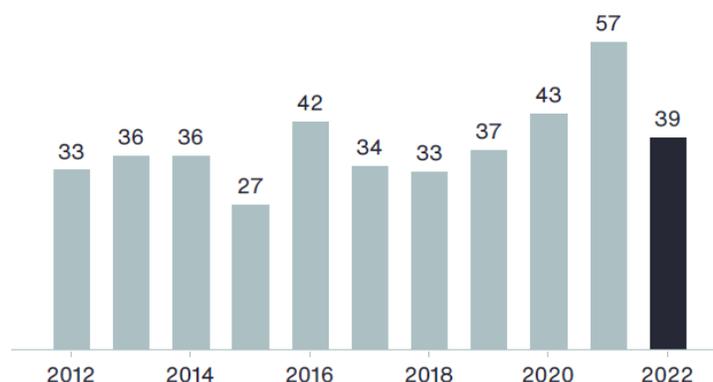
Conduit Re sees substantial opportunities for profitable growth

- ❑ We have built a quality underwriting operation which has now passed \$1 billion of ultimate premiums written since the IPO
- ❑ Whilst Conduit is still in a significant growth phase, our business is normalising and our combined ratio will be trending towards our target of mid-80s in steady state
- ❑ Conduit has taken a conservative approach to estimating its exposure to the Ukraine conflict, including aviation-related claims
- ❑ Strong unencumbered balance sheet, legacy-free; attractive counterparty for brokers in a capacity-short environment
- ❑ We will continue building a highly diversified and balanced business as we construct a first class pure play reinsurance business

APPENDIX

Industry large losses for the first half of 2022

Insured Losses (2022 \$ billion)



Data: Aon (Catastrophe Insight)

- ❑ The first half of 2022 saw global insured losses from natural disaster events above the 21st century average, up 18%, to \$39 billion¹⁾, primarily driven by persistent Severe Convective Storm activity, mainly in the United States and Europe.
- ❑ Conduit had minimal exposure to these natural catastrophe events, proving its strategic choice of pursuing a well-balanced and diversified portfolio, with a small cat book (~30% of GPW) and low PMLs on peak risks such as Florida (1 in 100: 3.3% of tangible capital)²⁾

As regards the crisis in Ukraine and the Russian invasion on 24 February, Conduit confirms its initial estimates communicated to the markets with the Q1 2022 Trading Update of 11 May 2022, with a net impact for the first quarter of \$24.6 million³⁾ including aviation, war on land and marine war:

- ❑ Net incurred losses estimated between \$15 million and \$30 million, net of reinsurance and reinstatement premiums
- ❑ No losses have been reported to date; Conduit Re's reserve estimates continue to be derived from a combination of market data and ground-up assumptions, modelled loss projections, reports from cedants and market determination of loss events
- ❑ Conduit Re does not underwrite trade credit or political risk, nor active in cyber
- ❑ Typical Conduit Re treaties' structures have provisions for event limits and aggregate caps

1) Source: AON July 2022 Global Catastrophe Recap

2) As at 30 June 2022

3) After reinsurance and reinstatement premiums

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