

Conduit Holdings Limited Q3 2021 Trading Update

Conduit Holdings Limited ("CHL" or "Conduit Re") (Ticker:CRE)

Hamilton, Bermuda - 3 November 2021

Trading Statement - Q3 2021

CHL is today presenting its trading statement for the nine months ended 30 September 2021.

Key highlights:

- Underwriting plan on track;
 - Estimated ultimate premiums written of \$387.7 million; on plan for the year;
 - Gross premiums written of \$291.2 million;
 - Diversified and balanced portfolio;
- Market conditions remain strong with continuing rate increases and improvements in terms and conditions;
- Net incurred losses in the third quarter in relation to Hurricane Ida and the European Floods of \$28.6 million, including the impact of outward reinsurance and reinstatement premiums (representing 2.9% of tangible net assets);
- Conservative approach to invested assets maintained;
- Continued development of a high quality underwriting franchise with the build out of our teams and operating platform;
- First interim dividend of 18c (approximately 13p) per common share (in respect of H1 2021) declared and paid in the third quarter of 2021.

Neil Eckert, Group Executive Chairman, commented:

"We continue to build our business as we set out in our initial plans and remain on track to deliver on these. This quarter saw two major catastrophe loss events and our relatively limited exposures to these demonstrates the quality of the portfolio that Trevor and the team have been carefully building. This justifies the Conduit Re approach of building a focussed, diversified and balanced business model."

Trevor Carvey, Group Chief Executive Officer, commented:

"We passed our first test as a global reinsurer during the quarter with the experiences of the European Floods and Hurricane Ida. Both of these events serve as a poignant reminder of the potential severity and frequency of natural events in the reinsurance marketplace. Whilst Ida in particular is a major event for the Industry, it sits well within our retrocession programme and has therefore only had a limited impact on our financial performance. Our reinsurance programme remains strong for the rest of the year. We anticipate that these events, together with the continuing pressure of claims inflation and concerns about the increased frequency of catastrophe events, will support continued upward pressure on pricing. We are well positioned ahead of the key 1 January renewals."

Business update

During the third quarter of 2021, Conduit Re bound contracts with total estimated ultimate premiums written of \$54.6 million. Our estimated ultimate premiums written for the year to date are now \$387.7 million. We remain on track to achieve the underwriting plan we set out in our IPO Prospectus, with the only significant deviation being our weighting towards quota share contracts rather than excess of loss business. We consider quota share business to have provided the best balance between price and risk as we build out our underwriting portfolio. As there is a greater lag in the accounting recognition of gross premiums written and earned in comparison to excess of loss reinsurance, as previously stated this will result in slower recognition of gross premiums written and earned in 2021, a proportion of which will be recognised in the 2022 financial year.

Underwriting activities

Our estimated ultimate and gross premiums written for the nine months ended 30 September 2021 were as follows:

Segment	Estimated ultimate premiums written \$m	Percentage of total	Gross premiums written \$m	Percentage of total
Property	193.5	49.9%	162.9	55.9%
Casualty	126.8	32.7%	77.2	26.5%
Specialty	67.4	17.4%	51.1	17.6%
Total	387.7	100.0%	291.2	100.0%

The split of our estimated gross premiums written between quota share and excess of loss for the nine months ended 30 September 2021 was:

Type of business	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Quota share	74.2	70.0	38.2	182.4
Excess of loss	31.0	7.2	8.7	46.9

Quota share of excess of loss	57.7	-	4.2	61.9
Total	162.9	77.2	51.1	291.2

Pricing

Both pricing and terms and conditions continued to improve throughout the third quarter in most of the markets we are targeting, particularly at the primary level. As this is the Group's first year of business, we do not have a renewing book. However, the underlying renewal price index is tracked where there is sufficient data to do so. The Group's overall indicative renewal price changes for the year to date were estimated to be:

Period/Type of Business	Property	Casualty	Specialty
Year to date	+12%	+17%	+12%

We anticipate continued momentum in both pricing and terms and conditions as the industry continues to deal with the effects of claims inflation on legacy losses and the recent Catastrophe events.

Catastrophe losses

The third quarter of 2021 saw a high level of catastrophe loss activity across the industry, primarily as a result of Hurricane Ida and the European Floods, with numerous other smaller events adding to the tally of industry losses in the quarter:

Hurricane Ida was a category 4 hurricane in the Gulf of Mexico, which made landfall in the US in Louisiana on 29 August 2021. It continued its path across the US mainland into the north-eastern region causing total estimated economic damage of \$65.3 billion⁽¹⁾. Industry estimates for insured losses resulting from Hurricane Ida range from \$26 billion to \$40 billion.

Our approach to US property business is to deliver what we believe to be a flatter 'peak event' risk profile with the goal of delivering a robust, balanced and differentiated portfolio.

The European Floods resulted from a series of storms that occurred in Northern Europe between 12 and 15 July resulting in severe widespread flooding in regions of Germany and other neighbouring countries. Industry estimates for insured losses from the European Floods range from \$11 to \$12 billion.

Although our longer term approach to European reinsurance markets is to build a diversified portfolio in the region, market conditions in Europe have not improved in line with other markets and regions in recent years and our current portfolio reflects this. We anticipate that recent events will provide the catalyst for a long overdue pricing review in European reinsurance.

Our ultimate loss estimate, net of reinsurance and reinstatement premiums, for these events was \$28.6 million (representing 2.9% of our tangible net assets), of which \$15.8 million is in respect of Hurricane Ida and \$12.8 million is in respect of the European Floods.

While reserves have been recorded for these events, significant uncertainty exists in relation to the ultimate losses. Our reserve estimates have been derived from a combination of market data and assumptions, modelled loss projections and reports from brokers and cedants. We will continue to keep these estimates under review as more detailed information becomes available.

(1) source: Aon Benfield

Investments

We continue to maintain our conservative approach to managing our invested assets. The Group's total return from investments for the nine months ended 30 September 2021 was 0.2%, driven primarily by coupon returns.

The managed portfolio is as follows:

Fixed maturity securities	95.2%
Cash and cash equivalents	4.8%
Total:	100.0%

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

- Duration 2.4 years
- Credit quality AA-
- Book yield 0.9%
- Market yield 0.9%

Operations

The development of our technology platform and recruitment of the wider Conduit Re team continues to be in line with our plan and expectation to support our ambition of building a high quality underwriting franchise.

Capital and dividends

The Group remains well capitalised to achieve the business plan presented in the IPO Prospectus, and remains committed to its stated dividend policy.

Total capital available to the Group on 30 September 2021 was \$1.0 billion and tangible capital was \$1.0 billion.

During the third quarter of 2021, the Group's Board of Directors declared an interim dividend of \$0.18 (approximately £0.13) per common share (in respect of the first half of 2021) which was paid in pounds sterling on 10 September 2021 to shareholders of record on 20 August 2021, resulting in an aggregate payment of \$29.7 million.

Outlook

Conduit Re remains on track to deliver on its business plan and pricing and terms and conditions continue to improve across the market. The business is in a strong position to capitalise on what we see as increasing opportunities in the upcoming key 1 January 2022 renewal season.

Conference Call & Presentation

Conduit Holdings management will host a live analyst and investor videoconference, including a question and answer session, on Wednesday, 3 November 2021 at 12pm (midday) UK time / 9am Bermuda time.

The video conference will be available at: <https://conduitreinsurance.zoom.us/j/82329806725?pwd=c2crWmxqVmFROW02OHVhZ2dTZXZjdz09>

Meeting ID: 823 2980 6725

Passcode: 515009

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0 800 260 5801 United Kingdom Toll-free

0 800 358 2817 United Kingdom Toll-free

866 237 6875 Bermuda Toll-free

Find your local number: <https://conduitreinsurance.zoom.us/j/ksGkMhVy3>

An archive of the conference call will be available together with the presentation slides through the Investors section of CHL's website at www.conduitreinsurance.com from approximately 4:00 p.m. BST on 3 November 2021.

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About Conduit Re

Conduit Re is a pure play global reinsurance business based in Bermuda. Its main operating subsidiary Conduit Reinsurance Limited, is licensed by the Bermuda Monetary Authority as a Class 4 reinsurer. A.M. Best has assigned a Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" to Conduit Reinsurance Limited. The outlook assigned to these Credit Ratings (ratings) is stable.

Learn more about Conduit Re:

Website: <https://conduitreinsurance.com/>

LinkedIn: <https://www.linkedin.com/company/conduit-re>

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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, terms, conditions and limits. 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.

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