

Financial Statements



In This Section:

Independent Auditor's Report	106
Consolidated statement of comprehensive income	112
Consolidated balance sheet	113
Consolidated statement of changes in shareholders' equity	114
Statement of consolidated cash flows	115
Notes to the consolidated financial statements	116
Additional performance measures	165

Independent Auditor’s report



KPMG Audit Limited	Telephone	+1 441 295 5063
Crown House	Fax	+1 441 295 9132
4 Par-la-Ville Road	Internet	www.kpmg.bm
Hamilton		
HM 08		
Bermuda		

Independent Auditor’s report

To the Shareholders and Board of Directors of Conduit Holdings Limited

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Conduit Holdings Limited (“the Company”) and its subsidiaries (the “Group”), which comprise the consolidated balance sheet as at 31 December 2025, the consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report continued

Valuation of components of the liability for incurred claims ("LIC")

(2025: Reinsurance contract liabilities include a liability for incurred claims of \$1,366.2 million, \$1,316.1 million net of ceded asset for incurred claims.

2024: Liability for incurred claims of \$978.0 million, \$936.8 million net of ceded asset for incurred claims)

Refer to the Audit committee report on pages 62 - 67 and the following in the notes to the consolidated financial statements: note 2 'Material accounting policies', note 3 'Risk disclosures' and note 15 'Reinsurance contracts'.

Independent Auditor’s report continued

The risk

A significant estimate made by management is the estimation of the LIC. The LIC is derived from the estimated fulfilment cash flows relating to outstanding claims and claim expenses already incurred but not yet paid and incurred but not reported losses (IBNR). In addition, an explicit risk adjustment for non financial risk is applied. The fulfilment cash flows for incurred claims are discounted using current discount rates at each reporting date.

Subjective valuation

The valuation of the LIC is a complex process which incorporates a significant amount of judgement with high estimation uncertainty in setting assumptions such as initial expected loss and loss adjustment expense ratios (loss ratios), claim development patterns, estimates for large loss events and catastrophe (CAT) events and a risk adjustment.

Amounts recoverable from reinsurers are estimated using the same methodology and judgements as for the underlying liabilities.

Cash flows for IBNR reserves are estimated initially using expected loss ratios which are selected based on information derived by the Group’s underwriters and actuaries during the initial pricing of the business. The estimates used may be revised as additional experience or other data becomes available. As actual loss information is reported, and the Group 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.

As such, we determined that the LIC has a higher degree of estimation uncertainty specifically around the estimation of IBNR.

Our response

Our procedures included:

Control design and implementation:

- We evaluated the design and implementation of the Group’s key controls regarding review and approval of the LIC. We performed the tests below rather than seeking to rely on any of the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Assessing valuer’s credentials:

- We evaluated the competence, capabilities and objectivity of the Group’s internal and independent experts;
- We (together with our own valuation specialists) performed enquiries of these experts to understand their processes and models.

Assessment of assumptions and methodology:

- We used our own valuation specialists in assessing and challenging the reasonableness of the methods and assumptions utilised by the Group’s experts (on a gross and net of ceded reinsurance basis) – including the assessment of selected loss ratios, claim development patterns, reserves held for specific large loss and catastrophe (CAT) events and the risk adjustment applied.

Assessing observable inputs:

- On a sample basis, we agreed the underlying data utilised in the actuarial analyses to accounting records.
- We agreed a sample of cedant CAT loss estimates to supporting documentation as these formed the basis of reserving for certain CAT events.

Assessing transparency:

- We evaluated the adequacy of the Group’s disclosures on the LIC in accordance with the requirements of relevant accounting standards.

Independent Auditor's report continued

Other information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Except as described in the Report on Other Legal and Regulatory Requirements section of our report, our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on selected Greenhouse Gas emissions that forms part of the other information and provided a separate assurance practitioner's conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor’s report continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements Directors’ remuneration report

The Group voluntarily prepares an annual report on remuneration in accordance with the provisions of the United Kingdom (UK) Companies Act 2006. The Directors have engaged us to audit the part of the annual report on remuneration specified by the UK Companies Act 2006 to be audited as if the Company were a UK registered company.

In our opinion the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006, as if those requirements applied to the Company.

Corporate governance statement

We have been engaged to review the part of the corporate governance statement on pages 53 to 57 relating to the Group’s compliance with the provisions of the UK Corporate Governance Code that would be specified by the Listing Rules of the UK’s Financial Conduct Authority for our review if the Group had an Equity Shares (Commercial Companies) (ESCC) category listing on the London Stock Exchange. We have nothing to report in this respect.

In addition, the Directors have engaged us to review their statements on going concern and the longer-term viability on page 102 as if the Company was a UK registered company with an ESCC listing on the London Stock Exchange. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors’ process supporting their statements.

Based on the knowledge we acquired during our audit of the consolidated financial statements, we have nothing material to add or draw attention to in relation to:

- the directors’ confirmation within the longer-term viability statement on page 102 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors’ explanation in the longer-term viability statement page 102 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.
- the related going concern statement made in conformity with the Listing Rules set out on page 102.

Independent Auditor's report continued

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's shareholders and Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders and Board of Directors those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company 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's shareholders and Board of Directors, as a body, for our audit work, for this report, or for the opinion we have formed.

The Engagement Partner on the audit resulting in this independent auditor's report is James Berry.

Chartered Professional Accountants

Hamilton, Bermuda

25 February 2026

Consolidated statement of comprehensive income

For the year ended 31 December 2025

	Notes	2025 \$m	2024 \$m
Reinsurance revenue	4, 15	897.1	813.7
Reinsurance service expenses	4, 10, 15	(688.4)	(591.4)
Ceded reinsurance expenses	4, 15, 22	(119.1)	(93.7)
Ceded reinsurance recoveries	4, 15	20.3	3.0
Reinsurance service result	4, 15	109.9	131.6
Net investment income	5	80.7	65.0
Net realised gains (losses) on investments	5	(0.4)	0.1
Net unrealised gains (losses) on investments	5, 13	39.2	1.0
Net investment result	5	119.5	66.1
Net reinsurance finance income (expense)	4, 6, 15	(77.2)	(30.8)
Net foreign exchange gains (losses)		(0.1)	(2.2)
Net reinsurance and financial result		152.1	164.7
Equity-based incentive expense	7, 19	(9.3)	(7.1)
Other operating expenses	4, 7, 8, 10, 16, 22	(24.8)	(30.8)
Results of operating activities		118.0	126.8
Financing costs	9, 17	(1.2)	(1.2)
Total comprehensive income for the year		116.8	125.6
Earnings per share			
Basic	21	\$0.75	\$0.80
Diluted	21	\$0.74	\$0.79

Consolidated balance sheet

As at 31 December 2025

	Notes	2025 \$m	2024 \$m
Assets			
Cash and cash equivalents	12, 17	339.2	313.2
Accrued interest receivable		15.6	12.4
Investments	13, 14, 17	1,907.4	1,526.3
Ceded reinsurance contract assets	15	51.4	48.9
Other assets	10, 22	11.1	4.0
Right-of-use lease assets	16	0.7	1.4
Total assets		2,325.4	1,906.2
Liabilities			
Reinsurance contract liabilities	15	1,210.5	834.5
Other payables		11.7	18.9
Lease liabilities	16	0.8	1.6
Total liabilities		1,223.0	855.0

	Notes	2025 \$m	2024 \$m
Shareholders' equity			
Share capital	18	1.7	1.7
Own shares	18	(52.7)	(40.6)
Other reserves	19	1,070.9	1,065.0
Retained earnings		82.5	25.1
Total shareholders' equity		1,102.4	1,051.2
Total liabilities and shareholders' equity		2,325.4	1,906.2

The consolidated financial statements were approved by the Board of Directors on 25 February 2026 and signed on its behalf by:

Neil Eckert
CEO

Elaine Whelan
CFO

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2025

	Notes	Share capital \$m	Own shares \$m	Other reserves \$m	Retained earnings (loss) \$m	Total shareholders' equity \$m
Balance as at 1 January 2024		1.7	(32.9)	1,059.6	(41.0)	987.4
Total comprehensive income for the year		-	-	-	125.6	125.6
Distributions by EBT	18, 19, 22	-	1.7	(1.7)	-	-
Purchase of own shares	18, 22	-	(9.4)	-	-	(9.4)
Dividends on common shares	18	-	-	-	(59.5)	(59.5)
Equity-based incentive expense	7, 19	-	-	7.1	-	7.1
Balance as at 31 December 2024	18, 19	1.7	(40.6)	1,065.0	25.1	1,051.2
Total comprehensive income for the year		-	-	-	116.8	116.8
Distributions by EBT	18, 19, 22	-	3.4	(3.4)	-	-
Purchase of own shares	18, 22	-	(15.5)	-	-	(15.5)
Dividends on common shares	18	-	-	-	(59.4)	(59.4)
Equity-based incentive expense	7, 19	-	-	9.3	-	9.3
Balance as at 31 December 2025	18, 19	1.7	(52.7)	1,070.9	82.5	1,102.4

Statement of consolidated cash flows

For the year ended 31 December 2025

	Notes	2025 \$m	2024 \$m		Notes	2025 \$m	2024 \$m
Cash flows from operating activities				Cash flows used in financing activities			
Comprehensive income		116.8	125.6	Lease liabilities paid	16	(0.8)	(0.8)
Depreciation	16	1.1	1.1	Dividends paid	18	(59.4)	(59.5)
Interest expense on lease liabilities	9, 16	-	0.1	Purchase of own shares	18	(15.5)	(9.4)
Net investment income	5	(82.1)	(65.3)	Net cash flows used in financing activities		(75.7)	(69.7)
Net realised (gains) losses on investments	5	0.4	(0.1)	Net increase in cash and cash equivalents		16.7	117.9
Net unrealised (gains) losses on investments	5, 13	(39.2)	(1.0)	Cash and cash equivalents at the beginning of the year	12	313.2	199.8
Net unrealised foreign exchange (gains) losses		0.7	1.5	Effect of exchange rate fluctuations on cash and cash equivalents		9.3	(4.5)
Equity-based incentive expense	7, 19	9.3	7.1	Cash and cash equivalents at end of year	12	339.2	313.2
Change in operational assets and liabilities							
– Reinsurance assets and liabilities		363.2	337.1				
– Other assets and liabilities		(8.6)	1.2				
Net cash flows from operating activities		361.6	407.3				
Cash flows used in investing activities							
Purchase of investments		(964.1)	(736.3)				
Proceeds on sale and maturity of investments		621.4	462.2				
Interest received		73.5	55.1				
Purchase of property, plant and equipment		-	(0.7)				
Net cash flows used in investing activities		(269.2)	(219.7)				

Notes to the consolidated financial statements

For the year ended 31 December 2025

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 consolidated financial statements as at, and for the year ended 31 December 2025 include the Company's subsidiaries. The principal activity of Conduit is to provide reinsurance products and services to its clients worldwide.

A full listing of Conduit's related parties can be found in note 22.

2. Summary of material accounting policies

The basis of preparation, use of judgements and estimates, consolidation principles and material accounting policies adopted in the preparation of these consolidated financial statements are set out below. 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

These consolidated financial statements are prepared on a going concern basis in accordance with IFRS as issued by the IASB, and the DTR issued by the Financial Conduct Authority, and are prepared on a historical cost basis, except for items measured at fair value as disclosed in the relevant accounting policies. In accordance with the requirements of IAS 1, the financial statements' assets and liabilities have been presented in order of liquidity, which provides information that is more reliable and relevant for a financial institution.

In the course of preparing these consolidated financial statements, no judgements have been made in the process of applying Conduit's accounting policies, other than those involving estimations as noted in the 'Use of judgements and estimates' section, that have had a significant effect on amounts recognised in these consolidated financial statements.

Going concern

The consolidated financial statements of Conduit have been prepared on a going concern basis. In assessing Conduit's going concern position as at 31 December 2025, the Board have considered a number of factors, including the current balance sheet position and Conduit's strategic and financial

plan, taking account of 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 Board has a reasonable expectation that Conduit has adequate resources to continue in operational existence for the foreseeable future and therefore believe that Conduit is well placed to manage its business risks successfully. Accordingly, Conduit continues to adopt the going concern basis in preparing the consolidated financial statements.

Changes in accounting policies and new standards

There were no new standards that became effective in the year ended 31 December 2025 that have had a material impact on Conduit.

Future accounting changes

No standards or interpretations have been issued that are expected to have a material effect on Conduit's financial position, presentation or disclosure.

IFRS 18, Presentation and Disclosure in Financial Statements, will replace IAS 1, Presentation of Financial Statements, and applies to reporting periods beginning on or after 1 January 2027. IFRS 18 will require entities to classify all income and expenses on the consolidated statement of comprehensive income into operating, investing and financing activities, disclose in a single note management-defined performance measures, and provide enhanced guidance on how to group information in the financial statements.

Conduit is in the process of assessing the impact that the new standard will have on its consolidated financial statements, including presentation and disclosure requirements. There is no impact anticipated on the financial results of Conduit. Only minimal changes are expected to the presentation and disclosure in the consolidated financial statements, with minor subtotal changes in the consolidated statement of comprehensive income, a minor change to the starting position in the consolidated statement of cash flows, and minimal additional disclosure related to management-defined performance measures.

Notes to the consolidated financial statements continued

Use of judgements and estimates

The preparation of 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 and note 15.

Less significant estimates are made in determining the estimated fair value of certain financial instruments, as discussed in note 3 and note 13.

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

While not significant, estimates are also used in the estimated fair value of the MIP as discussed in note 7.

Consolidation principles

These consolidated financial statements comprise the financial statements of CHL and its subsidiaries as at and for the year ended 31 December 2025. Subsidiaries are those entities that are controlled by Conduit and are fully consolidated from the date on which Conduit obtains control and continue to be consolidated until the date when such control ceases. Control is achieved when Conduit is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Intragroup balances and transactions are eliminated in preparing the consolidated financial statements. Subsidiaries' accounting policies are consistent with Conduit's accounting policies.

Foreign currency

The functional currency, which is the currency of the primary economic environment in which Conduit operates, is US dollars. Items included in the financial statements of each entity are measured using the functional currency. These consolidated financial statements are presented in US dollars.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are revalued at period end exchange rates. The resulting foreign exchange differences on revaluation are recorded in the consolidated statement of comprehensive income within net foreign exchange gains (losses). Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate at the date the fair value was determined.

Reinsurance contracts

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 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; and
- 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.

Notes to the consolidated financial statements continued

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 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 120.

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; and
- 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 consolidated statement of comprehensive income 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; and
- 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 consolidated financial statements continued

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, the date when facts and circumstances indicate that the group is onerous.

For ceded reinsurance contracts 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
- For non-proportionate coverage, the beginning of the coverage period of the group of contracts, unless an onerous group of underlying reinsurance contracts have been recognised and the ceded reinsurance contract has been signed before that date.

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

Notes to the consolidated financial statements continued

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; and
- 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.

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.

Notes to the consolidated financial statements continued

Ceded reinsurance expenses

Ceded reinsurance is purchased in the normal course of business to increase capital capacity or 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 ceded reinsurance cover linked to the issuance 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 or 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 the 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, including expected credit losses. Management monitors the creditworthiness of its reinsurers on an 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 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 consolidated statement of comprehensive income 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.

Notes to the consolidated financial statements continued

Reinsurance service expenses

Reinsurance service expenses in the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income. Ceded reinsurance expenses represent the total expected ceded premiums and other amounts, that are not contingent on recoveries, payable to Conduit's reinsurers. 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 (expense) includes 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 it within net reinsurance finance income (expense).

Conduit has chosen not to disaggregate finance income (expense) between other comprehensive income (OCI) and comprehensive income.

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 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 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 consolidated statement of comprehensive income within net unrealised gains (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 (losses) on investments to net realised gains (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.

Notes to the consolidated financial statements continued

Leases

Conduit recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of any costs to be incurred at the expiration of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses. Straight-line depreciation is calculated from the commencement date of the lease to the earlier of either the end date of the lease term or the useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments at the lease commencement date. Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Conduit's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease liability is subsequently measured by increasing the lease carrying amount to reflect the interest due on the lease liability using the effective interest rate method and reducing the carrying amount to reflect the lease payments made. Conduit re-measures the lease liability and the related right-of-use asset whenever there is a change in future lease payments arising from a change in index or rate, if Conduit changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Right-of-use assets and lease liabilities are presented as separate financial statement line items in the consolidated balance sheet.

Employee benefits

Equity-based incentives

Conduit currently operates a MIP under which shares are subscribed for or nil cost options are granted. The fair value of the instruments granted is estimated on the date of grant. The estimated fair value is recognised as an expense pro-rata over the vesting period of the instrument, adjusted for the impact of any non-market vesting conditions. No adjustment to vesting assumptions is made in respect of market vesting conditions.

Conduit also operates DSBP and LTIP awards. Under the DSBP, a percentage of each employee's bonus is automatically deferred into shares as nil cost options. These nil cost awards vest annually in separate equal tranches over a three-year period from the date of grant and do not have associated performance criteria attached to the awards. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise.

The LTIP awards are awarded with or without performance criteria attached to the awards. These nil cost awards granted to staff vest over a three-year period from the date of grant. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise. Refer to note 7 for details of performance criteria attached to certain LTIP awards.

At each balance sheet date, Conduit revises its estimate of the number of instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as equity-based incentive expense in the consolidated statement of comprehensive income, and a corresponding adjustment is made to other reserves in shareholders' equity over the remaining vesting period. On exercise, the differences between the expense charged to the consolidated statement of comprehensive income and the actual cost to Conduit, if any, is transferred to other reserves in shareholders' equity.

Pensions

Conduit's pension plans are based on defined contributions or equivalent cash in lieu, subject to applicable law and local market standards. On payment of contributions to the plans or cash in lieu there is no further obligation to Conduit. Contributions or payments of cash in lieu are recognised as employee benefits within other expenses in the consolidated statement of comprehensive income in the period when the services are rendered.

Government assistance

Conduit recognises government assistance when there is reasonable assurance that Conduit has complied with, and will continue to comply with, the conditions attached to the assistance, and that the amount of the credit will be received. Government assistance that relates to operating expenditures is recognised in the consolidated statement of comprehensive income in the same line item as the relevant operating expense.

Notes to the consolidated financial statements continued

Unutilised credits that Conduit expects to recover in future periods, including amounts refundable in cash, are recorded as a receivable. Conduit reassesses at each reporting date whether there is reasonable assurance that the conditions for receipt of the remaining credit continue to be met.

Tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the year-end reporting date and any adjustments to tax payable in respect of prior periods.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised in the consolidated balance sheet to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Own shares

Own shares include shares repurchased under share repurchase authorisations and held in treasury, plus shares purchased and held in trust, for the purposes of employee equity-based incentive schemes. Own shares are deducted from shareholders' equity. No gain or loss is recognised on the purchase, sale, cancellation or issue of own shares and any consideration paid or received is recognised directly in equity.

Share capital and issuance costs

Shares are classified as shareholders' equity if there is no obligation to transfer cash or other financial assets. Transaction costs that are attributable to the issuance of new shares are treated as a deduction from equity.

3. Risk disclosures

Introduction

Conduit is exposed to risks from several sources, classified into six primary risk categories. 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 are discussed in detail on the following pages. The primary risk to Conduit is reinsurance risk.

The Board is responsible for determining the nature and extent of the principal risks Conduit is willing to take in achieving its strategic objectives and should maintain sound risk management and internal control systems. To this end, the Board has established various committees to support the execution of its responsibilities and has reviewed the committee structures at CRL. The Board, and committees thereof, define the risk preferences and appetites within which management is authorised to operate.

The risk function is responsible for supporting the Board, and the CRL Board, with the day-to-day oversight of the risks that Conduit seeks or is exposed to in pursuit of its strategic objectives, and the satisfaction of certain regulatory risk management expectations relevant to CRL. The framework under which risks are managed contemplates risk appetite and tolerance constraints. Risk appetite is prescribed by the Board and is reviewed at least annually, with consideration of the financial and operational capacity of Conduit. The use of financial capacity in this context relates to calculated or modelled capital requirements, based on residual unmitigated risk exposures. Current capital requirements are determined by reference to rating agency, regulatory, and our internal capital model requirements.

Day-to-day management of risk is the responsibility of management, operating within the defined appetite and tolerances. The risk framework prescribes a standardised approach to the management of risk, oversight and challenge by the risk function and independent assurance provided by the internal audit function. The risk framework also addresses the reporting of risks, emerging risks, risk events and compliance with risk appetite and tolerance statements to executive management and the Board, and relevant board committees, of CHL and CRL. To ensure transparency and accountability of the business for all independent Non-Executive Directors, four Independent Non-Executive Directors from the Board have been appointed to the Board of CRL. Furthermore, the Board is invited to attend operating entity board level meetings and see all minutes and records of such operating entity board and committee meetings.

Notes to the consolidated financial statements continued

Climate change

Conduit is exposed to risks associated with climate change but also potential opportunities arising from that risk. Risks from climate change can include physical risk and transition risk. Physical risks are those relating to the physical impacts of climate change, which can be from increased frequency and/or severity of climate-related events, or structural, due to longer-term shifts in climate patterns.

Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputational risk. Our approach to managing climate-related risks is documented in Conduit's Risk Management Policy.

a. Reinsurance risk

Conduit underwrites both short-tail and long-tail reinsurance contracts on a worldwide basis. These reinsurance contracts transfer insurance risk, including risks exposed to both natural and man-made catastrophes, and risk and liability losses. The risk in connection with underwriting reinsurance contracts is, in the event of a covered loss, whether the premiums will be sufficient to meet the associated loss payments and expenses. The underwriters evaluate and estimate the level of premiums sufficient to cover expected losses, expenses and profitability through a combination of sophisticated risk modelling tools, past experience and knowledge of loss events, current industry trends and broader economic indicators. In order to ensure appropriate reinsurance risk selection and limits on the concentration and diversification of the aggregate portfolio, Conduit has established risk management and internal control systems to evaluate and assess the expected losses of each individual contract, class of business, geographic region and the aggregate portfolio.

These controls, include, but are not limited to:

- A five-year strategic plan is produced that defines the overriding business goals that management and the Board aim to achieve;
- A detailed business plan is produced annually and considers current market conditions and the risk-adjusted profitability of the underwriting portfolio;
- Conduit's internal capital requirements consider the probability and magnitude of reinsurance losses varying adversely from the expected losses considered during the underwriting and subsequent reserving processes;
- Forecasts are produced periodically to assess the progress toward the business plan and the strategic plan;
- Each underwriter has a clearly defined limit of underwriting authority;
- Each contract underwritten is subject to a pre-bind peer review;

- An underwriting roundtable meeting, typically held at least weekly (and more frequently during key renewal periods), where deal flow, pricing and opportunities are discussed;
- Pricing models are used in all areas of the underwriting process and are stored centrally in our pricing platform;
- Risk appetite and tolerance statements have been established and the CRO reports quarterly on adherence;
- A number of modelling tools are used to model catastrophes and calculate the associated expected losses; and
- Outwards reinsurance is purchased to mitigate both frequency and severity of losses, and to protect Conduit's capital base.

Notes to the consolidated financial statements continued

Catastrophe management

Certain classes of Conduit’s business provide coverage for natural catastrophes and are subject to seasonal variation and the impacts of climate change. Conduit has exposure to large catastrophe losses globally, in particular in North America, Europe and Japan and these are most likely to be driven by windstorm events. The level of windstorm activity, and any landfall thereof, during the North Atlantic, European and Asia Pacific wind seasons may materially impact loss experience. The North Atlantic and Asia Pacific wind seasons are typically June to November and the European wind season November to March. Conduit has exposure to other natural catastrophes that can occur throughout the year, such as earthquakes, tsunamis, droughts, floods, hail, tornadoes, and wildfires. In addition, Conduit is exposed to risk losses throughout the year from perils such as fire, explosion, war, terrorism, political risk, cyber and other events, including loss arising from legal liabilities rather than physical damage.

Exposure management is an evolving discipline. Industry understanding of natural catastrophe events continues to develop, informed by advances in science, improved hazard data, enhanced modelling methodologies and emerging insights from actual loss events. Conduit reviews and refines its approaches to exposure monitoring, model utilisation and risk aggregation as exposures and loss models are updated to ensure they remain appropriate and proportionate to the risk profile of the portfolio. This includes assessing changes in vendor models, cedant data quality, evolving peril definitions and observed trends in climate and loss behaviour.

During 2025, Conduit refined its approach to natural catastrophe monitoring, redefining its peril region zones. Comparative figures for the prior period have been re-presented to ensure consistency with the current presentation. For US windstorm, this includes incorporating all North Atlantic Windstorm exposure into one zone which takes into account windstorms impacting more than one zone and/or that make multiple landfalls.

Conduit has defined its appetite and tolerance levels to manage underwriting exposure accumulation across its portfolio, based on the output from models that estimate the expected frequency and severity of potential loss events. The tolerances are designed to monitor net exposure across different peril and region combinations.

The table below shows Conduit’s estimated net exposures to certain peak zone perils as a percentage of tangible capital. These net positions are modelled stochastically and net of outwards reinsurance on a first occurrence basis at the 100-year and 250-year return periods.

The modelled estimated net PML as at 31 December 2024 reflects reduced attachment points to aggregate reinsurance protections following the occurrence of catastrophe events during the year. This has a notable impact on the North American Windstorm net exposures. The 31 December 2025 exposures do not benefit from similar reductions in the attachment points of aggregate reinsurance protections, given the benign wind loss experience during the year. While modelling is an important tool for assessing exposure and aggregating risks, its reliability varies by peril and region. Models rely on assumptions, judgements and input data provided by cedants, which can vary in precision and accuracy. As such actual exposures are likely to vary from those modelled. There could also be unmodelled losses to consider in addition to the modelled figures presented below. The models also include loss scenarios at higher return periods which could result in losses to capital greater than the modelled expectations shown.

As at 31 December	2025		2024	
	Net PML \$m	% of tangible capital	Net PML \$m	% of tangible capital
100-year return period estimated net loss				
Peril				
North Atlantic Windstorm	282.6	25.6%	174.7	16.6%
US and Canada Earthquake	116.5	10.6%	80.7	7.7%
European Windstorm	61.8	5.6%	49.4	4.7%
Asia Pacific Windstorm	37.3	3.4%	45.8	4.4%
Asia Pacific Earthquake	45.6	4.1%	50.9	4.8%

As at 31 December	2025		2024	
	Net PML \$m	% of tangible capital	Net PML \$m	% of tangible capital
250-year return period estimated net loss				
Peril				
North Atlantic Windstorm	352.4	32.0%	246.2	23.4%
US and Canada Earthquake	214.7	19.5%	125.8	12.0%
European Windstorm	76.6	6.9%	52.0	4.9%
Asia Pacific Windstorm	39.8	3.6%	55.7	5.3%
Asia Pacific Earthquake	59.6	5.4%	58.4	5.6%

Notes to the consolidated financial statements continued

Operating segments

The underwriting business is comprised of three principal divisions: Property, Casualty and Specialty. These divisions are also considered to be Conduit's operating segments. Details of each operating segment and reinsurance revenue by geographic region and operating segment are as follows:

Year ended 31 December	2025					2024 ¹				
	Property \$m	Casualty \$m	Specialty \$m	Total \$m	Total %	Property \$m	Casualty \$m	Specialty \$m	Total \$m	Total %
US	268.4	131.3	13.7	413.4	46.1	239.1	111.3	10.9	361.3	44.4
Worldwide	140.0	74.4	110.0	324.4	36.2	157.0	63.9	100.5	321.4	39.5
Europe	49.5	49.4	20.8	119.7	13.3	34.8	39.4	22.9	97.1	11.9
Other	36.6	1.5	1.5	39.6	4.4	30.2	2.8	0.9	33.9	4.2
Reinsurance revenue	494.5	256.6	146.0	897.1	100.0	461.1	217.4	135.2	813.7	100.0

¹ Certain reinsurance contracts previously reported within the Specialty segment are now reported within the Property and Casualty segments to better align with Conduit's internal view of these contracts. Comparative periods have been re-presented in order to be consistent with the current period presentation.

Property reinsurance

Conduit is exposed to large natural-catastrophe losses, such as windstorm and earthquake losses, primarily from assuming risks associated with property treaties. Exposure to natural-catastrophe events is controlled and measured by managing to predefined limits within stochastic modelling and deterministic accumulations across classes per geographic zone and peril. The accuracy of these analyses is limited by the quality of data and the effectiveness of the modelling. It is possible that a catastrophic event significantly exceeds the expected modelled event loss.

Natural-catastrophe risk is written across both the US and internationally on an excess of loss and quota share basis. Reinsurance structures are offered typically in respect of peril, geography and probability of activation or exhaustion.

Property per risk treaties are offered with the strategy to minimise natural-catastrophe exposure, focusing on fire risk. This is considered by both natural-catastrophe specific metrics, treaty conditions and excess of loss structure.

Ceded reinsurance is purchased to mitigate exposures to large natural-catastrophe losses. Ceded reinsurance is typically purchased on an ultimate net loss excess of loss basis, however industry loss warranties, catastrophe bonds issuances, or proportional treaty arrangements may also be utilised.

Casualty reinsurance

Conduit underwrites a balanced portfolio of casualty classes of business, comprised of both excess of loss and proportional contracts, on a worldwide basis.

Casualty claims tend to take longer to be reported and ultimately settled than physical damage risks. Conduit typically maintains a liability for incurred claims for casualty classes of business over a longer period of time than for the property and specialty classes of business where the costs of claims are generally known and settled within a shorter time frame.

Conduit purchases ceded reinsurance to protect against any clash between losses arising in its casualty portfolio.

The sub-classes of casualty business include directors and officers liability, financial institutions liability, general liability for multiple sub-classes and, on an excess and umbrella basis, medical malpractice, professional liability and transactional liability. Conduit has limited appetite for, and generally avoids, workers compensation, standalone auto and cyber treaties.

Notes to the consolidated financial statements continued

Directors and officers liability

Directors and officers liability policies offer protection for company managers and directors and officers against claims that may arise in the normal course of operations. Coverage includes legal expenses and liability to shareholders, bondholders, creditors or others owing to actions or omissions by a director or officer of a private or public corporation, or not-for-profit organisation.

Financial institutions liability

Financial institutions coverage may cover risks such as computer and commercial crime, professional indemnity and civil liability.

General liability

General liability commonly provides cover for losses arising from the legal liability of an original insured and statutory liability in the case of employers' liability which result in bodily injury or disease to third parties or physical damage to third-party property. Conduit offers a wide range of general liability reinsurance products including contractors general liability, excess general liability, umbrella, energy and environmental.

Medical malpractice

Medical malpractice reinsurance generally covers professional liability and errors and omissions specifically in the healthcare industry, protecting physicians and other healthcare professionals against claims of negligent acts or injury of patients under their care. Medical malpractice reinsurance does not cover intentional or criminal acts.

Professional liability

Professional liability generally provides coverage for third-party losses resulting from legal liability or civil liability or negligence, errors or omissions or wrongful acts arising from the provision of, or failure to provide, professional services by an original insured. Sub-classes of this business would include lawyers, accountants, architects and engineers, errors and omissions, plus miscellaneous professional liability.

Transactional liability

Transactional liability reinsurance is used by parties to various business transactions, such as mergers, acquisitions and divestitures, to transfer certain transaction-related risks to the reinsurance market. There can be a broad range of risks covered, including warranty, litigation, pension and tax uncertainties and employment matters.

Specialty reinsurance

Conduit's specialty classes of business are written on both an excess of loss and proportional basis and can provide reinsurance coverage against physical damage (short-tail) or against legal liability (long-tail) losses. Although specialty classes of business are exposed to natural-catastrophe risk, it is generally to a lesser extent than property classes of business. They are more likely to be affected by specific large loss events such as accidents, collisions, fires and similar man-made catastrophe events. Specialty classes of business are highly diverse in nature and require specific market expertise and experience. The specialty classes of business include, but are not limited to, aviation, energy, engineering and construction, environmental, marine, renewables, political violence and terrorism and are offered on both a specific and a whole account basis.

Conduit purchases ceded reinsurance protection to reduce exposure to both large risk losses and an accumulation of smaller claims arising from any one event. Ceded reinsurance is typically purchased on an excess of loss basis, but, from time to time, proportional arrangements may be entered into.

Aviation

The aviation class of business provides cover to the insurers of airlines, aircraft, airports, aircraft manufacturers and aviation related products, and includes cover for the aircraft themselves as well as losses arising from passenger and third-party liability claims against airlines and/or operators and/or manufacturers.

Energy

The energy class of business provides reinsurance cover for a global spread of accounts that includes risks such as downstream energy, midstream energy, upstream energy, energy liability, construction and natural perils related coverages such as Gulf of Mexico wind and hurricane programmes. Policies typically cover legal liability of an insured and property for physical damage (including natural catastrophe), machinery breakdown perils and consequential business interruption exposure. Loss limits are set at a level commensurate with the modelled estimated maximum loss scenario.

Engineering and construction

The class covers a wide range of products falling under related property and business income protection on a worldwide basis. These products include, but are not limited to, contractors' all risks, erection all risks, plant and equipment, machinery breakdown and loss of profits. Projects range from small bespoke to large civil engineering constructions. The main hazards are fire and explosion, theft, collapse and natural perils such as earthquake, windstorm and flood.

Notes to the consolidated financial statements continued

Environmental

Environmental products generally provide cover relating to the environmental and energy casualty classes with regard to pollution. The related sectors typically include energy, construction and industrial, which includes both commercial and residential risks.

Marine

Marine cargo is an international account and covers the reinsurance of commodities or goods in transit. Typically, transit cover is provided on an all-risks basis for marine perils for the full value of the goods concerned. Static cover is also provided for losses to cargo, from both elemental and non-elemental causes. In addition, the cargo account can include for example, fine art, vault risks, artwork on exhibition and marine war and terrorism business relating to cargo in the ordinary course of transit.

Marine liability commonly provides cover for legal liability for losses arising from the operation of marine and offshore related assets including but not limited to the reinsurance of the International Group of Protection and Indemnity Clubs, the operation and management of ships and vessels, cargo, and marine builders' risks covering the building of ocean-going vessels and offshore assets.

The marine hull class generally consists of worldwide coverage spanning physical damage, hull and machinery breakdown, loss of hire and mortgagees' interests for a range of maritime vessels from cargo and passenger ships to private pleasure craft. Products typically cover both risk and catastrophe exposures.

Renewables

The class covers a wide range of tailored solutions globally. The class includes offshore and onshore wind power, ground and rooftop solar power plus bioenergy fuels and associated operations. The risks exposed are quite unique, from difficult construction operations to installing complex equipment that is routinely exposed to natural hazards. Policies typically include cover for physical damage, legal liability, machinery breakdown and business interruption for both construction and operational phases.

Political violence and terrorism

Political violence and terrorism coverage is provided for US and worldwide property risks, but typically excluding nuclear, chemical, biological and cyber coverage in most territories.

Whole account

Coverage is generally provided on a worldwide basis and covers a broad spectrum of the cedants risks under a single policy. The classes of business covered under a whole account reinsurance policy can include property, specialty and casualty classes of business including commercial and personal automobile, general liability, workers compensation, employers liability, excess casualty and umbrella, as well as selected professional liability coverage.

Ceded reinsurance

Ceded reinsurance is purchased in the normal course of business to increase capital capacity, limit the impact of individual risk losses and loss events impacting multiple cedants (such as natural catastrophes, notably earthquakes and named storms), or both. Ceded reinsurance may also be purchased from time to time to optimise the risk-adjusted return of Conduit's aggregate underwriting portfolio. Conduit may purchase ceded reinsurance on both an excess of loss and proportional basis, and may also use reinsurance linked to catastrophe bonds or other capital market products. The mix of ceded reinsurance coverage is dependent on specific loss mitigation requirements, market conditions and available capacity. In certain market conditions, Conduit may deem it more economic to hold capital than purchase ceded reinsurance. Ceded reinsurance does not relieve Conduit of its obligations to policyholders. Conduit is exposed to reinsurance risk where ceded reinsurance contracts put in place to reduce gross reinsurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the limits purchased. Failure of a ceded reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section below. Ceded reinsurance coverage is not intended to be available to meet all potential loss circumstances. Conduit will retain certain losses, as the cover purchased is unlikely to transfer the totality of Conduit's exposure. Any loss amount which exceeds the ceded reinsurance coverage purchased would be retained by Conduit. Some ceded reinsurance policies have limited reinstatements, therefore the number of claims which may be recovered on second, and subsequent loss circumstances is limited.

Under Conduit's ceded reinsurance security policy, ceded reinsurers are assessed and approved based on their financial strength ratings, among other factors. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process. The management Counterparty Security Committee examines and approves all Conduit's ceded reinsurers to ensure that they possess suitable security.

Notes to the consolidated financial statements continued

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 estimates the future cash flows 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 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 the 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 expects that the risk adjustment recognised within the fulfilment cash flow will fall within the range of the 75th and the 85th percentile, gross and net of ceded reinsurance. Conduit estimates that the risk adjustment net of ceded reinsurance corresponds to the 83rd percentile as at 31 December 2025 (31 December 2024: 81st percentile).

Short-tail versus long-tail

Claims relating to short-tail risks are generally reported more promptly than those relating to long-tail risks. The timeliness of reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss and whether the losses are from policies in force with primary insurers or reinsurers.

Notes to the consolidated financial statements continued

Excess of loss versus proportional

For excess of loss contracts, management is aided by the fact that each policy has a defined limit of liability arising from one event. Once that limit has been reached, there is no further exposure to additional losses from that policy for the same event. For proportional business, an initial estimated loss and loss expense ratio is generally used. This is based upon information provided by the ceding company and/or their broker and management's historical experience of that treaty, if any, and the estimate is adjusted as actual experience becomes known.

Market risk

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

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

Reinsurance risk

Conduit is exposed to reinsurance market risk from several sources, including the following:

- The advent or continuation of a soft market, which may result in a stabilisation or decline in premium rates and/or terms and conditions for certain classes, or across all classes;
- The actions and reactions of key competitors, which may directly result in volatility in premium volumes and rates, fee levels and other input costs;
- Market events, including unusual inflation in rates, may result in a limit in the availability of cover, causing political intervention or national remedies;
- Failure to maintain broker and cedant relationships, leading to a limited or substandard choice of risks inconsistent with Conduit's risk appetite;
- Changes in laws and regulation, including capital, governance or licensing requirements; and
- Changes in the geopolitical environment.

The most important method to mitigate reinsurance market risk is to maintain strict underwriting standards. Conduit manages reinsurance market risk in numerous ways, including the following:

- Reviewing and amending underwriting plans and outlook as necessary;
- Reducing exposure to, or withdrawing from, market sectors where conditions have reached unattractive levels;
- Purchasing appropriate, cost-effective reinsurance cover to mitigate exposures;
- Closely monitoring changes in rates, terms and conditions and inflation;

- Ensuring through rigorous underwriting criteria that surplus capital does not drive short-term risk appetite;
- Holding an underwriting roundtable meeting, typically held at least weekly (and more frequently during key renewal periods), where deal flow, pricing and opportunities are discussed;
- Holding quarterly management Underwriting Oversight Committee meetings that consider matters that include underwriting performance for CRL;
- Holding management Risk Oversight Committee meetings that consider matters that include the risk management framework, capital management, underwriting exposure accumulation and outward reinsurance strategy;
- Holding an annual strategy review meeting;
- Holding a quarterly Underwriting Committee board meeting that considers matters including underwriting performance for CRL;
- Holding a quarterly Risk, Capital and Compliance Committee meeting to review relevant risk and capital considerations for CRL; and
- Holding regular meetings with regulators and rating agencies.

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 consolidated statement of comprehensive income.

The total reinsurance contract assets and liabilities exposed to interest rate risk are detailed below:

As at 31 December	Note	2025	2024
		\$m	\$m
Ceded asset for incurred claims	15	50.1	41.2
Liability for incurred claims	15	(1,366.2)	(978.0)
Total		(1,316.1)	(936.8)

Notes to the consolidated financial statements continued

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 estimated by reference to observable market corporate bond yields.

The annual spot rates, including illiquidity premium, used for the re-measurement of the net liability for incurred claims as at the balance sheet date are shown below for all portfolios:

As at 31 December	2025				2024			
	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
USD	3.93%	3.84%	3.97%	4.34%	4.68%	4.56%	4.52%	4.57%
EUR	2.58%	2.78%	2.98%	3.36%	2.74%	2.59%	2.64%	2.77%
GBP	4.04%	4.03%	4.17%	4.55%	4.96%	4.65%	4.54%	4.57%

The sensitivity of Conduit's net reinsurance liability for incurred claims to interest rate movements is detailed below, assuming linear movements in interest rates:

As at 31 December	2025		2024	
	\$m	%	\$m	%
Immediate shift in yield (basis points)				
100	33.6	2.6	25.1	2.7
75	25.3	1.9	18.9	2.0
50	17.0	1.3	12.7	1.4
25	8.5	0.6	6.4	0.7
0	-	-	-	-
-25	(8.6)	(0.7)	(6.4)	(0.7)
-50	(17.3)	(1.3)	(12.9)	(1.4)
-75	(26.0)	(2.0)	(19.5)	(2.1)
-100	(34.8)	(2.6)	(26.1)	(2.8)

Investment risk

Movements in investments resulting from changes in interest and inflation rates, credit spreads, and currency exchange rates, among other factors, may lead to an adverse impact on the value of Conduit's investment portfolio.

The management Investment Committee is responsible for all investment-related decisions and investment guidelines. The investment guidelines set the parameters within which Conduit's external managers must operate. Important parameters of these guidelines include permissible asset classes, duration ranges, credit quality, permitted currency, maturity, industry sectors, geographical, sovereign and issuer exposures. Guideline compliance is monitored on a monthly basis. The portfolio of fixed maturity securities is currently managed by four external managers. Their performance is monitored on an ongoing basis. Conduit projects the level of funds required to meet near-term obligations and cash flow needs following extreme events in order to ensure adequate liquidity is maintained. Conduit also prioritises liquid asset classes with higher credit quality and shorter duration so that Conduit can meet reinsurance and other near-term obligations. Conduit has split the portfolio into a short-tail mandate, to better match the property and specialty classes of business, and a long-tail mandate, to better match the casualty classes of business and some aspects of the specialty classes of business. The short-tail mandate will be slightly shorter duration than the long-tail mandate.

Notes to the consolidated financial statements continued

Conduit reviews the composition, duration and asset allocation of its investment portfolio on a regular basis to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management’s risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

Conduit models various periods of significant stress in order to better understand the investment portfolio’s risks and exposures. The scenarios represent what could, and most likely will, occur – albeit not in the exact form of the scenarios, which are based on historic periods of volatility. Conduit also monitors the portfolio impact of more severe scenarios consisting of extreme shocks.

Conduit focuses on the most significant risks in its investment portfolio which are interest rate risk, credit risk and liquidity risk, and has built stress testing and risk analytics around these risks to ensure they are within tolerances and preferences. Conduit seeks to invest in issuers with more sustainable business practices on balance, as it believes that this will also help reduce risk in the portfolio.

Strategic asset allocation reviews will be undertaken periodically to assess Conduit’s overall investment strategy and to consider alternative asset allocations to achieve the best risk-adjusted return within Conduit’s risk appetite. Any resulting recommendations would be approved by the appropriate management committee(s) and reported to the Board. The Investment Committee meets quarterly to ensure that the strategic and tactical investment actions were consistent with investment risk preferences, appetite, risk and return objectives and tolerances. The investment risk tolerances have been incorporated into the risk framework.

The investment mix by mandate and sector of Conduit’s portfolio of fixed maturity securities is as follows:

	Estimated fair value short-tail \$m	Estimated fair value long-tail \$m	Estimated fair value total \$m
As at 31 December 2025			
Short-term investments	14.1	0.3	14.4
US treasuries	294.5	253.5	548.0
US agency debt	2.0	2.6	4.6
US municipals	11.3	7.9	19.2
Non-US government and agency	-	3.4	3.4
Asset-backed	205.4	32.3	237.7
US government agency mortgage-backed	121.4	132.0	253.4
Non-agency mortgage-backed	38.2	24.6	62.8
Agency commercial mortgage-backed	5.6	-	5.6
Non-agency commercial mortgage-backed	46.2	54.3	100.5
Corporate	354.7	303.1	657.8
Total	1,093.4	814.0	1,907.4

Notes to the consolidated financial statements continued

	Estimated fair value short-tail \$m	Estimated fair value long-tail \$m	Estimated fair value total \$m
As at 31 December 2024			
Short-term investments	29.4	6.0	35.4
US treasuries	297.6	176.5	474.1
US agency debt	1.9	2.5	4.4
US municipals	14.2	6.5	20.7
Non-US government and agency	-	-	-
Asset-backed	171.6	39.4	211.0
US government agency mortgage-backed	63.5	83.8	147.3
Non-agency mortgage-backed	22.0	8.6	30.6
Agency commercial mortgage-backed	7.0	-	7.0
Non-agency commercial mortgage-backed	30.6	36.1	66.7
Corporate	311.5	217.6	529.1
Total	949.3	577.0	1,526.3

Corporate and non-US government and agency bonds by country are as follows:

	Financials \$m	Other industries \$m	Non-US government and agency \$m	Total \$m
As at 31 December 2025				
US	241.7	300.9	-	542.6
Canada	36.9	2.9	2.9	42.7
UK	25.1	4.5	-	29.6
Other countries	33.1	12.7	0.5	46.3
Total	336.8	321.0	3.4	661.2

	Financials \$m	Other industries \$m	Non-US government and agency \$m	Total \$m
As at 31 December 2024				
US	210.9	205.8	-	416.7
Canada	30.7	1.0	-	31.7
UK	27.5	5.2	-	32.7
Other countries	41.6	6.4	-	48.0
Total	310.7	218.4	-	529.1

The sector allocation of corporate bonds is as follows:

	2025		2024	
As at 31 December	\$m	%	\$m	%
Financials	336.8	51.2	310.7	58.7
Industrials	284.0	43.2	193.5	36.6
Utilities	37.0	5.6	24.9	4.7
Total	657.8	100.0	529.1	100.0

Conduit's investment portfolio is comprised of fixed maturity securities and cash and cash equivalents. Fair values can be impacted by movements in interest rates, credit ratings, exchange rates, the current economic environment and outlook. The estimated fair value of the portfolio of fixed maturity securities is generally inversely correlated to movements in market interest rates. If market interest rates fall, the estimated fair value of Conduit's portfolio of fixed maturity securities would tend to rise and vice versa. The sensitivity of the price of fixed maturity securities to movements in interest rates is indicated by their duration. The greater a security's duration, the greater its price volatility to movements in interest rates. The sensitivity of Conduit's portfolio of fixed maturity securities to interest rate movements is detailed in the following table, assuming linear movements in interest rates.

Notes to the consolidated financial statements continued

As at 31 December	2025		2024	
	\$m	%	\$m	%
Immediate shift in yield (basis points)				
100	(58.9)	(3.1)	(41.0)	(2.7)
75	(43.9)	(2.3)	(30.8)	(2.0)
50	(29.0)	(1.5)	(20.5)	(1.3)
25	(14.4)	(0.8)	(10.3)	(0.7)
0	-	-	-	-
-25	14.2	0.7	11.6	0.8
-50	28.2	1.5	23.1	1.5
-75	42.0	2.2	34.7	2.3
-100	55.6	2.9	46.3	3.0

Conduit mitigates interest rate risk on the investment portfolio by establishing and monitoring duration ranges in its investment guidelines. The duration of the portfolio is matched to the modelled expected duration of the reinsurance reserves, within a permitted range. The permitted duration range for the portfolio is between 1.5 and 5 years. The overall duration for the fixed maturity securities, managed cash and cash equivalents is 2.8 years as at 31 December 2025 (as at 31 December 2024: 2.5 years).

In addition to duration management, Conduit monitors VaR to measure potential losses in the estimated fair values of its cash and invested assets and to understand and monitor risk. The VaR calculation is performed using variance/covariance risk modelling. Securities are valued individually using standard market pricing models. These security valuations serve as the input to many risk analytics. The principal VaR measure that is produced is an annual VaR at the 99th percentile confidence level. Under normal conditions, the portfolio is not expected to lose more than the VaR metric listed below, 99% of the time over a one-year time horizon. The appropriateness of this measure is considered by the Investment Committee periodically.

Conduit's annual VaR calculation is as follows:

As at 31 December	2025		2024	
	\$m	% of shareholders' equity	\$m	% of shareholders' equity
99th percentile confidence level	97.0	8.8%	102.2	9.7%

Notes to the consolidated financial statements continued

Currency risk

Conduit is susceptible to fluctuations in rates of foreign exchange, principally between the US dollar and pounds 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. Conduit is also exposed to translation risk on non-monetary assets and liabilities. Foreign currency gains and losses are recorded in the period they occur in the consolidated statement of comprehensive income.

Conduit hedges monetary non-US dollar liabilities 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 and ceded reinsurance assets and liabilities, cash holdings and dividend payable, if applicable.

The following table summarises the carrying value of all monetary and non-monetary assets and liabilities categorised by Conduit’s main currencies.

	USD \$m	GBP \$m	EUR \$m	Other \$m	Total \$m
As at 31 December 2025					
Total assets	2,175.3	31.7	72.4	46.0	2,325.4
Total liabilities	(1,064.4)	(34.1)	(80.8)	(43.7)	(1,223.0)
Net assets (liabilities)	1,110.9	(2.4)	(8.4)	2.3	1,102.4
As at 31 December 2024					
Total assets	1,801.5	27.4	40.1	37.2	1,906.2
Total liabilities	(758.4)	(24.2)	(39.4)	(33.0)	(855.0)
Net assets (liabilities)	1,043.1	3.2	0.7	4.2	1,051.2

The impact on profit from a proportional foreign exchange movement of 10.0% against the US dollar at year end spot rates would be a decrease or increase of \$0.5 million (31 December 2024: increase or decrease of \$1.3 million).

Notes to the consolidated financial statements continued

c. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring unreasonable costs. Conduit's main exposure to liquidity risk is with respect to its reinsurance and investment activities. Conduit is exposed if proceeds from the sale of financial assets are not sufficient to fund obligations arising from reinsurance contracts and/or other liabilities. Conduit can be exposed to fund daily calls on its available investment assets, principally to settle reinsurance claims and/or to fund trust accounts following a large catastrophe loss, or other collateral requirements.

Liquidity risk exposures related to reinsurance activities are as follows:

- Large catastrophic events, or multiple medium-sized events in quick succession, requiring the payment of high-value claims within a short time frame or to fund trust accounts established to collateralise claims payment liabilities;
- Failure of cedants to meet their contractual obligations with respect to the timely payment of premiums; and
- Failure of Conduit's ceded reinsurers to meet their contractual obligations to pay claims within a timely manner.

Liquidity risk exposures related to investment activities are as follows:

- Adverse market movements and/or a duration mismatch to obligations, resulting in investments needing to be disposed of at a significant realised loss; and
- An inability to liquidate investments due to market conditions.

Conduit's investment strategy is to hold high quality, liquid securities sufficient to meet reinsurance liabilities and other near-term liquidity requirements. Portfolios are specifically designed to ensure funds are readily available in an extreme event.

The maturity dates of Conduit's portfolio of fixed maturity securities are as follows:

	Short-tail \$m	Long-tail \$m	Total \$m
As at 31 December 2025			
Fixed maturity securities at FVTPL			
Less than one year	145.3	56.9	202.2
Between one and two years	144.9	52.7	197.6
Between two and three years	167.3	94.4	261.7
Between three and four years	59.1	63.6	122.7
Between four and five years	78.0	62.9	140.9
Over five years	82.0	240.3	322.3
Asset-backed and mortgage-backed	416.8	243.2	660.0
Total	1,093.4	814.0	1,907.4

	Short-tail \$m	Long-tail \$m	Total \$m
As at 31 December 2024			
Fixed maturity securities at FVTPL			
Less than one year	134.7	11.4	146.1
Between one and two years	169.2	64.7	233.9
Between two and three years	120.3	46.9	167.2
Between three and four years	61.1	95.5	156.6
Between four and five years	68.2	50.1	118.3
Over five years	101.1	140.5	241.6
Asset-backed and mortgage-backed	294.7	167.9	462.6
Total	949.3	577.0	1,526.3

Notes to the consolidated financial statements continued

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											
		2025						2024					
As at 31 December	Note	Carrying value \$m	Less than one \$m	One to three \$m	Three to five \$m	Over five \$m	Total \$m	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	15	1,366.2	440.1	543.5	227.7	154.9	1,366.2	978.0	280.4	403.9	175.8	117.9	978.0
Other reinsurance payables	15	11.4	11.4	-	-	-	11.4	6.3	6.3	-	-	-	6.3
Other payables		11.7	11.7	-	-	-	11.7	18.9	18.9	-	-	-	18.9
Lease liabilities	16	0.8	0.8	-	-	-	0.8	1.6	0.8	0.8	-	-	1.6
Total		1,390.1	464.0	543.5	227.7	154.9	1,390.1	1,004.8	306.4	404.7	175.8	117.9	1,004.8

Actual maturities of the above may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. The estimation of the ultimate liability for incurred claims is complex and incorporates a significant amount of judgement. The timing of payments is also uncertain and cannot be predicted as simply as for other financial liabilities. Actuarial and statistical techniques, past experience and management’s judgement have been used to determine a likely settlement pattern.

As at 31 December 2025, cash and cash equivalents were \$339.2 million (31 December 2024: \$313.2 million). Conduit manages its liquidity risks via its investment strategy to hold high quality, liquid securities, sufficient to meet its reinsurance liabilities and other near-term liquidity requirements. In addition, Conduit has established asset allocation and maturity parameters within the investment guidelines such that the majority of the investments are in high quality assets which could be converted into cash promptly and at minimal expense. Conduit monitors market changes and outlook and reallocates assets as it deems necessary.

As at 31 December 2025, Conduit considers it has more than adequate liquidity to pay its obligations as they fall due even if difficult investment market conditions were to prevail for a period of time.

Notes to the consolidated financial statements continued

d. Credit risk

Credit risk is the risk that a counterparty may fail to pay, or repay, a debt or obligation. Conduit is exposed to credit risk on its fixed maturity investment portfolio, its expected premium cash flows due from cedants and on ceded reinsurance recoverables.

Credit risk on Conduit's portfolio of fixed maturity securities is mitigated through the investment policy to invest in instruments of high credit quality issuers and to limit the amounts of credit exposure with respect to particular ratings categories and any one issuer. Securities rated below an S&P or equivalent rating of BBB may comprise no more than 15.0% of the portfolio. Conduit also limits exposure to individual issuers, with declining limits for less highly rated issuers. Conduit therefore does not expect any significant credit concentration risk on its investment portfolio, except for fixed maturity securities issued by the US government and its agencies.

Conduit is potentially exposed to counterparty credit risk in relation to the total expected premium cash flows due from reinsurance brokers and cedants and on ceded reinsurance recoverables due from Conduit's reinsurers. Credit risk on total expected premium cash flows due from cedants is managed by conducting business with reputable broking organisations, with whom Conduit has established relationships, and by rigorous cash collection procedures. Conduit also has a broker approval process in place. Credit risk from ceded reinsurance recoverables is primarily managed by the review and approval of reinsurer security, with ongoing monitoring in place.

Ceded reinsurance recoverables are recorded within ceded reinsurance contract assets as the ceded asset for incurred claims which is shown in note 15.

The table opposite presents an analysis of Conduit's major exposures to counterparty credit risk, based on their rating. Expected premium cash flows are not rated, however there is limited default risk associated with these amounts.

	Cash and cash equivalents and fixed maturity securities \$m	Ceded asset for incurred claims \$m
As at 31 December 2025		
AAA	657.1	-
AA+, AA, AA-	934.4	-
A+, A, A-	526.1	35.8
BBB+, BBB, BBB-	124.9	-
Other	4.1	14.3
Total	2,246.6	50.1

	Cash and cash equivalents and fixed maturity securities \$m	Ceded asset for incurred claims \$m
As at 31 December 2024		
AAA	566.4	-
AA+, AA, AA-	742.2	-
A+, A, A-	441.5	24.6
BBB+, BBB, BBB-	89.4	-
Other	-	16.6
Total	1,839.5	41.2

The ceded reinsurance assets classified as other are fully collateralised.

As at 31 December 2025 the average credit quality of Conduit's cash and cash equivalents and portfolio of fixed maturity securities was AA (31 December 2024: AA).

Total expected premium cash flows represents the premium, net of deductions, expected to be received for past and future reinsurance coverage. The following table shows total expected premium cash flows that are not yet due and those that are past due but not impaired, which represents the exposure to credit risk on reinsurance contracts issued at the balance sheet date.

Notes to the consolidated financial statements continued

As at 31 December	2025 \$m	2024 \$m
Not yet due	462.0	440.1
Less than 90 days past due	17.3	21.4
Over 90 days past due	8.1	4.8
Total	487.4	466.3

For the years ended 31 December 2025 and 2024 no provisions have been made for impaired or irrecoverable balances and no amount was charged to the consolidated statement of comprehensive income in respect of bad debts.

e. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel, systems or external events. During the reporting period, various operational risks were identified, and steps were taken to manage or mitigate those risks.

The risk framework addresses the identification, assessment and mitigation of operational risks. This process involves the use of risk registers to identify inherent risk and residual risk after the application of controls. The management of individual risks rests with functional managers who have direct ownership of those risks within their respective business area or process. The risk function provides independent challenge and oversight to ensure risks are effectively managed. This includes facilitating a quarterly risk and control affirmations process and performing control testing, with the outcomes informing the overall assessment of the control environment. The results of compliance reviews and independent internal audits provide an additional level of review and verification. The Audit Committee has selected a reputable provider to serve as outsourced internal auditors.

f. Strategic risk

Conduit has identified several strategic risks, including:

- The risks that either the poor execution of the business plan or an inappropriate business plan in itself results in a strategy that fails to reflect adequately the trading environment, resulting in an inability to optimise performance, including reputational risk;
- The risks of the failure to maintain adequate capital, accessing capital at an inflated cost or the inability to access capital and unanticipated changes in vendor, regulatory and/or rating agency models that could result in an increase in capital requirements or a change in the type of capital required; and
- The risks of succession planning, staff retention and key personnel risks.

Business plan risk

Conduit's business plan forms the basis of operations and provides strategic direction to management. Actual versus planned results are monitored regularly.

Notes to the consolidated financial statements continued

Capital management risk

Total tangible capital is as follows:

As at 31 December	2025 \$m	2024 \$m
Shareholders' equity	1,102.4	1,051.2

Risks associated with the effectiveness of Conduit's capital management are mitigated as follows:

- Regular monitoring of current and prospective regulatory and rating agency capital requirements;
- Oversight of capital requirements by the Board;
- Ability to purchase sufficient, cost-effective reinsurance;
- Maintaining contact with vendors, regulators and rating agencies in order to stay abreast of upcoming developments; and
- Participation in industry groups such as the Association of Bermuda Insurers and Reinsurers, Reinsurance Association of America and the International Underwriting Association.

Conduit reviews the level and composition of capital on an ongoing basis with a view of:

- Maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- Maximising the risk-adjusted return to shareholders within the context of the defined risk appetite;
- Maintaining an adequate financial strength rating; and
- Meeting all relevant capital requirements.

Capital is increased or returned as appropriate. The retention of earnings generated leads to an increase in capital. Capital raising can include debt or equity and returns of capital may be made through dividends, share repurchases, a redemption of debt or any combination thereof. Other capital management tools and products available to Conduit may also be utilised. All capital actions require approval by the Board.

The primary source of capital used by Conduit is equity shareholders' funds. As a holding company, CHL relies on dividends from its operating entity to provide the cash flow required for dividends to shareholders. The ability of the operating entity to pay dividends and make capital distributions is subject to the legal and regulatory restrictions of the jurisdiction in which it operates.

CRL is regulated as a Class 4 (re)insurer by the BMA and is required to hold sufficient capital under applicable regulations. The BMA's regulatory framework has been assessed as equivalent to the EU's Solvency II regime. CRL had sufficient capital at all times throughout the year to meet the BMA's requirements, inclusive of the BSCR standard formula and minimum margin of solvency.

Retention risk

Risks associated with succession planning, staff retention and key person risks are mitigated through a combination of resource planning processes and controls, including:

- The identification of key personnel with appropriate succession plans at CHL;
- The identification of key team profit generators at CRL and function heads with targeted retention packages;
- Documented recruitment procedures, position descriptions and employment contracts;
- Resource monitoring and the provision of appropriate compensation, including equity-based incentives which vests over a defined time horizon, subject to achieving certain performance criteria; and
- Training schemes.

Notes to the 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 in note 3.

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

Reportable segment performance is measured by the reinsurance service and finance result 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. Refer to the risk disclosures for more information. All amounts reported are transactions with external parties and associates.

There are no significant inter-segmental transactions.

	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Year ended 31 December 2025				
Reinsurance revenue by geographic region				
US	268.4	131.3	13.7	413.4
Worldwide	140.0	74.4	110.0	324.4
Europe	49.5	49.4	20.8	119.7
Other	36.6	1.5	1.5	39.6
Reinsurance revenue	494.5	256.6	146.0	897.1

	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Year ended 31 December 2024¹				
Reinsurance revenue by geographic region				
US	239.1	111.3	10.9	361.3
Worldwide	157.0	63.9	100.5	321.4
Europe	34.8	39.4	22.9	97.1
Other	30.2	2.8	0.9	33.9
Reinsurance revenue	461.1	217.4	135.2	813.7

For the year ended 31 December 2025 there was no premium within the worldwide geographic region written with external parties in Bermuda (31 December 2024: \$0.7 million).

¹ Certain reinsurance contracts previously reported within the Specialty segment are now reported within the Property and Casualty segments to better align with Conduit’s internal view of these contracts. Comparative periods have been re-presented in order to be consistent with the current period presentation.

Notes to the consolidated financial statements continued

Year ended 31 December	2025				2024 ¹			
	Property \$m	Casualty \$m	Specialty \$m	Total \$m	Property \$m	Casualty \$m	Specialty \$m	Total \$m
Reinsurance revenue	494.5	256.6	146.0	897.1	461.1	217.4	135.2	813.7
Ceded reinsurance expenses	(107.9)	(1.2)	(10.0)	(119.1)	(81.7)	(1.4)	(10.6)	(93.7)
Net reinsurance revenue	386.6	255.4	136.0	778.0	379.4	216.0	124.6	720.0
Reinsurance losses and loss related amounts, discounted	(305.9)	(187.3)	(130.0)	(623.2)	(274.0)	(156.7)	(100.2)	(530.9)
Reinsurance operating expenses	(41.3)	(15.5)	(8.4)	(65.2)	(39.3)	(14.0)	(7.2)	(60.5)
Reinsurance service expenses	(347.2)	(202.8)	(138.4)	(688.4)	(313.3)	(170.7)	(107.4)	(591.4)
Ceded reinsurance recoveries	2.3	-	18.0	20.3	(0.4)	-	3.4	3.0
Reinsurance service result	41.7	52.6	15.6	109.9	65.7	45.3	20.6	131.6
Net reinsurance finance income (expense)	(27.3)	(34.1)	(15.8)	(77.2)	(12.3)	(10.5)	(8.0)	(30.8)
Reinsurance service and finance result	14.4	18.5	(0.2)	32.7	53.4	34.8	12.6	100.8
Other operating expenses				(24.8)				(30.8)
Net unallocated revenue (expenses)				108.9				55.6
Total comprehensive income				116.8				125.6
Net loss ratio (discounted)	78.5%	73.3%	82.4%	77.5%	72.3%	72.5%	77.7%	73.3%
Reinsurance operating expense ratio	10.7%	6.1%	6.2%	8.4%	10.4%	6.5%	5.8%	8.4%
Other operating expense ratio				3.2%				4.3%
Combined ratio (discounted)	89.2%	79.4%	88.6%	89.1%	82.7%	79.0%	83.5%	86.0%
Net loss ratio (undiscounted)	86.4%	93.2%	94.1%	89.9%	79.8%	89.4%	90.0%	84.4%
Combined ratio (undiscounted)	97.1%	99.3%	100.3%	101.5%	90.2%	95.9%	95.8%	97.1%

¹ Certain reinsurance contracts previously reported within the Specialty segment are now reported within the Property and Casualty segments to better align with Conduit's internal view of these contracts. Comparative periods have been re-presented in order to be consistent with the current period presentation.

Notes to the consolidated financial statements continued

5. Investment return

	Net investment income	Net realised gains (losses)	Net unrealised gains (losses)	Total investment return
	\$m	\$m	\$m	\$m
As at 31 December 2025				
Fixed maturity securities	71.5	(0.4)	39.2	110.3
Cash and cash equivalents	9.2	-	-	9.2
Total	80.7	(0.4)	39.2	119.5
As at 31 December 2024				
Fixed maturity securities	54.4	0.1	1.0	55.5
Cash and cash equivalents	10.6	-	-	10.6
Total	65.0	0.1	1.0	66.1

Included in net investment income is \$2.0 million of investment management and custody fees for the year ended 31 December 2025 (31 December 2024: \$1.6 million). Net foreign exchange gains (losses) on cash and cash equivalents and fixed maturity securities for the year ended 31 December 2025 was \$9.3 million (31 December 2024: \$(4.5) million). Foreign exchange impacts are not included in the investment returns in the table above.

6. Reinsurance finance return

Year ended 31 December	2025 \$m	2024 \$m
Interest accretion from reinsurance contracts	(63.1)	(39.6)
Interest accretion from ceded reinsurance contracts held	2.0	2.0
Net interest accretion	(61.1)	(37.6)
Change in discount rates from reinsurance contracts	(16.9)	6.9
Change in discount rates from ceded reinsurance contracts held	0.8	(0.1)
Net change in discount rates	(16.1)	6.8
Net reinsurance finance income (expense)	(77.2)	(30.8)

Notes to the consolidated financial statements continued

7. Employee benefits and other incentives

Aggregate remuneration and other incentives of Conduit’s employees is as follows:

Year ended 31 December	2025 \$m	2024 \$m
Wages and salaries	17.1	14.9
Pension benefit	2.0	1.6
Bonus and other benefits	18.2	18.1
Total cash compensation	37.3	34.6
Equity-based incentive expense	9.3	7.1
Total employee benefits and other incentives	46.6	41.7

Equity-based incentive schemes

MIP

Prior to the IPO, a MIP was created. The purpose of the MIP was to provide an incentive scheme for the founders and initial employees for their services in establishing the foundations of Conduit. The incentive is based around shares in CML, which will be automatically exchanged for ordinary shares of CHL for an aggregate value equivalent to up to 15% of the excess of the market value of CHL over and above the Invested Equity, subject to the satisfaction of the vesting conditions. All outstanding grants have an exercise period of four to seven years from the grant date. The fair value is estimated using a stochastic Monte Carlo model.

CML issued 100,000 A1 shares and 100,000 A2 shares during the period ended 31 December 2020 at a subscription price of £1.72 and \$2.26, respectively. Refer to note 18 for additional details.

The following table lists the assumptions used in the stochastic model for the MIP awards:

Assumptions

Dividend yield	0%
Expected volatility ¹	range from 17.2% – 19.0%
Risk-free interest rate ²	range from 0.3% – 0.6%
Expected life of instruments	range from 4 to 7 years

¹ The expected volatility was calculated based on a comparator group of companies.

² The risk-free interest rate is based on the yield of a US government bond on the date of grant.

The shares were granted prior to the IPO and therefore discounts for business viability and lack of marketability were also applied. There are significant risks associated with an IPO and the instruments are also illiquid until the tranche vesting dates. Management therefore selected their best estimates at the time for these discounts. These assumptions were highly judgemental and input from advisers was sought. Management also considered alternative assumptions and concluded there was not a material impact on the estimated valuation selected. The calculation of the equity-based incentive expense assumes no forfeitures due to employee turnover, with subsequent adjustments to reflect actual experience. The assumptions and estimated valuation selected resulted in 20% being expensed upfront for certain employees as this portion was not tied to service conditions and was fully expensed in the period ended 31 December 2020.

Conditions of the MIP include:

- The incentives are to be equity settled and have therefore been accounted for in accordance with IFRS 2;
- The value of the services received in exchange for the share-based incentives is measured by reference to the estimated fair value of the incentives at their grant date, with the estimated fair value recognised in the consolidated statement of comprehensive income, together with a corresponding increase in other reserves within shareholders’ equity, on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest;
- Vesting conditions, other than market conditions linked to the share price of CHL, are not taken into account when estimating the fair value; and
- At the end of each reporting period Conduit revises its estimates of the number of shares that are expected to vest due to non-market conditions and recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to shareholders’ equity.

Notes to the consolidated financial statements continued

DSBP

A percentage of each employee's bonus is automatically deferred into shares as nil cost options. The nil cost options vest annually in separate equal tranches over a three year period from the date of grant and do not have associated performance criteria attached to the awards. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise.

DSBP	Number of awards
Outstanding as at 31 December 2023	782,692
Granted	1,102,968
Exercised	(339,282)
Forfeited	(24,363)
Outstanding as at 31 December 2024	1,522,015
Granted	1,074,807
Exercised	(693,573)
Forfeited	(15,947)
Outstanding as at 31 December 2025	1,887,302

LTIP - time vesting criteria

The LTIP is a retention scheme with awards granted to staff members as nil cost options. The nil cost options vest over a three year period from the date of grant and the time vesting criteria are the only stipulations attached to the awards. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise.

LTIP	Number of awards
Outstanding as at 31 December 2023	365,984
Granted	658,446
Exercised	-
Forfeited	(41,733)
Outstanding as at 31 December 2024	982,697
Granted	1,145,537
Exercised	-
Forfeited	(56,353)
Outstanding as at 31 December 2025	2,071,881

LTIP - performance criteria

The LTIP awards with performance criteria vest three years from the date of grant and are dependent on certain performance criteria being met. A maximum of 75% of the awards will vest if the change in NTAVS is in excess of a required threshold, while the remaining 25% is subject to the TSR return over the vesting period being in excess of a required threshold. These awards accrue dividend equivalents for all dividends declared where the record date falls between the grant date and date of exercise, and are paid at the time of exercise.

LTIP	Number of awards
Outstanding as at 31 December 2023	-
Granted	417,780
Exercised	-
Forfeited	-
Outstanding as at 31 December 2024	417,780
Granted	609,972
Exercised	-
Forfeited	-
Outstanding as at 31 December 2025	1,027,752

Notes to the consolidated financial statements continued

8. Other operating expenses

As at 31 December	2025 \$m	2024 \$m
Other operating expenses include:		
Audit fees	1.2	1.1
Other auditor services	0.1	0.1
Total	1.3	1.2

During the year ended 31 December 2025, KPMG Audit Limited provided non-audit services in relation to Conduit's 2025 interim review and carbon emission disclosures. Fees for non-audit services in the year ended 31 December 2025 totalled \$0.1 million (31 December 2024: \$0.1 million).

9. Financing costs

As at 31 December	2025 \$m	2024 \$m
LOC and trust fees	1.2	1.1
Interest expense on lease liabilities	–	0.1
Total	1.2	1.2

Refer to note 17 for details of Conduit's financing arrangements.

10. Government assistance

Bermuda Tax Credits (Tax Credit Act 2025)

In December 2025, the Bermuda Government enacted the Tax Credit Act 2025, introducing substance-based tax credits designed to support entities demonstrating substantive economic presence in Bermuda. Conduit qualifies for these credits.

The credits are earned in full each annual period based on Conduit's eligible payroll costs, Bermuda-based expenditure and other qualifying investments in people. Once earned, the credits are utilised over a four-year period as an offset to payroll tax, subject to annual utilisation caps. Any portion that cannot be utilised within the four-year period is payable in cash to Conduit by the Bermuda Government.

For the year ended 31 December 2025, Conduit recognised tax credits of \$6.9 million (2024: nil) in the statement of comprehensive income. These credits have been recorded as a reduction in reinsurance and other operating expenses, consistent with the nature of the underlying cost. The corresponding receivable, included in other assets, represents the portion of the 2025 credit expected to be utilised in future periods.

As at 31 December 2025, Conduit recognised a receivable of \$8.0 million (2024: nil), representing the unused portion of the 2025 credit. Recognition of the receivable reflects management's assessment that Conduit satisfies the eligibility requirements of the Tax Credit Act and has reasonable assurance of recovery.

The difference of \$1.1 million (2024: nil) between the credit recognised in the statement of comprehensive income and the receivable reflects the application of Conduit's IFRS17 expense allocation methodology, including the deferral of acquisition-related operating expenses in accordance with Conduit's accounting policy in that regard.

Further information on the accounting policy is provided in note 2.

11. Tax Bermuda

CHL, CSL, CML and CRL have received an undertaking from the Bermuda government which exempts them from all Bermuda local income, withholding and capital gains taxes until 31 March 2035. On 27 December 2023 the Bermuda government enacted legislation, the Bermuda CIT Act of 2023, into law. CHL, CSL, CML and CRL are currently not in scope for this new legislation and as such, the exemptions provided by the Bermuda government undertaking still apply.

Notes to the consolidated financial statements continued

12. Cash and cash equivalents

As at 31 December	2025 \$m	2024 \$m
Cash at bank and in hand	28.8	25.4
Cash equivalents	310.4	287.8
Total	339.2	313.2

Cash equivalents include money market funds and other short-term highly liquid investments with three months or less remaining until maturity at the time of purchase. The carrying amount of these assets approximates their fair value. Refer to note 17 for cash and cash equivalents provided as collateral under Conduit's financing arrangements.

13. Investments

As at 31 December 2025	Cost or amortised cost \$m	Unrealised gains \$m	Unrealised losses \$m	Estimated fair value \$m
Fixed maturity securities, at FVTPL				
Short-term investments	14.4	-	-	14.4
US treasuries	547.2	4.6	(3.8)	548.0
US agency debt	4.6	-	-	4.6
US municipals	18.8	0.5	(0.1)	19.2
Non-US government and agency	3.3	0.1	-	3.4
Asset-backed	237.3	0.9	(0.5)	237.7
US government agency mortgage-backed	263.4	2.0	(12.0)	253.4
Non-agency mortgage-backed	63.5	0.3	(1.0)	62.8
Agency commercial mortgage-backed	5.7	0.1	(0.2)	5.6
Non-agency commercial mortgage-backed	101.9	0.7	(2.1)	100.5
Corporate	651.9	9.7	(3.8)	657.8
Total	1,912.0	18.9	(23.5)	1,907.4

As at 31 December 2024	Cost or amortised cost \$m	Unrealised gains \$m	Unrealised losses \$m	Estimated fair value \$m
Fixed maturity securities, at FVTPL				
Short-term investments	35.4	-	-	35.4
US treasuries	485.0	0.6	(11.5)	474.1
US agency debt	4.5	-	(0.1)	4.4
US municipals	20.9	0.2	(0.4)	20.7
Non-US government and agency	-	-	-	-
Asset-backed	211.7	0.5	(1.2)	211.0
US government agency mortgage-backed	164.8	0.2	(17.7)	147.3
Non-agency mortgage-backed	31.7	0.2	(1.3)	30.6
Agency commercial mortgage-backed	7.4	-	(0.4)	7.0
Non-agency commercial mortgage-backed	70.6	0.1	(4.0)	66.7
Corporate	538.1	2.2	(11.2)	529.1
Total	1,570.1	4.0	(47.8)	1,526.3

As at 31 December 2025 other assets and other payables included nil and \$0.5 million for investments sold and purchased, respectively (31 December 2024: nil and \$6.4 million, respectively).

Notes to the consolidated financial statements continued

Conduit determines the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the 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 years ended 31 December 2025 and 2024. The fair value of securities in the 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 \$56.1 million and transfers from Level (II) to (I) securities amounted to \$101.0 million during the year ended 31 December 2025 using end of current period positions and estimated fair values. Transfers from Level (I) to (II) securities amounted to \$19.1 million and transfers from Level (II) to (I) securities amounted to \$54.7 million during the year ended 31 December 2024 using end of current period positions and estimated fair values. There were no investments included in Level (III) for either year end.

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

As at 31 December 2025	Level I \$m	Level II \$m	Total \$m
Fixed maturity securities, at FVTPL			
Short-term investments	12.3	2.1	14.4
US treasuries	548.0	-	548.0
US agency debt	2.0	2.6	4.6
US municipals	-	19.2	19.2
Non-US government and agency	-	3.4	3.4
Asset-backed	-	237.7	237.7
US government agency mortgage-backed	-	253.4	253.4
Non-agency mortgage-backed	-	62.8	62.8
Agency commercial mortgage-backed	-	5.6	5.6
Non-agency commercial mortgage-backed	-	100.5	100.5
Corporate	176.7	481.1	657.8
Total	739.0	1,168.4	1,907.4

Notes to the consolidated financial statements continued

As at 31 December 2024	Level I \$m	Level II \$m	Total \$m
Fixed maturity securities, at FVTPL			
Short-term investments	30.9	4.5	35.4
US treasuries	474.1	-	474.1
US agency debt	1.9	2.5	4.4
US municipals	0.5	20.2	20.7
Non-US government and agency	-	-	-
Asset-backed	-	211.0	211.0
US government agency mortgage-backed	-	147.3	147.3
Non-agency mortgage-backed	-	30.6	30.6
Agency commercial mortgage-backed	-	7.0	7.0
Non-agency commercial mortgage-backed	-	66.7	66.7
Corporate	130.7	398.4	529.1
Total	638.1	888.2	1,526.3

Refer to note 17 for investments provided as collateral under Conduit's financing arrangements.

14. Interests in structured entities

Unconsolidated structured entities in which Conduit has an interest

As part of Conduit's investment activities, it invests in unconsolidated structured entities. Conduit does not sponsor any of the unconsolidated structured entities. The business relations of Conduit with the structured entities set out below do not give rise to consolidation because the criteria for control pursuant to IFRS 10, as contained in our consolidation principles, are not met.

A summary of interests in unconsolidated structured entities is as follows:

As at 31 December	2025 \$m	2024 \$m
Fixed maturity securities, at FVTPL		
Asset-backed	237.7	211.0
US government agency mortgage-backed	253.4	147.3
Non-agency mortgage-backed	62.8	30.6
Agency commercial mortgage-backed	5.6	7.0
Non-agency commercial mortgage-backed	100.5	66.7
Total	660.0	462.6

The fixed maturity structured entities are used to meet specific investment needs of borrowers and investors which cannot be met from standardised financial instruments available in the capital markets, providing liquidity and diversification. While individual securities may differ in structure, the principles of the instruments are similar and it is appropriate to aggregate the investments into the categories detailed above.

The risk that Conduit faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the consolidated balance sheet. Fair value is determined by market supply and demand, which is driven by investor evaluation of the credit risk of the structure and changes in the term structure of interest rates which can change the expectation of cash flows associated with the instrument and, therefore, its value in the market.

The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments that Conduit holds. Generally, default rates would have to increase substantially before Conduit would suffer a loss. This assessment is made prior to investing and regularly through the holding period for the security. Refer to note 17 for investments provided as collateral under Conduit's financing arrangements.

Notes to the consolidated financial statements continued

15. 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 31 December	2025 \$m	2024 \$m
Reinsurance contract liabilities	(1,210.5)	(834.5)
Liability for remaining coverage	167.1	149.8
Liability for incurred claims	(1,366.2)	(978.0)
Other reinsurance receivables (payables)	(11.4)	(6.3)
Reinsurance net asset (liability)	(1,210.5)	(834.5)
Ceded reinsurance contract assets	51.4	48.9
Ceded asset (liability) for remaining coverage	(3.5)	1.4
Ceded asset for incurred claims	50.1	41.2
Ceded other receivables (payables)	4.8	6.3
Ceded reinsurance net asset (liability)	51.4	48.9

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 on the next page. 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 consolidated financial statements continued

Year ended 31 December (\$m)	2025				2024			
	Remaining coverage	Incurred claims			Remaining coverage	Incurred claims		
		Excluding loss component	Present value of future cash flows	Risk adjustment		Total	Excluding loss component	Present value of future cash flows
Opening reinsurance asset (liability)	149.8	(899.1)	(78.9)	(828.2)	109.7	(542.3)	(49.9)	(482.5)
Reinsurance revenue	897.1	-	-	897.1	813.7	-	-	813.7
Reinsurance service expenses								
Incurred claims and other expenses	-	(586.9)	(49.0)	(635.9)	-	(514.8)	(35.3)	(550.1)
Amortisation of reinsurance acquisition expense cash flows	(49.9)	-	-	(49.9)	(46.0)	-	-	(46.0)
Changes to liabilities for incurred claims for past service	-	(14.9)	12.3	(2.6)	-	(3.7)	8.4	4.7
Reinsurance service expenses	(49.9)	(601.8)	(36.7)	(688.4)	(46.0)	(518.5)	(26.9)	(591.4)
Reinsurance service result	847.2	(601.8)	(36.7)	208.7	767.7	(518.5)	(26.9)	222.3
Reinsurance finance income (expense)	-	(73.0)	(7.0)	(80.0)	-	(30.3)	(2.4)	(32.7)
Effect of exchange rates	(1.4)	(8.2)	(0.8)	(10.4)	1.3	2.5	0.3	4.1
Total changes in comprehensive income (loss)	845.8	(683.0)	(44.5)	118.3	769.0	(546.3)	(29.0)	193.7
Investment components	29.7	(29.7)	-	-	27.4	(27.4)	-	-
Cash flows								
Premiums received ¹	(907.6)	-	-	(907.6)	(803.2)	-	-	(803.2)
Claims and other attributable expenses paid	-	369.0	-	369.0	-	216.9	-	216.9
Reinsurance acquisition expense cash flows ¹	49.4	-	-	49.4	46.9	-	-	46.9
Total cash flows	(858.2)	369.0	-	(489.2)	(756.3)	216.9	-	(539.4)
Closing reinsurance asset (liability)	167.1	(1,242.8)	(123.4)	(1,199.1)	149.8	(899.1)	(78.9)	(828.2)

¹ Certain reinsurance acquisition expense cash flows that are typically net settled have been re-presented in comparative periods in order to be consistent with the current period presentation.

Notes to the consolidated financial statements continued

	2025				2024			
	Remaining coverage	Incurred claims			Remaining coverage	Incurred claims		
	Excluding loss component recovery	Present value of future cash flows	Risk adjustment	Total	Excluding loss component recovery	Present value of future cash flows	Risk adjustment	Total
Year ended 31 December (\$m)								
Opening ceded reinsurance asset (liability)	1.4	41.2	-	42.6	(1.2)	42.6	-	41.4
Ceded reinsurance expenses	(119.1)	-	-	(119.1)	(93.7)	-	-	(93.7)
Ceded reinsurance recoveries								
Amounts recoverable on incurred claims	-	3.6	-	3.6	-	3.4	-	3.4
Changes to amounts recoverable for incurred claims	-	16.7	-	16.7	-	(0.4)	-	(0.4)
Ceded reinsurance recoveries	-	20.3	-	20.3	-	3.0	-	3.0
Reinsurance service result	(119.1)	20.3	-	(98.8)	(93.7)	3.0	-	(90.7)
Ceded reinsurance finance income (expense)	-	2.8	-	2.8	-	1.9	-	1.9
Effect of exchange rates	-	-	-	-	-	-	-	-
Total changes in comprehensive income (loss)	(119.1)	23.1	-	(96.0)	(93.7)	4.9	-	(88.8)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	114.2	-	-	114.2	96.3	-	-	96.3
Recoveries received	-	(14.2)	-	(14.2)	-	(6.3)	-	(6.3)
Total cash flows	114.2	(14.2)	-	100.0	96.3	(6.3)	-	90.0
Closing ceded reinsurance asset (liability)	(3.5)	50.1	-	46.6	1.4	41.2	-	42.6

Notes to the consolidated financial statements continued

	2025				2024			
	Remaining coverage	Incurred claims			Remaining coverage	Incurred claims		
		Excluding loss component	Present value of future cash flows	Risk adjustment		Total	Excluding loss component	Present value of future cash flows
Year ended 31 December (\$m)								
Opening net reinsurance asset (liability)	151.2	(857.9)	(78.9)	(785.6)	108.5	(499.7)	(49.9)	(441.1)
Net reinsurance revenue	778.0	-	-	778.0	720.0	-	-	720.0
Net reinsurance service expenses								
Net incurred claims and other expenses	-	(583.3)	(49.0)	(632.3)	-	(511.4)	(35.3)	(546.7)
Amortisation of reinsurance acquisition expense cash flows	(49.9)	-	-	(49.9)	(46.0)	-	-	(46.0)
Changes to net liabilities for incurred claims for past service	-	1.8	12.3	14.1	-	(4.1)	8.4	4.3
Net reinsurance service expenses	(49.9)	(581.5)	(36.7)	(668.1)	(46.0)	(515.5)	(26.9)	(588.4)
Reinsurance service result	728.1	(581.5)	(36.7)	109.9	674.0	(515.5)	(26.9)	131.6
Net reinsurance finance income (expense)	-	(70.2)	(7.0)	(77.2)	-	(28.4)	(2.4)	(30.8)
Effect of exchange rates	(1.4)	(8.2)	(0.8)	(10.4)	1.3	2.5	0.3	4.1
Total changes in comprehensive income (loss)	726.7	(659.9)	(44.5)	22.3	675.3	(541.4)	(29.0)	104.9
Investment components	29.7	(29.7)	-	-	27.4	(27.4)	-	-
Cash flows								
Net premiums received ¹	(793.4)	-	-	(793.4)	(706.9)	-	-	(706.9)
Net claims and other attributable expenses paid	-	354.8	-	354.8	-	210.6	-	210.6
Reinsurance acquisition expense cash flows ¹	49.4	-	-	49.4	46.9	-	-	46.9
Total cash flows	(744.0)	354.8	-	(389.2)	(660.0)	210.6	-	(449.4)
Closing net reinsurance asset (liability)	163.6	(1,192.7)	(123.4)	(1,152.5)	151.2	(857.9)	(78.9)	(785.6)

¹ Certain reinsurance acquisition expense cash flows that are typically net settled have been re-presented in comparative periods in order to be consistent with the current period presentation.

Notes to the consolidated financial statements continued

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. The liability established by Conduit is viewed as adequate, however a 20% increase in estimated undiscounted losses would have a \$304.9 million adverse impact on comprehensive income (31 December 2024: \$222.7 million).

Conduit did not book any additional case reserves for the years ended 31 December 2025 and 2024. The net liability for incurred claims as at 31 December 2025 had an estimated duration of 2.7 years (31 December 2024: 2.8 years).

During 2025 Conduit was impacted by a number of natural catastrophe events and risk losses, including the California wildfires, severe convective storms in the United States, and several aviation losses, among others. The most significant event was the California wildfires. Our undiscounted net loss attributed to the wildfires, net of reinsurance and reinstatement premiums, was \$119.1 million at 31 December 2025.

During 2024 Conduit was impacted by significant losses in relation to Hurricanes Helene and Milton, recording an undiscounted net loss, after reinsurance and reinstatement premiums, of \$68.0 million. While there were numerous other catastrophe and risk loss events that impacted Conduit in 2024, none of those were material individually to Conduit.

The inherent uncertainty in estimating the net liability for incurred claims gives rise to favourable or adverse development. During the year ended 31 December 2025 the change in the discounted net liability for incurred claims for prior accident years was a reduction of \$14.1 million (31 December 2024: \$4.3 million). Despite some adverse development on the 2021 and 2022 accident years, overall favourable development was due to IBNR releases due to a lack of reported claims.

Prior accident year claims development

Year ended 31 December	2025 \$m	2024 \$m
2021 accident year	(3.5)	0.7
2022 accident year	(6.8)	(7.3)
2023 accident year	0.5	10.9
2024 accident year	23.9	n/a
Total claims development – favourable (unfavourable)	14.1	4.3

Notes to the consolidated financial statements continued

Net undiscounted claims, including risk adjustment	\$m	\$m	\$m	\$m	\$m	\$m
Accident year	2021	2022	2023	2024	2025	Total
At end of accident year	141.8	352.2	401.3	653.1	758.4	
One year later	134.6	350.3	389.7	633.9		
Two years later	130.2	358.0	389.6			
Three years later	129.5	364.7				
Four years later	133.4					
Current estimate of net undiscounted incurred claims	133.4	364.7	389.6	633.9	758.4	2,280.0
Cumulative payments to date	(105.8)	(246.2)	(202.6)	(164.4)	(103.4)	(822.4)
Current estimate of net undiscounted liability for incurred claims	27.6	118.5	187.0	469.5	655.0	1,457.6
Effect of discounting						(138.7)
Current estimate of net liability for incurred claims						1,318.9

A reconciliation of the net liability for incurred claims per the claims development tables to the carrying amounts included in the balance sheet has been provided below. Loss related amounts represent amounts due that are contingent on claims, such as reinstatement premiums and profit commissions.

Reconciliation to carrying amounts:

As at 31 December	2025			2024		
	Gross \$m	Ceded \$m	Net \$m	Gross \$m	Ceded \$m	Net \$m
Undiscounted liability for incurred claims per claims development tables	1,524.5	(66.9)	1,457.6	1,113.6	(56.5)	1,057.1
Discount	(144.3)	5.6	(138.7)	(123.4)	5.1	(118.3)
Liability for incurred claims per claims development tables	1,380.2	(61.3)	1,318.9	990.2	(51.4)	938.8
Other loss related amounts	(14.0)	11.2	(2.8)	(12.2)	10.2	(2.0)
Liability (asset) for incurred claims	1,366.2	(50.1)	1,316.1	978.0	(41.2)	936.8

Notes to the consolidated financial statements continued

16. Right-of-use lease assets

Right-of-use lease assets primarily relate to leased properties for Conduit's offices in Bermuda and office equipment.

Right-of-use assets	\$m
Balance and net book value as at 31 December 2023	2.1
Additions	-
Depreciation	(0.7)
Balance and net book value as at 31 December 2024	1.4
Additions	-
Depreciation	(0.7)
Balance and net book value as at 31 December 2025	0.7

Lease liabilities

As at 31 December	2025 \$m	2024 \$m
Less than one year	0.8	0.8
Between one and five years	-	0.8
Total undiscounted lease liabilities	0.8	1.6

The discounted lease liability as at 31 December 2025 was \$0.8 million (31 December 2024: \$1.6 million). Conduit does not face significant liquidity risk with respect to its lease liabilities.

Amounts recognised in the consolidated financial statements

Year ended 31 December	2025 \$m	2024 \$m
Consolidated statement of comprehensive income		
Interest expense on lease liabilities	-	0.1
Depreciation of right-of-use assets	0.7	0.7
Total	0.7	0.8
Consolidated statement of cash flows		
Lease payments	0.8	0.8

Notes to the consolidated financial statements continued

17. Financing arrangements

Letters of credit and trust accounts

CRL is a non-admitted reinsurer in the US and Canada but does have approved reciprocal jurisdiction reinsurer ('RJR') status in certain states of the US which is renewed annually. Subject to certain exceptions, RJR status reduces the need for CRL to post collateral to support cedants in states where CRL has RJR status. However, terms and conditions of certain reinsurance contracts with US and Canadian cedants require CRL to provide collateral for outstanding insurance contract liabilities, including the liability for remaining coverage and liability for incurred claims. The collateral can be provided by LOCs or by assets in trust accounts. Refer to note 9 for details of interest expense associated with these LOCs included in financing costs. Additional information about Conduit's exposure to interest rate and liquidity risk is included in the risk disclosures section in note 3.

Standby letter of credit facility

During July 2021, CRL, as the borrower, entered into a \$125.0 million standby letter of credit facility led by Lloyds Bank Corporate Markets plc. CHL will guarantee the obligations of CRL with respect to the standby LOC facility. Terms of the standby LOC facility contain standard qualitative representations and require certain standard financial covenants be adhered to, including: a maximum consolidated debt-to-capital ratio of CHL of 35.0%; a minimum consolidated tangible net worth of CHL; and a minimum A.M. Best rating of B++ for CRL. CRL increased the aggregate amount of the commitment under the facility up to \$175.0 million by the end of 2023, reducing it to \$150.0 million during 2024. The facility remains at \$150.0 million as at 31 December 2025. As at 31 December 2025, \$102.8 million (31 December 2024: \$121.2 million) was outstanding under the standby LOC facility and is secured by cash and cash equivalents and investments of \$122.5 million (31 December 2024: \$141.4 million).

Uncommitted letter of credit facility

During September 2021, CRL entered into a \$75.0 million uncommitted LOC facility with Citibank Europe PLC which was increased to \$125.0 million during 2023. The facility remained at \$125.0 million as at 31 December 2025 and 2024. Terms of the uncommitted LOC facility include standard qualitative representations. As at 31 December 2025, \$102.4 million (31 December 2024: \$99.0 million) was outstanding under the uncommitted LOC facility and is secured by cash and cash equivalents and investments of \$111.7 million (31 December 2024: \$106.8 million).

Trust accounts

Several trust account arrangements have been established in favour of policyholders and ceding companies to provide collateral or comply with the security requirements of certain contracts. As at 31 December 2025, \$303.0 million (31 December 2024: \$239.1 million) of cash and cash equivalents and investments were restricted in favour of third parties.

Additional letter of credit and trust funding requirements

For the year ended 31 December 2025 collateral requests and amendments received subsequent to the year end date, but in relation to that financial year, were a net reduction of \$11.9 million. For the year ended 31 December 2024 there was a net reduction of \$17.8 million. These collateral requests will be processed in the normal course of business. Any funding requirements will be satisfied using cash and cash equivalents and/or investments with any reductions being released from restricted funds.

Notes to the consolidated financial statements continued

18. Share capital

Authorised share capital	Number	\$m
Authorised common shares of \$0.01 each	10,000,000,000	100.0
Authorised A1 shares of £0.01 each	100,000	-
Authorised A2 shares of \$0.01 each	100,000	-
As at 31 December 2025 and 2024	10,000,200,000	100.0

Allotted, called-up and fully paid	Common shares number	A1 shares number	A2 shares number	Total number	Total \$m
Issued	165,239,997	100,000	100,000	165,439,997	1.7
As at 31 December 2025 and 2024	165,239,997	100,000	100,000	165,439,997	1.7

The number of common shares in issue less own shares held as at 31 December 2025 was 154,310,942 (31 December 2024: 156,977,997).

CHL holds 18,000 A1 and A2 shares at 31 December 2025 and 2024. The A1 and A2 shares issued by CML have no voting rights attached. Subject to vesting conditions, discussed in note 7, the A1 and A2 shares will be automatically exchanged for ordinary shares of CHL.

Notes to the consolidated financial statements continued

Own shares

Own shares	Number held in treasury	\$m	Number held in trust	\$m	Total number of own shares	Total \$m
As at 31 December 2023	-	-	(7,183,860)	(32.9)	(7,183,860)	(32.9)
Purchased by EBT	-	-	(1,417,422)	(9.4)	(1,417,422)	(9.4)
Distributed by EBT	-	-	339,282	1.7	339,282	1.7
As at 31 December 2024	-	-	(8,262,000)	(40.6)	(8,262,000)	(40.6)
Repurchased	(2,667,154)	(12.5)	-	-	(2,667,154)	(12.5)
Purchased by EBT	-	-	(693,474)	(3.0)	(693,474)	(3.0)
Distributed by EBT	-	-	693,573	3.4	693,573	3.4
As at 31 December 2025	(2,667,154)	(12.5)	(8,261,901)	(40.2)	(10,929,055)	(52.7)

Shares repurchased by CHL and the EBT will be held as own shares to meet future obligations under CHL's variable incentive schemes. See note 22 for information on shares held by the EBT.

Dividends

	Record date	Payment date	Per share \$	\$m
Final 2023	22 March 2024	24 April 2024	0.18	29.8
Interim 2024	16 August 2024	5 September 2024	0.18	29.7
Final 2024	21 March 2025	17 April 2025	0.18	29.7
Interim 2025	15 August 2025	11 September 2025	0.18	29.7

See note 23 for information with respect to dividends declared subsequent to 31 December 2025.

Notes to the consolidated financial statements continued

19. Other reserves

Other reserves consist of the following:

	Other reserves \$m
As at 31 December 2023	1,059.6
Equity-based incentive expense	7.1
Distributions by EBT	(1.7)
As at 31 December 2024	1,065.0
Equity-based incentive expense	9.3
Distributions by EBT	(3.4)
As at 31 December 2025	1,070.9

Other reserves include Conduit's equity-based incentive expense.

20. Contingencies and commitments

Legal proceedings and regulations

Conduit operates in the reinsurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to estimate or determine the final results of all pending or threatened legal proceedings, management does not believe that any such proceedings (including litigation) will have a material effect on its results and financial position.

21. Earnings per share

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

As at 31 December	2025 \$m	2024 \$m
Total comprehensive income	116.8	125.6

	Number	Number
Basic weighted average number of shares	156,550,732	157,226,209
Dilutive effect of equity-based incentives	1,333,475	918,066
Diluted weighted average number of shares	157,884,207	158,144,275

Earnings per share	Per share \$	Per share \$
Basic	0.75	0.80
Diluted	0.74	0.79

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 consolidated financial statements continued

22. Related party disclosures

These consolidated financial statements include CHL and the entities listed below:

Subsidiary undertakings	Domicile	Principal Business
CHL	Bermuda	Holding company, Ultimate parent
CRL	Bermuda	General insurance business
CRSL ¹	England and Wales	Support services
CML ²	Bermuda	Support services
CSL	Bermuda	Support services
EBT	Jersey	Employee benefit trust

¹ CRSL dissolved effective 14 January 2025

² CML is part-owned by members of management. Management's share ownership in CML exists solely for the purposes of the Group's MIP scheme for attracting and retaining talent. Management's shares in CML have no voting power or control in respect of CHL's ownership of CRL via CML's ownership of CRL.

Unless otherwise stated, Conduit owns 100% of the share capital and voting rights in the subsidiaries listed.

Conduit Reinsurance Services Limited (CRSL)

CRSL was established at the inception of Conduit with the expectation that certain support services would be provided to group companies. These support services have not been required and the voluntary liquidation of CRSL commenced during 2024. The process was completed on 14 January 2025.

Employee benefit trust

The EBT was established with the sole purpose of administering Conduit's equity-based incentive schemes. The trustee operates the trust for the benefit of Conduit's employees, all in accordance with an established trust deed. While Conduit does not have legal ownership of the EBT, the trust is consolidated in Conduit's accounts due to the ability that Conduit has to influence the actions of the trust.

Funding for the trust is provided by CHL through a non-interest bearing loan facility. The facility may only be used by the trustee for the purpose of achieving the objectives of the EBT. During the year ended 31 December 2025, advances of \$3.0 million (31 December 2024: \$9.4 million) were made to the trust.

CHL common shares purchased by the EBT will be held for the benefit of employees under CHL's variable incentive schemes. During the year ended 31 December 2025 the trust purchased common shares of 693,474 (31 December 2024: 1,417,422).

During the year ended 31 December 2025 the EBT distributed 693,573 shares with a value of \$3.4 million to employees. For the year ended 31 December 2024 the EBT distributed 339,282 shares at a value of \$1.7 million.

Stabilitas Re

Stabilitas Re Limited a special purpose vehicle (Stabilitas Re), was launched in June 2023. Conduit sponsored the launch of a 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.

Key management compensation

Remuneration for key management of Conduit's Executive Group, and Non-Executive Directors, was as follows:

Year ended 31 December	2025 \$m	2024 ¹ \$m
Cash compensation	7.3	7.2
Equity-based incentive expense	5.9	4.7
Directors' fees and expenses	1.0	0.8
Total	14.2	12.7

¹ Cash compensation for the prior period has been re-presented to align with the current period view of benefits.

Note: 2025 costs include compensation paid to Conduit's former CEO and CUO on their respective retirements.

Loans to employees to assist with environmental and other projects, have been made by CSL. These loans are short term and interest free. Any financial benefit to the employee is generally not material.

Non-Executive Directors do not receive any benefits in addition to their agreed fees and expenses and do not participate in any of Conduit's incentive, performance or pension plans.

Notes to the consolidated financial statements continued

IncubEx, Inc.

Effective 9 April 2021, CHL executed a stock purchase agreement with IncubEx, a product and business development firm with a focus on designing and developing new financial products in global environmental, reinsurance and related commodity markets. CHL purchased 624 shares of IncubEx's Series A-3 preferred stock, with a par value of \$0.0001 per share, for an aggregate purchase price of \$50,000, or \$80.08 per share.

CHL's CEO is also a founder and current chairman of IncubEx. The terms and conditions of the stock purchase agreement are equivalent to those that would prevail in an arm's length transaction. The investment in IncubEx is included in other assets in the consolidated balance sheet and is recorded at cost, which approximates fair value.

NCX Consultants Limited

CSL has entered into a service agreement with NCX Consultants Limited to provide administrative support services. The contract has an annual value of approximately \$0.1 million. NCX is a company in which CHL's CEO holds significant control.

23. Subsequent events

Dividends

On 17 February 2026, Conduit's Board of Directors declared a final dividend for 2025 of \$0.18 (approximately £0.13) per common share, which will result in an aggregate payment of \$29.2 million. The dividend will be paid in pounds sterling on 16 April 2026 to shareholders of record on 20 March 2026 (the Record Date) using the GBP/USD spot exchange rate at 12 pm UK time on the Record Date.

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 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 audited consolidated financial statements or in accordance with IFRS.

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

APM	Explanation	Calculation
Gross premiums written (KPI)	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. Reinstatement premiums are excluded.
Net loss ratio (discounted and undiscounted)	Ratio of net losses and loss related amounts expressed as a percentage of net reinsurance revenue in a period. This can be calculated using discounted or undiscounted net losses and loss related amounts.	Net losses and loss related amounts / Net reinsurance revenue Undiscounted 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 (discounted) (KPI)	The sum of the net loss ratio, reinsurance operating expense ratio and other operating expense ratio. Other operating expenses are not allocated to the segment combined ratio.	Net loss ratio + Net reinsurance operating expense ratio + Other operating expense ratio (note 4)

Additional performance measures (the “APMs”) continued

APM	Explanation	Calculation
Combined ratio (undiscounted)	The sum of the net loss ratio (undiscounted), reinsurance operating expense ratio and other operating expense ratio. Other operating expenses are not allocated to the segment combined ratio.	Net loss ratio (undiscounted) + 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
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, at end of period – Opening Common Share price, at beginning of period + Common Share dividends during the period / Opening Common Share price, at beginning of period
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
Net tangible assets per share (KPI)	This provides a measure of book value per share for all shares in issue less own shares held in treasury or the EBT trust.	Total shareholders’ equity less intangible assets, at the end of the period / Total common shares in issue less own shares held The GBP equivalent of NTAVS is calculated using the end of period exchange rate between USD and GBP.