

Conduit Holdings Limited First Quarter 2022 Trading Update

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

Pembroke, Bermuda - 11 May 2022

CHL is today presenting its trading update for the first quarter of 2022.

Key highlights of the first quarter:

	2022 \$m	2021 \$m	Year on year change %
Estimated ultimate premiums written	296.9	199.1	49.1
Gross premiums written	177.5	82.6	114.9

- Continued build of a high quality reinsurance franchise
- Market conditions remain strong with continuing rate increases and improvements in terms and conditions
- Diversified and balanced portfolio growth with a renewal net rate change of 4.9%
- Net ultimate incurred losses related to the Russian invasion of Ukraine are estimated at between \$15.0 million and \$30.0 million, with net impact for the first quarter of \$24.6 million, after reinsurance and reinstatement premiums, predominantly driven by the classes of aviation, war on land and marine war
- Investment return at (2.9)% driven by unrealised losses of \$32.6 million from increase in yields due to interest rate hike expectations; conservative approach to invested assets maintained
- Final dividend of 18c (approximately 14p) per common share (in respect of the second half of 2021) paid in the second quarter of 2022

Neil Eckert, Group Executive Chairman, commented:

"Our position as a pure-play reinsurer, with a strong balance sheet and no legacy, allows the team to take advantage of the best market conditions for a decade.

As the discipline in primary markets continues, Trevor and his team are successfully executing the strategy put forward in the IPO plans and our earned premium recognition is building."

Trevor Carvey, Group Chief Executive Officer, commented:

"The first quarter of 2022 has seen significant year-on-year growth as we execute on our plan to selectively grow our diversified portfolio. We continue to enjoy the benefits of strong reinsurance market conditions and the continuing excellent support from our clients and brokers.

Turning to the situation in Ukraine, we have estimated the ultimate potential losses for the first quarter derived primarily from our property and specialty books via classes such as aviation, war on land and marine war. Given the typical structure of the reinsurance treaty contracts that we underwrite, with event and aggregate limitations in place, we have been able to arrive at a loss estimate for the relatively small number of contracts we write across these classes for Ukraine and Russia, and this gives us confidence in our estimate at this time."

Business update

During the first quarter of 2022, Conduit Re continued to show growth across all segments thanks to improving rates and, primarily, to new business. Client count and submission numbers have increased in line with the Group's growth strategy. Rate change continues to be positive, outpacing inflation.

Underwriting activities

Our estimated ultimate premiums written for the three months ended 31 March 2022 and 31 March 2021 were as follows:

Segment	2022 \$m	% of total	2021 \$m	% of total	Year on year change %
Property	120.8	40.7%	85.7	43.1%	41.0%
Casualty	99.0	33.3%	60.6	30.4%	63.4%
Specialty	77.1	26.0%	52.8	26.5%	46.0%
Total	296.9	100.0%	199.1	100.0%	49.1%

Our gross premiums written for the three months ended 31 March 2022 and 31 March 2021 were as follows:

Segment	2022 \$m	% of total	2021 \$m	% of total	Year on year change %
Property	83.8	47.2%	44.2	53.5%	89.6%
Casualty	59.7	33.6%	15.9	19.3%	275.5%
Specialty	34.0	19.2%	22.5	27.2%	51.1%
Total	177.5	100.0%	82.6	100.0%	114.9%

The split of our estimated ultimate premiums written between quota share and excess of loss for the three months ended 31 March 2022 and 31 March 2021 was:

Type of business	2022 \$m	2022 %	2021 \$m	2021 %
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Quota share	200.6	67.6%	122.1	61.3%
Excess of loss	40.1	13.5%	18.4	9.3%
Quota share of excess of loss	56.2	18.9%	58.6	29.4%
Total	296.9	100.0%	199.1	100.0%

The split of our gross premiums written between quota share and excess of loss for the three months ended 31 March 2022 and 31 March 2021 was:

Type of business	2022 \$m	2022 %	2021 \$m	2021 %
Quota share	114.2	64.3%	40.2	48.7%
Excess of loss	40.1	22.6%	18.8	22.8%
Quota share of excess of loss	23.2	13.1%	23.6	28.5%
Total	177.5	100.0%	82.6	100.0%

Both pricing and terms and conditions continue to improve in most of the markets we are targeting, particularly at the primary level. Hence our focus remains towards ground-up quota share business.

Pricing

The Group's overall indicative renewal price changes, net of inflation, in the year to date as of 1 April 2022 were estimated to be:

Period/Type of Business	Property	Casualty	Specialty
Year to date	+7.8%	+2.7%	+2.1%

Losses

While the first quarter of 2022 was the sixth first quarter in a row where weather-related insured losses have exceeded \$10 billion, Conduit Re had minimal exposure to these natural catastrophe events.

As regards the escalating crisis in Ukraine and the Russian invasion on 24 February, Conduit Re has potential exposure across its property and specialty reinsurance books, via classes such as aviation, war on land and marine war. There is significant uncertainty in estimating losses emanating from the conflict, not least as it is an ongoing event. Based on current information, Conduit Re's estimated net ultimate losses in relation to the conflict for the aforementioned classes are expected to be in the range of \$15 million to \$30 million, after anticipated reinsurance recoveries and reinstatement premiums. The estimated net impact which has been recognised in respect of the first quarter is \$24.6 million. This has been derived from a combination of market data and ground-up assumptions, modelled loss projections and reports from cedants. As noted, as the event is ongoing, further losses could occur in the second quarter and beyond depending on the ultimate duration of the conflict. We will continue to keep these estimates under review as more detailed information becomes available.

Our ultimate loss estimates, net of reinsurance and reinstatement premiums, for the previously reported 2021 loss events remained relatively stable.

Investments

During the first quarter of 2022 expectations for future Federal Reserve rate rises increased significantly, driven by the outlook on inflation. Treasury yields increased significantly as a result, which led to an unrealised loss of \$32.6 million on the Group's investment portfolio for the quarter. Total return for the three months ended 31 March 2022 was (2.9)%. While we expect market volatility to remain elevated in the near term, Conduit Re expects to be able to reinvest at higher rates as the existing portfolio rolls over.

The managed portfolio is as follows:

Fixed maturity securities	95.6%
Cash and cash equivalents	4.4%
Total:	100.0%

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

- Duration 2.5 years
- Credit quality AA-
- Book yield 1.1%
- Market yield 2.5%

Conduit Re does not have any direct exposure to Russian or Ukrainian assets in its investment portfolio.

Capital and dividends

Total capital and tangible capital to the Group on 31 March 2022 was \$0.9 billion.

During the first quarter of 2022, the Group's Board of Directors declared a final dividend of \$0.18 (approximately £0.14) per common share (in respect of the second half of 2021) which was paid in pounds sterling on 22 April 2022 to shareholders of record on 25 March 2022, resulting in an aggregate payment of \$29.7 million.

Conference Call & Presentation

CHL management will host a live analyst and investor videoconference, including a question and answer session, on 11 May 2022 at 12pm (midday) UK time / 8am Atlantic time.

The video conference will be available at:

<https://conduitreinsurance.zoom.us/j/88314550313?pwd=eTZSUG9QYUFGMUI1SVhIVTBINEQ4dz09>

Meeting ID: 883 1455 0313

Passcode: 476740

One tap mobile

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8335480276,,88314550313#,,,,*476740# US Toll-free

Dial by your location

888 475 4499 US Toll-free

833 548 0276 US Toll-free

833 548 0282 US Toll-free

877 853 5257 US Toll-free

0 800 456 1369 United Kingdom Toll-free

0 800 031 5717 United Kingdom Toll-free

0 800 631 3717 United Kingdom Toll-free
0 800 260 5801 United Kingdom Toll-free
0 800 358 2817 United Kingdom Toll-free
866 237 6875 Bermuda Toll-free
Meeting ID: 883 1455 0313
Passcode: 476740
Find your local number: <https://conduitreinsurance.zoom.us/j/88314550313>

An archive of the conference call will be available together with the presentation slides through the Investors section of CHL's website at www.conduitreinsurance.com from approximately 4:00 p.m. BST on 12 May 2022.

Market abuse regulation: This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR").

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About Conduit Re

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

Learn more about Conduit Re:

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

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

Twitter: https://twitter.com/Conduit_Re

Important Information

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "goals", "objective", "rewards", "expectations", "projects", "anticipates", "expects", "achieve", "intends", "tends", "on track", "well placed", "estimated", "projected", "may", "will", "aims", "could" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, pricing rate changes, terms and conditions, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, claims development, losses and future prospects; and (ii) business and management strategies and the expansion and growth of CHL's operations.

Forward-looking statements may and often do differ materially from actual results. Forward-looking statements reflect CHL's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to CHL's business, results of operations, financial position, liquidity, prospects, growth and strategies. These risks, uncertainties and assumptions include, but are not limited to: the possibility of greater frequency or severity of claims and loss activity than CHL's underwriting, reserving or investment practices have anticipated; the reliability of catastrophe pricing, accumulation and estimated loss models; the actual development of losses and expenses impacting estimates for claims which arose as a result of recent loss activity such as the Ukraine crisis, Hurricane Ida, and the European storms and floods in 2021; the impact of complex causation and coverage issues associated with attribution of losses to wind or flood damage; unusual loss frequency or losses that are not modelled; the effectiveness of CHL's risk management and loss limitation methods, including to manage volatility; the development of CHL's technology platforms; a decline in Conduit Re's ratings with A.M. Best or other rating agencies; the impact that CHL's future operating results, capital position and ratings may have on the execution of CHL's business plan, capital management initiatives or dividends; CHL's ability to implement successfully its business plan and strategy during 'soft' as well as 'hard' markets; the premium rates which are available at the time of renewals within Conduit Re's targeted business lines; increased competition on the basis of pricing, capacity or coverage terms and the related demand and supply dynamics as contracts come up for renewal; the successful recruitment, retention and motivation of CHL's key management and the potential loss of key personnel; the credit environment for issuers of fixed maturity investments in CHL's portfolio; the impact of swings in market interest rates, currency exchange rates and securities prices; changes by central banks regarding the level of interest rates and the timing and extent of any such changes; the impact of inflation or deflation in relevant economies in which CHL operates; CHL becoming subject to income taxes in the United States or in the United Kingdom; and changes in insurance or tax laws or regulations in jurisdictions where CHL conducts business. Forward-looking statements contained in this trading update may be impacted by the escalation or expansion of the Ukraine conflict on Conduit Re's clients, the volatility in global financial markets and governmental, regulatory and judicial actions, including coverage issues.

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

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

The Conduit Re renewal year on year pricing change measure is an internal methodology that management intends to use to track trends in premium rates of a portfolio of reinsurance

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

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