

Xitus Re Ltd.
Financial Condition Report

For year ending 31 December 2025

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i. **Business and performance**

a. Name of insurer:

Xitus Re Ltd. (“Xitus”, or “the Company”)

Operating and registered office:

Continental Building
25 Church Street
Hamilton HM12
Bermuda

Name of insurance manager: (and principal representative)

Davies Captive Management Limited

Operating and registered office:

Continental Building
25 Church Street
Hamilton HM12
Bermuda

b. Supervisors

Insurance Supervisor:

Bermuda Monetary Authority (“BMA”)
BMA House
43 Victoria Street
Hamilton HM12
Bermuda

c. Approved auditor

Forvis Mazars Limited
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Internal Auditor

Grant Thornton Advisory (Bermuda) Limited
Atlantic House
11 Par La Ville Road
Hamilton HM11

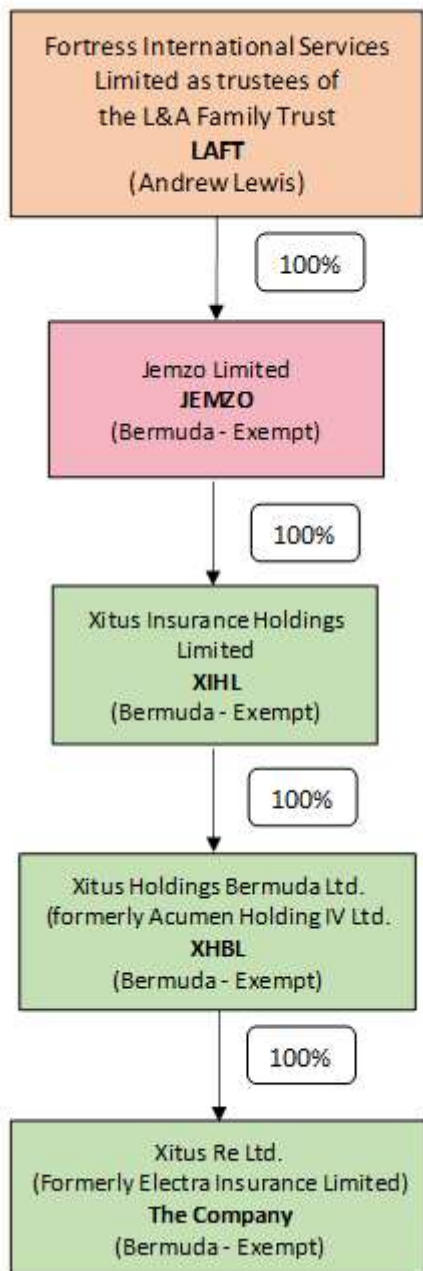
Bermuda

d. Ownership details

The Company is a wholly owned subsidiary of Xitus Holdings Bermuda Ltd., which is a wholly owned subsidiary of Jemzo Limited.

Refer to the Group structure as at 31st December 2025

e. Group structure



f. Insurance business written

The Company wrote a 100% quota share in 2001 for the property damage and business interruption (excluding terrorism) of RWE (its previous parent). The coverage limits were £135 million any one event, in excess of the insured's retained liability of £15 million per occurrence, limited to £40 million in the annual aggregate. This program is fully reinsured. This program was terminated in 2002.

The Company insured 100% of the legal liability risks including professional indemnity (excluding employer's liability and motor) of RWE. The coverage limits were £150 million any one event in excess of the insured's retained liability (ranging from £10,000 to £250,000). This program is fully reinsured. This program was terminated in 2002.

The Company also insured, without reinsurance protection, increased deductibles imposed by market underwriters on RWE for the property and business interruption risks plus its UK terrorism exposure. These deductibles were £15 million per location and this coverage (including terrorism) has a loss limit of £15 million and an annual aggregate limit of £40 million. This program was terminated in 2002.

The Company also insured RWE's residual liability in respect of employers' liability for the period from 1 April 1977 to 30 March 1989, and public liability for the period from 1 April 1977 to 31 March 1990. The limits of this policy were £100 million in the aggregate, with a sub-limit of £40 million in the aggregate with respect to claims arising from cervical spondylosis. A single premium was received in respect of this policy during the year ended 29 March 1992. Effective 15 July 1994, this cover was extended to include indemnification of RWE's legal liability for compensation payable, damages and expenses incurred in respect of:

- (1) Accidental personal injury to employees or third parties during the above periods of coverage; and
- (2) Disease incurred by employees and third parties prior to 25 December 1949. A single premium was received for this cover.

Mesothelioma claims are funded 50% by the pool insurers, founded in 1949 to provide the Central Electricity Generating Board ("CEGB") with employee liability and public liability cover. RWE (and as a result, the Company) is one of the successor companies to the CEGB which was privatized in 1990. The pool insurers are managed by Electricity Industry Run-Off Services Limited ("EIROS"). The Company has historically funded claims 100%, acting effectively as claims administrators for RWE, however the Company has agreed with EIROS that from 1 October 2022 onward, EIROS will pay its share of the claims payments.

In 2002 the company ceased all underwriting activities. Hence as expected given the run-off nature of the business, premium writings are nil.

At 31 December 2023, the Company was in discussions with RWE to sign an endorsement agreement to cover the anticipated shortfall of one of the EIROS pool insurers which is facing financial difficulty. The agreement would have Xitus Re facilitate and pay the shortfall on

RWE's behalf (party responsible for the shortfall) in exchange for an upfront endorsement premium of £200,000. This has not been recorded as the agreement was not signed. This has been recorded in 2024.

On 4 December 2025, the Company concluded a sale and purchase agreement with Insko Holdings Ltd, by which the Company acquired 100% of the issued share capital of Insko Limited. Immediately at close, Insko Limited merged with the Company and ceased to exist as a separate legal entity. The assets and liabilities acquired in the transaction, thus form part of the assets and liabilities in the balance sheet at 31 December 2025. The transaction gave rise to a bargain gain of £1,576,945 which is reflected in the profit and loss statement for 2025. Net loss reserves acquired, equate to £12,239,143 and comprise US APH claims in run-off. Cash received in the transaction equating to £14,751,141 was immediately invested into US investment grade bonds. Other assets and liabilities are included in the closing balance sheet at 31 December 2025.

g. Performance of investments and material income and expenses

Performance of investments

The Company's key investment objectives are:

- to maintain a targeted Enhanced Capital Requirement Ratio (ECR Ratio) of a 165%, as outlined in the Capital Management Policy;
- Assets protecting underlying obligations will follow a prescribed investment framework aimed at achieving stable returns with minimal risks, where the Company is able to meet its liabilities and operating expense obligations when they come due.
- Excess capital is directed towards expanding Xitus Re's core business focus in facilitating M&A legacy transactions as well as adding an additional safeguard.
- Optimising investment portfolios to attain a balance between safety, meeting regulatory requirements and returns in the market.

Accordingly, the investment strategy is different for the unrestricted funds. The strategy for unrestricted funds is more focussed on yield maximisation.

As at December 31, 2025 the Company had the following investments:

- £20.4m in GBP investment grade bonds held under the custody of UBS Switzerland. These assets provide the required BSCR cover for our GBP insurance reserves.
- £14.5m (\$19.6m) in USD investment grade bonds held under the custody of US Bank. These assets provide the required BSCR cover for our USD insurance reserves.
- £2.9m in GBP money market funds and
- £6.6m (\$8.9m) in USD money market funds both under the custody of UBS Switzerland- this provides liquidity for any M&A activity and for operational and claims costs.
- £472k in cash with HSBC Bermuda.

All assets are unencumbered.

For the year ended December 31, 2025 the Company reported investment income of £1.4m. The net Underwriting income reported was £878k. The Company also made a bargain gain on the acquisition and merge with Insko Limited, of £1.6m.

Material income & expenses for the reporting period

Other than the investment income, underwriting profit and the bargain gain, referred to in the sections above, the only income and expenses reported by the Company for the reporting period were general administrative and operating expenses(G&A) of £2.8m. These included costs incurred in the investigations into and acquisition of Insko Limited. G&A also included £536k of realised exchange losses on USD MMFs. Consulting costs paid to the holding company for the Exco team amounted to £873k.

ii. Governance structure

a. Board and senior executive

a.i Board and senior executive structure, role, responsibilities

The board of directors (“Board”) performs all activities involved in the governance and oversight of the Company. The board consists of three executive directors and three non-executive directors. There is supporting documentation for board delegation, approval and sign-off processes. Two of the executive directors also hold officer positions as the chief executive officer and chief financial officer.

a.ii Remuneration policy

The remuneration (if any) of the directors is determined by the Company in a general meeting and deemed to accrue from day to day. The directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the board, any committee appointed by the board, general meetings, or in connection with the business of the Company or their duties as directors generally.

a.iii Pension and early retirement schemes for members, board and senior employees

The Company has no pension commitments or liabilities.

a.iv Material transactions

Services are outsourced to companies controlled by board members, as follows:

- Corporate and regulatory reporting services – Davies Captive Management Limited

Actuarial services are outsourced to PricewaterhouseCoopers LLP, an external 3rd party.

Claims handling services are outsourced to Crawford & Company UK Ltd. (Specialist Liability Services/SLS) (“SLS”), an external 3rd party.

b. Fit and propriety requirements

b.i Fit and proper process in assessing the board and senior executives

It is the responsibility of the Company to ensure that each individual proposed to undertake a key function has sufficient fitness and propriety in being able to perform such a function. Sufficient fitness will be determined by an individual's qualifications, experience, competence, and capacity, appropriate to the relevant function. Where a proposed candidate does not meet the required standards of fitness and/or propriety then that individual must not be allowed to perform that function or any aspect of the function.

b.ii Board and senior executives' professional qualifications, skills and expertise

Below are details of the Board and Senior Executives qualifications, skills and expertise:

Ivor Andrew Ogilvie Charles Lewis

Director (Executive and CEO)

Ivor Andrew Ogilvie Charles Lewis is an Associate of the Chartered Insurance Institute ACII UK and has over 35 years of experience in the reinsurance sector. He is currently the Executive Chairman of ORA SA and UK, an MGA, regulated by the FCA and focused on both treaty and facultative reinsurance business emanating from the African Continent. Appointed on 30th August 2023

Jane Newton

Director (Executive and CFO)

Jane Newton has over 30 years of financial management experience and 5 years' experience in the reinsurance sector. She has held the position of Group Finance Manager for the Xitus Insurance group for the past 3 years. Jane was appointed as Director on 30th August 2023. Jane was appointed CFO on 1st April 2024.

Corwin K. Zass

Non-Executive Independent Director

Corwin (Cory) Zass is the founder and principal of Actuarial Risk Management, Ltd. (ARM), an independent member of the BDO Alliance USA since 2006. His passion to efficiently solve problems and identify opportunities from risk fuels his strategic direction for the firm. Mr. Zass has positioned ARM as a real alternative to larger national consulting firms by assembling a roster of over 250 freelancing consulting actuaries spanning the world that collectively operate under the ARM Network of subcontractors. His relationship building efforts have served to have ARM be the go-to actuarial advisory group for numerous tier 2 and 3 regional and national accounting firms, including BDO, Grant Thornton, FORVIS(DHG+BKD), as well others across 25 countries or close to 30 years, Mr. Zass has challenged the actuarial status-quo by leveraging a set of technical skillsets with a persona of confidence that have many saying, "Cory is not a typical actuary". Even as a trained life actuary, he continues to use his actuarial foundations to have others reassess and validate their common beliefs in managing risk, regardless of risk. Whether his focus is on U.S. life insurance matters to alternative risk financing to pension de-risking, he tries to bring a perspective of what worked in one segment to others. An ever-increasing client base have reached out to Mr. Zass and/or his team's collective advice on M&A/due diligence, product management, capital strategy, and financial reporting paradigms.

Jae Lake

Non-Executive Independent Director

25 years international insurance experience in the London Market and P&C including Executive and Director roles. Wide range of experience across commercial and retail classes including product and portfolio management, underwriting, reinsurance and capital modelling, risk management, pricing and reserving (long and short tail), business development and client management.

Thomas McMahan

Director (Non-Executive, service provider)

Prior to entering the captive management industry in 1994, Tom spent 10 years in the audit profession, both in Ireland and Bermuda. Since 1994, Tom has been actively involved in the establishment and management of single parent and group captives, segregated account companies and Class 3A commercial reinsurance companies. Tom is a past President of the Bermuda Insurance Management Association ("BIMA"). BIMA is an association of professional

insurance management companies in Bermuda with its principal role as liaison with the Bermuda Monetary Authority and other bodies on matters affecting the captive insurance industry. He is also a past Chairman of the Bermuda Captive Conference. He is a member of the Insurance Advisory Council, a statutory body appointed by the Minister of Finance whose role is to advise the Ministry of Finance on matters relating to the Bermuda insurance market.

Ian Stone

Director (non-executive, service provider)

Ian is a director in the corporate department and has been with Wakefield Quin Limited since 2004. His areas of experience include IPO's, public company and capital markets transactions, advising on offshore corporate and partnership structures, project financing, banking and structured financing transactions, acquisitions and mergers, group restructuring and general corporate work. Prior to joining Wakefield Quin Limited Ian was a Partner at Halliwells in Manchester until 1999 and senior corporate counsel at Appleby in Bermuda from 1999 to 2004. Ian was educated in Manchester, England and at Sheffield University and Chester College of Law and was called to the Bermuda Bar in 2004. He was appointed on 31st January 2022.

Alison Morrison

Risk and Compliance Officer & Privacy Officer

Alison has more than 30 years of experience in financial services and is the Executive Vice President of Nascent Advisory Services Ltd. formerly, Bermuda Compliance Consultants Ltd. She has worked as part of multi-national firms and banks, and has extensive experience in anti-money laundering (AML) and antiterrorist financing (ATF) regulations, policy development, corporate governance, training and operational compliance. Alison is also skilled in designing and implementing compliance programs and performing AML/ATF audits for regulated financial institutions. She also serves as an independent director on a number of corporate boards as well as serving as Director/Governance Chair for a non-profit organization. In addition, Alison leads the 100 Women in Finance Bermuda Committee.

Neil Redburn

Chief Information Security Officer

IT Leader with more than 25 years' experience. Expert in Cyber Security, IT Governance, Risk and Compliance / Chief Information Security Officer. Proven track record of accomplishments in aligning business strategy with technology and cybersecurity across an international organization. Developed strategic long-term partnerships and communicate effectively with all levels of decision makers, internally and externally. Extensive experience in managing key vendor relationships, contract negotiations, pricing and establishing robust service level agreements to protect and support the organization.

c. Risk management and solvency self-assessment

c.i Risk management process & procedures to identify, measure, manage and report on risk exposure

Risk management consists of processes and controls that have been designed by senior management with oversight by the Board of Directors to be implemented by Xitus's management to identify, measure, manage, report and monitor risks that affect the achievement of our strategic, operational and financial objectives.

- Identify: Risks are identified in a number of ways including discussions at board meetings, the quarterly risk assessment process, and experience from incidents, stress testing exercises if considered necessary, the risk reviews and knowledge sharing across the Company.
- Measure: The company maintains a risk register populated with the current risks and risk assessment. After a risk analysis has been carried out, risks are graded in terms of importance; for all identified risks faced by the company a matrix approach is followed considering both the severity of a risk and the likelihood of occurrence.
- Manage: The Board of Directors reviews the risk appetite with input from management, reviews the risk management methodologies and oversees management's execution of the risk management objectives. The risk management governance structure reports directly to the Board, whose mandate is to provide oversight and governance for risk management initiatives, to oversee that our internal controls are operating effectively, and to provide analysis to management in order to appropriately manage and govern the business and the associated risks.
- Report: Reporting includes risk and internal controls, summary of risk assessments, risk appetite monitoring, internal control performance, incident reporting and status of actions with respect to incidents, risks and controls.

c.ii Risk management and solvency self-assessment systems implementations

The key risks of the business are identified and monitored by the Board. The risk register records the core risks, the risk appetite and risk tolerance of the business as set by the Board and are set out in the risk appetite statement.

c.iii Relationship between solvency self-assessment, solvency needs & capital, and risk management

The company had its revised business plan approved by the BMA on 15 May 2025. This business plan outlines the Company's intention to enter into the legacy market and acquire further run-off business by business acquisitions or reinsurance of third party reserves. This M&A activity and/or underwriting activity is overseen by the Exco, the Underwriting committee and the Board. Each project is analysed to assess the capital requirements for the project and the projected solvency of the Company post transaction. At all times, the Company must maintain its targeted ECR ratio of 165%. If a new project is considered favorable, but existing capital is insufficient to complete the transaction while still meeting targeted capital, further funding would need to be introduced by the shareholder before the project would be approved. In this way, solvency is maintained.

Apart from solvency risk through growth, as outlined above, the key risk is to ensure that there are sufficient liquid assets available to discharge all valid claims in a timely manner.

c.iv Solvency self-assessment approval process

As Xitus has now been approved as a legacy acquirer and not just a run-off insurer, solvency must be assessed for each new transaction to ensure that solvency can always be maintained at target levels. The nature of the run-off in terms of quantum and volatility dictate the capital required, (this relates to new business written, acquired and existing reserves. The nature of the business also dictates the risk appetite and risk tolerance of the entity. The board, considering these factors, sets out the Risk Management Framework and Governance Framework for the Company. As the business has now been approved as an acquirer of additional legacy business, it has developed

complex internal modelling to make its business decisions and to assess solvency requirements for any new business. All new business projects are assessed using this solvency modelling to ensure target projects can be completed while still maintaining target ECR ratios.

d. Internal controls

d.i Internal control system

Xitus is required to establish and maintain a sound corporate governance and control functions for compliance, actuarial, internal audit and risk management having regard to, without limitation, principles of corporate discipline, accountability, responsibility, compliance and oversight. The corporate governance, compliance and risk management framework should be appropriate for Xitus, having regard to the Company's limited nature, scale and complexity. The Company has established standard control function reporting for the board and the chief executive officer, and the Company's day-to-day operations handled in house, treasury is outsourced to Davies Captive Management Limited., the Company's Insurance Manager.

d.ii Compliance function

Xitus has established Bermuda-based compliance and risk management functions through Nascent Group.

The Company has engaged Davies Captive Management Limited with support from the Company's Bermuda insurance counsel to provide advice and guidance for compliance with Bermuda laws and regulations.

e. Internal audit

The Company has appointed Grant Thornton Advisory (Bermuda) Limited (GT) in 2025 as the outsourced Internal Audit Partner. GT has run a risk assessment on Xitus Re and has developed

a 3-year IA plan which was presented to and approved by the Board in December 2025. The first IA is scheduled to take place in early 2026.

f. Actuarial function

Xitus's reserving and reserve risk, has been outsourced to PWC LLP as loss reserves specialists.

PWC LLP are engaged to provide an annual actuarial review, quarterly reviews, and to opine on the technical provisions, on a Consolidated SFS and EBS basis, and provide the Actuary's Opinion and Report thereon.

PwC LLP also provide third party actuarial valuations on new books of business that the Company looks at from an M&A perspective.

g. Outsourcing

g.i Outsourcing policy and key functions that have been outsourced

The Board is responsible for the governance and oversight of outsourced services and functions. The Board has established an outsourcing policy and procedures to ensure there are appropriate policies, procedures and controls in place to supervise the discharge of outsourced functions to an outsourced provider.

Before entering into, or significantly changing, an outsourcing arrangement, the Company must analyse how the arrangement will fit with its organization and reporting structure, strategy, overall risk profile and ability to meet its regulatory obligations; possibility to monitor and control its operational risk exposure relating to the outsourcing; conduct appropriate due diligence of the service provider's financial stability and expertise; ensure that the BMA has the powers to request information from or have access to outsource suppliers.

Once Xitus has appropriately considered the general risk inherent in sourcing a process, product, or function, the second area is the selection of the external supplier.

The Company has outsourced actuarial, claims handling, insurance management services and the internal audit function. Insurance management services include core day-to-day management and operations, finance, risk and compliance functions. Xitus is responsible for undertaking a comprehensive assessment into a supplier's ability to deliver the service and ensure that there are proper internal controls that meet financial services standards.

There are risks and benefits for the Company in outsourcing its primary functions. The Board reviews the situation periodically and considers that the benefits significantly outweigh the disadvantages.

The benefits are a) substantial costs savings which benefit the business particularly due to the small scale of the business b) leverage of insurance management at Davies Captive Management Limited, claims expertise at SLS, as well as actuarial expertise at PWC. In each case the board is directly responsible for supervising and monitoring the performance of the outsource contracts.

g.ii Material intra-group outsourcing

As noted above, services are outsourced to companies controlled by board members, as follows:

- Corporate and regulatory reporting services- Davies Captive Management Limited.

iii. Risk Profile

a. Material risks the insurer is exposed to during the reporting period

As a run-off insurer, Xitus has a very simple business model with a very limited range of risks:

Insurance risk - The Company's insurance business assumes the risk of loss from persons or organizations that are directly exposed to an insurance policy. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of the insurance liabilities following an insured loss. The Company does not enter into any new contracts of insurance that involve exposure to live risks.

(a) *Reserving risk*: in establishing reserves, management includes amounts for IBNR reserves using information from independent actuarial estimates of ultimate losses. Reserves are reviewed on a quarterly basis to ensure that all reported claims are adequately provided for. The reserves of the Company are quantified through an outsourced actuarial assessment of the reported claims reserves at each quarter end. Additionally, on an annual basis, actuarial reports provide an independent review of the reserves including a best estimate. When assessing new books of run-off business, reserves are valued by our internal actuary and also by an independent actuary, to keep reserving risk to a minimum and ensure reserves are accurately valued.

(b) *Claims management risk*: SLS manages claims made against Xitus in a professional and disciplined manner, relying on the outsourced expertise to dispose of risks expeditiously and cost-effectively. Inaccurate calculation and reporting of claims case reserves may lead to under or over estimation of IBNR. Hence there is a great focus on data quality to produce an accurate record of updated claims. Claims management on new reserves acquired through acquisitions or reinsurance transactions, will be outsourced to the most suitable and experienced managers.

Financial risk -

(a) *Credit risk* - Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument is unable to pay in full amounts when due and arises from the Company's available-for-sale investments, cash and cash equivalents and financial liabilities at fair value through profit or loss. The credit risk that the Company is exposed to relates to the investments in effect at the reporting date. Xitus Re must manage these portfolios within the strict Investment Guidelines which have been issued by Xitus. These guidelines include the

objective of preservation of capital as well as constraints on the total proportion of the portfolio that may be invested in any one asset class as well as a required average portfolio credit rating.

(b) Liquidity risk - The risk that Xitus is unable to realize investments and other assets in order to settle financial and claim obligations when they fall due or that the Company would have to incur excessive cost to do so. All liquidity needs for the Company's operations and claims payments are proactively managed and forecast by the Exco. The investment guidelines include the objective of maintaining the ability to meet liability payout and operating expense obligations as they come due as well as constraints on the average portfolio duration. Management ensures that there is duration matching between the assets and liabilities and sufficient liquidity to meet operational and claims cash flows..

(c) Investment risk – The Company has exposure to investment risk through the potential failure of its investments. As referenced above, the Company has issued guidelines to the investment managers to further mitigate these risks. These guidelines include preservation of capital as an objective as well as constraints designed to help satisfy this objective. The mandate of the investment guidelines is to invest the assets in liquid, standard, diversified securities within the limits of the issued investment guidelines.

(d) Interest rate risk - Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The interest rate risk for the Company arises from investments held in portfolios of fixed income assets. At year-end we have both USD and GBP fixed Income bond portfolios as listed in section 1g.

Operational risk - Operational risk is the risk of losses due to deficiencies or errors in processes and systems, whereas business risk is the risk of losses due to external factors such as the market situation or government regulations. The board monitors the operational risk by monitoring the business systems, including the use of outsourced functions and promptly responding to any identified deficiencies. The board reviews the situation periodically and considers that the benefits significantly outweigh the disadvantages in outsourcing its primary functions.

b. Risk mitigation in the organisation

Insurance risk - The reserving risk on existing and new books of reserves, is kept to a minimum by independent actuarial reviews on all reserves. These are performed in-depth annually and also performed when investigating new books of business. Actual performance of claims is also measured quarterly by the external actuaries to identify and unexpected variances. All actuarial reports are reviewed by the Board.

Claims management risk is reduced by choosing and using experienced claim managers to manage each book of claims. The claims managers are also overseen by the Company's head of claims and in depth review is performed annually and reported to the board.

Financial risk – Credit & Market risks: Close monitoring of investments by the Board takes place quarterly; required adherence to investment guidelines. Investment managers operate under approved investment guidelines limiting maximum holdings and setting minimum credit ratings for all investments.

Liquidity: Liquidity risk is managed by ensuring investment managers match the duration of investments closely to the liabilities. Investment managers base their portfolios around the payout patterns of the underlying liabilities. The investment guidelines include a required average credit rating of the portfolio. Some liquidity is held to cover operational and short term claim requirements.

Interest rate risk: This is mitigated by the investment managers' guidelines, under which the duration of the assets is aligned with liability duration. (ALM) The portfolios are composed of assets with multiple maturities.

Operational risk – Operational risk is mitigated through implemented policies and procedures and the robust system of internal control and compliance processes operating throughout and as documented in the risk management system.

Internal Audit investigations are conducted two or three times per year to independently assess the internal controls of the Company.

c. Material risk concentrations

The Company has policies governing risk concentrations in relation to counterparties, credit quality, sectors and geographical locations (UK versus Non-UK) and counterparty exposure is monitored by the risk management function.

Primarily risk concentrations arise from the potential to invest assets in a single counterparty. Investment guidelines place limits on the average credit rating of the portfolio and on the proportion of the portfolio that can be invested in any single asset class.

d. Investment in assets in accordance with the prudent person principles of the Code of Conduct

The prudent person principles. Assets are invested in accordance with the prudent person principles of the code of the conduct (par. 5.1.2) *“The “prudent person” principle requires that an individual entrusted with the management of a client’s funds may only invest in instruments that any reasonable individual with objectives of capital preservation and return on investment would own”*.

Fundamental investment policies. The company gives priority to safety and liquidity. As such it pursues a stable return on investment and invests in assets that match the claim payment reserves. The Company pursues asset allocation by diversification into various asset classes in order to stabilize investment returns and to reduce risk. The Company is fully aware of the fact that proper asset allocation is most important and has the greater influence on investment returns than individual portfolio selection within each asset class or timing of transaction. The Company's investment goal is to maximize risk adjusted total return on invested capital whilst preserving invested capital and maintaining the ability to meet liability payout and operating expense obligations as they come due.

e. Stress testing and sensitivity analysis to assess material risks

Xitus Re conducts a comprehensive programme of stress and scenario testing each year to assess the resilience of its capital position and its ability to meet policyholder obligations under adverse conditions. This work forms a core component of the Company's risk management framework and is reviewed and approved by the Board as part of its oversight of solvency, liquidity, and overall financial soundness.

As a run-off specialist, Xitus Re's risk profile is primarily driven by reserve risk, the risk that future claims development exceeds expectations. The Company evaluates this exposure using independent actuarial analysis, internal judgement, and a range of stress assumptions calibrated to capture both moderate and adverse liability outcomes. Consistent with regulatory guidance, the testing considers a spectrum of potential reserve movements, from best estimate projections to more conservative scenarios involving higher-than-expected claims emergence, changes in reporting patterns, and shifts in long-duration liability assumptions.

In addition to insurance-related stresses, the Company assesses sensitivity to key financial and macroeconomic risks, including interest rate movements, credit spread changes, and inflation. These tests ensure that Xitus Re's asset portfolio, investment strategy, and liquidity position remain appropriate in stressed market conditions. Across the majority of these market-related scenarios, capital coverage remains resilient and above supervisory and Target ECR Ratio (150%).

Reverse stress testing is also performed to identify scenarios that could threaten regulatory solvency thresholds. These analyses indicate that only a material and sustained deterioration in reserves, well outside the range of expected experience, would erode capital to a point that threatens regulatory compliance. Even under such extreme assumptions, the projected deterioration would occur gradually over time, allowing for management intervention, reserve recalibration, and strategic capital actions if required.

Overall, the stress and scenario testing programme demonstrates that Xitus Re maintains a strong capital buffer relative to the risks inherent in its run-off portfolio. The Company remains well positioned to withstand severe but plausible adverse conditions and to continue meeting its policyholder commitments. Results from these exercises support the Board's conclusion that Xitus Re is adequately capitalised and operates within its approved risk appetite.

Investment Risk. To measure investment risk, and its effect on solvency, stress testing of the investments held by the Company is carried out annually. A range of stress tests specified by the BMA, are completed. The results of these form part of our solvency reporting.

Outsourcing Risk. We have sought to assess the risk and impact of a failure of one of the key outsourcing service providers and costs of such failure to the business of Xitus. The consequences of such a failure are difficult to quantify but by assessing the risks the Board is better prepared to take evasive action should such an eventuality arise.

The modelled cost to the Company equates to the lost service for a quarter period and an additional quarter cost that may be incurred in effecting a transition. We have estimated the potential cost of this of the largest contract of outsourcing.

iv. Solvency valuation

The statutory financial statements are prepared in accordance with accounting practices prescribed or permitted in Bermuda by the Insurance Act 1978 and Related Regulations. For Xitus this basis of presentation differs from Generally Accepted Accounting Principles (“GAAP”) with respect to the treatment of prepaid expenses which are non-admitted assets.

a. Valuation bases, assumptions, and methods to derive the value of each asset class

Cash and equivalents – Cash and cash equivalents are carried at cost which approximates fair value.

Investments – Investments are recorded on a settlement date basis. Management determines the appropriate classification of its investments at the time of the purchase. Investments may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices.

Net investment income, consisting of interest and dividends, net of investment expenses, is recognized in the condensed statement of income when earned. Realized investment gains on the sale of investments are determined based on the specific identification method and are included in the condensed statement of income.

b. Valuation bases, assumptions, and methods to derive the value of technical provisions

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows which is calculated using the cost of capital approach and risk-free discount rate term structure. The discount rate term structures are prescribed by the Authority at each reporting period.

The best estimate for the loss and loss adjustment expense provision is calculated by starting with US GAAP reserves and then adjusting for the following:

- Removal of prudence margin,
- Addition of events not in data,
- Consideration of other relevant expenses, and
- Discounting cash flows.

The entity is in runoff and does not have a Premium provision.

c. Description of recoverable from reinsurance contracts

RI OSLR and RI IBNR were acquired in the Insko acquisition and merge, and form part of the assets at 31 December 2025. The RI is comprised mainly of a 25% Quota share. The RI portion of the reserves forms part of the independent actuarial review. Reinsurance recoverables

acquired in the Insko acquisition, are valued net of bad debt. The recoverability will be assessed annually and bad debt provided for

d. Valuation bases, assumptions, and methods to derive the value of other liabilities

Losses and loss expenses and claims paid are recorded when advised by the ceding insurance companies / claims handler.

e. Any other material information

No additional material information to report.

v. **Capital Management**

a. Eligible Capital

a.i Capital management policy and process for capital needs, how capital is managed and material changes during the reporting period.

The Board will review the capital and surplus of the Company and will monitor this against the regulatory capital requirement to ensure that there is adequate capital to meet regulatory capital requirements.

The primary capital management objectives of the Company are to maintain a strong capital base to support the orderly run-off of the business and to meet regulatory capital requirements at all times. The Company recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance. It strives for an appropriate capital structure that efficiently allocates the risk to the capital.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over a planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by senior management given the Company's risk profile. This risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organisation's enterprise risk management, capital measures derived from proprietary and vendor models, qualitative risks, stress testing, liquidity, and contingent financing mechanisms. Surplus capital is paid out in dividends, subject to prior approval from the BMA.

a.ii Eligible capital categorised by tiers in accordance with the eligible capital rules used to meet ECR and MSM requirements of the Insurance Act.

Xitus has performed an assessment of eligible capital (including categorization of capital into tiers in accordance with Eligible Capital Rules) in line with the requirements for the Class 3A Capital and Solvency Return. As all Xitus's eligible capital is currently cash and cash equivalents, it has been assessed and categorised as Tier 1 capital in line with the eligible capital rules.

a.iii Confirmation of eligible capital that is subject to transitional arrangements.

Not applicable.

a.iv Identification of any factors affecting encumbrances on the availability and transferability of capital to meet ECR.

100% of the Company's cash and invested assets are unencumbered.

a.v Identification of ancillary capital instruments approved by the Authority.

No ancillary capital instruments to report.

a.vi Identification of differences in shareholder's equity as stated in the Financial Statement versus Available Capital and Surplus.

No differences to note.

b. Regulatory Capital Requirements

b.i ECR and MSM requirements at the end of the reporting period.

As Xitus is a Class 3A insurer and is required to file the Class 3A Capital and Solvency Return, the applicable capital requirement is the higher of the ECR and the MSM. The MSM for a Class 3A company is the larger of:

- Premium – 20% of the first \$6m, 15% thereafter
- Reserves – 15%
- \$1 million

Xitus continues to be capitalized above Target requirements, which equate to 150% of the enhanced requirement. The Company has also satisfied its minimum liquidity requirement.

The Company has significant unencumbered liquid funds relative to the size of the Company's balance sheet. Management and the Board believe that Xitus is appropriately capitalized to allow comfortable run-off of the Company's remaining business.

Capital requirements and available funds (GBP 000's)

	2025
Minimum Margin of Solvency	4,336
Enhanced capital requirement	6,851
Target capital requirement (150%)	10,276
Available Statutory Economic Capital and Surplus	20,158
Excess of capital over target requirement (150%)	9,882
Enhanced Capital Requirement ratio	294%
Target Capital Requirement ratio	150%

b.ii Identification of any non-compliance with the MSM and the ECR.

At the end of the reporting period, the Company was compliant with the Minimum Margin and Solvency.

b.iii A description of the amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness.

Not applicable.

b.iv Where the non-compliance is not resolve, a description of the amount of the non-compliance.

Not applicable.

c. Approved internal capital model

c.i A description of the purpose and scope of the business and risk areas where the internal model is used.

Not applicable – the Company has not applied to have its internal capital approved to determine regulatory capital requirements. The requirements have been defined using the Bermuda Solvency Capital Requirement (the BSCR) model prescribed by the BMA for a Class 3A insurer.

c.ii Where a partial internal model is used, description of the integration with the BSCR model.

Not applicable.

c.iii Description of methods used in the internal model to calculate the ECR.

Not applicable.

c.iv Description of aggregation methodologies and diversification effects.

Not applicable.

c.v Description of the main differences in the methods and assumptions used for the risk areas in the internal model versus the BSCR model.

Not applicable.

c.vi Description of the nature and suitability of the data used in the internal model.

Not applicable.

c.vii Any other material information.

Not applicable.

vi. **Subsequent Events**

Xitus Re Ltd.

Declaration

We declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the insurer in all material respects.

Chief Executive Officer



Andrew Lewis

28 April 2026

(Date)

Chief Financial Officer



Jane Newton

28 April 2026

(Date)