## Enstar Third Quarter 2023 Audio Update with Dominic Silvester and Matt Kirk

**PETER KALAEV, GROUP TREASURER**

Hello everyone, I'm Peter Kalaev, Group Treasurer. Thank you for listening to Enstar's Third Quarter 2023 Earnings Audio Review with CEO Dominic Silvester and CFO Matt Kirk.

Before we begin, I'd like to remind everyone that this presentation contains forward-looking statements and non-GAAP financial measures. Forward-looking statements in this presentation include, but are not limited to, statements about Enstar's expectations for future and pending transactions, run-off liability earnings, the performance of its investment portfolio and the impact of rising interest rates on Enstar's business. These statements are inherently subject to risks, uncertainties and assumptions that may cause actual results to differ materially from the statements being made as of the date of this update or in the future. Additional information regarding these statements and our non-GAAP financial measures is outlined in the text that appears below the link to this recording. With that, I will turn it over to Dominic.

**DOMINIC SILVESTER, CEO**

Thank you, Peter.

In the third quarter we continued to execute on value accretive transactions for our shareholders while delivering year-to-date growth in book value per share. A few notable highlights:

- We announced a new agreement with AIG, which completed recently, to provide up to $400 million of protection against adverse development on the carried loss reserves underwritten by Validus Re. This transaction is further validation of our leading ability to structure and execute innovative, bespoke capital release solutions for our partners worldwide.
- We generated strong net investment income of $143 million, largely driven by improved year-over-year performance in our investment portfolio, supported by higher interest rates on our floating rate assets and the investment of new assets from our second quarter transactions with QBE and RACQ at over 5% yields.
- Finally, subsequent to the end of the quarter, we agreed to repurchase ordinary shares from CPP Investments and its affiliates. We are pleased to execute this accretive buy back of shares while retaining ample capital resources to seamlessly continue our long-term operational strategy.
- Matt will cover this transaction in more detail later.

As we look to the end of 2023, we continue to diligently watch the ongoing uncertain macro and geopolitical environments, taking them into account as we consider how best to grow our business. With that said, given our proven business model, operational excellence, and strong capital position, Enstar is well placed to continue to lead the run-off market, while creating significant value for our shareholders in the years ahead.

Over to you Matt.

**MATTHEW KIRK, CFO**

Thanks, Dominic.

During the quarter, we recorded net earnings of $38 million, compared to a net loss of $432 million in the third quarter of 2022. We generated a return on equity, or ROE, of 0.9%, and adjusted ROE of 2.5%. As a reminder, adjusted ROE is a performance measure that excludes net realized and unrealized gains and losses on fixed maturity investments and funds held-directly managed, as well as other adjustments as detailed in our 10-Q.

Third quarter results were once again largely driven by positive investment performance of $146 million. Breaking down our results further, we generated $143 million of net investment income, or NII, due to the investment return on consideration received from new business, reinvestment of fixed income maturities, and interest income on our floating rate assets with term SOFR rates above 5%, which comprise approximately 18% of our total investable assets. We also experienced favourable returns on our non-core equity investments of $83 million, primarily driven by the impact of second quarter 2023 global equity market performance and tightening of high yield credit spreads on our non-core equity investments recorded on a one quarter lag.

The positive non-core returns and NII were partially offset by net realized and unrealized losses on our fixed income portfolio of $80 million, driven primarily by interest rate increases.

We recorded Run-off Liability Earnings, or RLE, of $15 million, and adjusted RLE of $32 million, driven by favourable development across multiple acquisition years. This was primarily from favorable claims experience in our workers' compensation and property lines of business as well as reductions in our provisions for ULAE. Partially offsetting this was adverse development in our general casualty line of business driven by a small number of larger losses on excess policies across multiple portfolios.

We completed approximately 18% of the value of our planned annual reserve reviews in the third quarter. Consistent with prior years, most of our annual reserve reviews occur in the fourth quarter, and this is where we've historically seen the largest movements in our RLE and adjusted RLE metrics.

As of September 30th, we delivered year to date growth in book value per share of 7.7% and 7.0% on an adjusted basis. As we've previously noted, growth in our book value has been negatively impacted year-to-date by the adoption of new accounting standards relating to Long-Duration Contracts, or LDTI, which required us to retrospectively increase opening equity by $273 million.

The impact to our closing equity was offset with the novation of the affected liabilities, and therefore, the combined effect of these items is book value neutral. However, the restatement of opening equity reduced our year-to-date growth in book value per share both on an adjusted and unadjusted basis. Excluding the impact of LDTI, growth in year-to-date book value per share on an unadjusted basis would have been 14.7% and 14.0% on an adjusted basis.

Due primarily to the rapid increase in interest rates over the past two years, we've incurred a cumulative $1.2 billion of unrealized losses on our fixed maturities and funds held – directly managed held as of our balance sheet date. This has adversely impacted BVPS by approximately $79 dollars and Adjusted BVPS by approx. $78 dollars. These assets provide liquidity for our policyholder liabilities as they come due. As such, we generally hold these investments to maturity with the view that the unrealized losses will naturally reverse as the securities approach maturity.

Our capital and liquidity position remains strong to support future transactions. Our revolving credit facility remains fully unutilized and available to us as of September 30th. We ended 2022 with a group solvency ratio of 210%, and we continue to maintain a solid group solvency ratio after allocating capital to recent transactions and our most recent share repurchase.

As Dominic noted, subsequent to the end of the quarter, we agreed to repurchase $191 million worth of ordinary shares from CPP Investments and its affiliate and from the Trident V Funds managed by Stone Point Capital LLC at a price per share of $227.18, which represents a 5% discount to the trailing 10-day weighted average price of our shares as of November 3, 2023. In addition, Dominic will purchase $10 million of shares from existing shareholder the Trident V Funds at the same price. This transaction further aligns his interest with our new and current shareholders.

From a regulatory standpoint, we continue to monitor the active landscape, including any upcoming enhancements to the Bermuda Monetary Authority's supervision of insurance groups and the proposal of the global minimum tax rate. We understand that regulations are not static, and we are committed to adapting to them while ensuring we continue to create shareholder value.

In conclusion, we continue to solidly execute on our core strategy of delivering attractive capital release solutions despite the ongoing market and geopolitical conditions. We maintain our disciplined approach toward buying new business and our best-in-class team of experts remain well-positioned to take advantage of a healthy pipeline and create additional long-term value for our shareholders.

Thank you for your time and your continued interest in Enstar.