



**XL Insurance
Reinsurance**



 **XL Bermuda Ltd**

**Consolidated Financial
Statements for the Years Ended
December 31, 2025 and 2024**

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Report of Independent Auditors

The Board of Directors
XL Bermuda Ltd

Opinion

We have audited the consolidated financial statements of XL Bermuda Ltd (the Company), which comprise the consolidated statement of financial position as of December 31, 2025, and 2024, and the related consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

April 29, 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	(US Dollars in thousands)	December 31, 2025	December 31, 2024
6	Goodwill	1,023,243	1,032,710
7	Other intangible assets	542,567	527,720
	Intangible assets	1,565,810	1,560,429
	Investments in real estate properties	1,184,083	996,705
	Financial investments	46,417,467	42,914,830
8	Investments from insurance activities	47,601,550	43,911,536
9	Investments accounted for using the equity method	35,903	64,584
12	Assets arising from reinsurance contracts held	19,766,145	17,799,921
	<i>of which Present Value of Future Cash Flows</i>	19,118,030	17,172,649
	<i>of which Risk Adjustment for non-financial risk</i>	583,162	524,436
	<i>of which Contractual Service Margin</i>	64,953	102,836
15	Derivative assets	47,632	110,071
	Tangible assets	286,005	323,527
14	Deferred tax assets	454,710	689,300
	Other assets	788,347	1,122,899
	Current tax receivables	42,030	57,843
	Other receivables	630,895	300,207
10	Receivables	672,925	358,050
	Cash and cash equivalents	1,191,948	902,983
	TOTAL ASSETS	71,622,629	65,720,401

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025 AND 2024

Notes	(US Dollars in thousands)	December 31, 2025	December 31, 2024
	Shareholder's Equity - Company share	13,953,885	12,804,638
	<i>of which Net income - Company share</i>	<i>1,807,046</i>	<i>2,225,839</i>
	Minority interests	(17,529)	(4,128)
11	TOTAL SHAREHOLDER'S EQUITY	13,936,356	12,800,510
	Financing debt	12,596	12,719
12	Liabilities arising from insurance contracts and investment contracts with discretionary participation features	53,251,200	48,869,609
	<i>of which Present Value of Future Cash Flows</i>	<i>51,661,969</i>	<i>47,405,047</i>
	<i>of which Risk Adjustment for non-financial risk</i>	<i>1,517,677</i>	<i>1,361,980</i>
	<i>of which Contractual Service Margin</i>	<i>71,555</i>	<i>102,582</i>
	Provisions for risks and charges	227,368	218,069
15	Derivative liabilities	48,843	48,521
14	Deferred tax liabilities	324,076	190,838
	Other liabilities	372,919	239,358
	Other debt instruments issued, notes and bank overdrafts	713,623	614,540
	Current tax payables	286,711	260,342
	Collateral debts relating to investments under a lending agreement or equivalent	1,045,867	993,397
	Other payables	1,775,987	1,711,855
13	Payables	3,822,188	3,580,135
	TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	71,622,629	65,720,401

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Notes	(US Dollars in thousands)	December 31, 2025	December 31, 2024
	Insurance revenues	21,444,659	20,459,780
	Revenues from other activities	100,647	91,978
16	Revenues from all activities	21,545,306	20,551,757
	Insurance service expenses	(16,910,374)	(15,319,510)
	Net expenses from reinsurance contracts held	(2,363,496)	(2,998,052)
	Expenses from other activities	(61,596)	(48,028)
18	Expenses from all activities	(19,335,465)	(18,365,591)
	Result from all activities	2,209,841	2,186,166
17	Investment return	1,652,485	1,489,455
12	Net finance income or expenses from insurance contracts issued	(1,146,651)	(1,215,189)
12	Net finance income or expenses from reinsurance contracts held	357,054	531,440
	Net finance income or expenses from insurance and reinsurance contracts	(789,597)	(683,749)
	Financial result excluding financing debt expenses	862,889	805,706
18	Other income and expenses	(503,620)	(190,224)
	Other operating income and expenses	(503,620)	(190,224)
	Operating profit before tax	2,569,109	2,801,648
	Income (net of impairment) from investment accounted for using the equity method	(17,900)	(23,090)
	Financing debt expenses	(34,830)	(33,936)
	Profit before tax	2,516,380	2,744,622
14	Income tax	(709,204)	(518,759)
	Net income	1,807,175	2,225,863
	<i>Split between:</i>		
	Net income - Company share	1,807,046	2,225,839
	Net consolidated income - Minority interests	129	23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Net income	1,807,175	2,225,863
Changes in fair value of financial instruments (a)	763,273	(121,534)
Net finance income and expenses from insurance contracts issued	(251,149)	(147,678)
Net finance income from reinsurance contracts	155,663	55,750
Foreign currency translation differences	150,518	(57,602)
Items that may be reclassified subsequently to Profit or Loss	818,305	(271,065)
Realized capital gains or losses on equity instruments, without recycling in Profit or Loss	36,007	(63,506)
Change in fair value of equity instruments, without recycling in Profit or Loss (b)	(20,636)	(19,863)
Employee benefits actuarial gains and losses	823	(882)
Items that will not be reclassified subsequently to Profit or Loss	16,194	(84,250)
Other comprehensive income (loss), net of tax	834,499	(355,315)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,641,674	1,870,548
<i>Split between:</i>		
Comprehensive Income - Company share	2,644,024	1,873,005
Comprehensive Income (loss) - Minority interests	(2,350)	(2,457)

(a) Including changes in the fair value of cash flows hedge reserve and cost of hedging reserve.

(b) Including changes in the fair value hedge reserve of equity instruments.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(US Dollars in thousands, except for number of shares and nominal value)</i>	Number of shares (in thousands)	Nominal value	Paid-in capital	Other reserves recognized through OCI	Translation reserves	Employee benefits	Retained earnings	Shareholder's equity Company share	Minority interests	Total shareholder's equity
Shareholder's equity opening January 1, 2025	12,500,000	0.10	12,223,512	(1,027,780)	(202,071)	(202,273)	2,013,250	12,804,638	(4,128)	12,800,510
Return of capital to parent	-	-	-	-	-	-	-	-	-	-
Others (including impact of change in scope) (a)	-	-	-	20,738	204,485	-	-	225,223	(11,052)	214,171
Dividends paid	-	-	-	-	-	-	(1,720,000)	(1,720,000)	-	(1,720,000)
Impact of transactions with shareholder	-	-	-	20,738	204,485	-	(1,720,000)	(1,494,777)	(11,052)	(1,505,829)
Net income	-	-	-	-	-	-	1,807,046	1,807,046	129	1,807,175
Other comprehensive income	-	-	-	649,630	150,518	823	36,007	836,978	(2,479)	834,499
Total comprehensive income for the year	-	-	-	649,630	150,518	823	1,843,053	2,644,024	(2,350)	2,641,674
Shareholder's equity closing December 31, 2025	12,500,000	0.10	12,223,512	(357,412)	152,932	(201,450)	2,136,303	13,953,885	(17,529)	13,936,356

(a) Relates mainly to the sale of Catlin Re Switzerland Ltd (see Note 4).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

<i>(US Dollars in thousands, except for number of shares and nominal value)</i>	Number of shares (in thousands)	Nominal value	Paid-in capital	Other reserves recognized through OCI	Translation reserves	Employee benefits	Retained earnings	Shareholder's equity Company share	Minority interests	Total shareholder's equity
Shareholder's equity opening January 1, 2024	12,500,000	0.10	12,223,512	(796,935)	(144,469)	(201,391)	1,570,916	12,651,633	(482)	12,651,151
Return of capital to parent	-	-	-	-	-	-	-	-	-	-
Others (including impact of change in scope)	-	-	-	-	-	-	-	-	(1,189)	(1,189)
Dividends paid	-	-	-	-	-	-	(1,720,000)	(1,720,000)	-	(1,720,000)
Impact of transactions with shareholder	-	-	-	-	-	-	(1,720,000)	(1,720,000)	(1,189)	(1,721,189)
Net income	-	-	-	-	-	-	2,225,839	2,225,839	23	2,225,863
Other comprehensive income	-	-	-	(230,845)	(57,602)	(882)	(63,506)	(352,835)	(2,480)	(355,315)
Total comprehensive income for the year	-	-	-	(230,845)	(57,602)	(882)	2,162,334	1,873,005	(2,457)	1,870,548
Shareholder's equity closing December 31, 2024	12,500,000	0.10	12,223,512	(1,027,780)	(202,071)	(202,273)	2,013,250	12,804,638	(4,128)	12,800,510

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Profit before tax from continuing operations	2,516,380	2,744,622
Net amortization expense (a)	(56,757)	37,365
Net increase/(write back) in impairment on investments and tangible assets	23,641	21,118
Change in fair value of financial assets and liabilities at fair value through profit or loss	50,014	32,498
Net change in liabilities arising from insurance and investment contracts	1,509,902	(47,061)
Net increase/(write back) in other provisions (b)	(6,483)	1,360
Income (net of impairment) from investments accounted for using the equity method	17,900	23,090
Adjustment for non-cash movements included in the profit before tax	1,538,217	68,370
Net realized gains and losses	(116,377)	(134,916)
Financing debt expenses	41,895	41,001
Adjustment of balances included in profit before tax for reclassification to investing or financing activities	(74,482)	(93,915)
Dividends recorded in profit or loss during the period	(152,718)	(142,619)
Investment income and expenses recorded in profit or loss during the period	(1,416,059)	(1,263,161)
Adjustment of transactions from accrued to cash basis	(1,568,778)	(1,405,780)
Cash flows of deposit accounting	(128,410)	(64,073)
Dividends received	115,142	141,957
Interests received	1,484,463	1,307,211
Interests paid (excluding interests on financing and undated subordinated debts, margin calls and other debts)	(98,898)	(72,504)
Net change from operating receivables and payables	(937,284)	380,975
Net change from other assets and liabilities	467,449	(13,606)
Tax paid	(406,194)	(404,119)
Other operating cash impact and non-cash adjustment	115,357	(111,679)
Cash flows related to operating activities not included in the profit before tax	611,625	1,164,161
CASH FLOWS FROM OPERATING ACTIVITIES	3,022,963	2,477,458
Acquisition of subsidiaries and affiliated companies, net of cash acquired	-	(24)
Disposal of subsidiaries and affiliated companies, net of cash ceded (e)	318,526	10,000
Cash flows related to changes in scope of consolidation	318,526	9,976
Sale and/or repayment of debt instruments	6,903,198	6,156,111
Sales of equity instruments and non-consolidated investment funds (c)	425,092	459,120
Sale of investment properties held directly or not	254,943	293,378
Sale and/or repayment of loans and other assets	91,043	88,761
Cash flows related to sales and repayments of investments	7,674,276	6,997,370
Purchase of debt instruments	(7,690,935)	(7,442,798)
Purchases of equity instruments and non-consolidated investment funds (c)	(689,209)	(618,917)
Purchase of investment properties held directly or not	(284,160)	(154,800)
Purchase and/or issuance of loans and other assets	(210,210)	(29,795)
Cash flows related to purchases and issuance of investments	(8,874,515)	(8,246,311)
Sale of tangible and intangible assets	-	9,674
Purchase of tangible and intangible assets	(68,814)	(140,214)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Cash flows related to sales and purchases of tangible and intangible assets	(68,814)	(130,540)
Increase in collateral payable/Decrease in collateral receivable	2,200,974	2,062,573
Decrease in collateral payable/Increase in collateral receivable	(2,173,892)	(1,832,750)
Cash flows related to assets lending/borrowing collateral receivables and payables	27,082	229,823
CASH FLOWS FROM INVESTING ACTIVITIES	(923,445)	(1,139,681)
Dividends paid	(1,720,000)	(1,720,614)
Cash flows related to transactions with shareholders	(1,720,000)	(1,720,614)
Cash provided by financial debts issuance	-	12,000
Cash used for financial debts repayment	184	(11,878)
Interests paid on financing debt	(16,218)	(15,646)
CASH FLOWS RELATED TO GROUP FINANCING	(16,034)	(15,524)
CASH FLOWS FROM FINANCING ACTIVITIES	(1,736,034)	(1,736,138)
CASH AND CASH EQUIVALENT AS OF JANUARY 1 (d)	902,983	1,275,197
Cash flows from operating activities	3,022,963	2,477,458
Cash flows from investing activities	(923,445)	(1,139,681)
Cash flows from financing activities	(1,736,034)	(1,736,138)
Net impact of foreign exchange fluctuations and reclassification on cash and cash equivalents	(74,520)	26,148
CASH AND CASH EQUIVALENT AS OF DECEMBER 31 (d)	1,191,948	902,983

(a) Includes premiums/discounts capitalization and relating amortization, amortization of investment and owner occupied properties held directly.

(b) Mainly includes change in provisions for risks and charges, bad debts/doubtful receivables and impairment of Assets held for sale.

(c) Includes equity instruments held directly or by consolidated investment funds as well as non-consolidated investment funds.

(d) Net of bank overdrafts.

(e) The \$370.0 million sale consideration is adjusted by a \$45.5 million net cash transfer to AXA Switzerland (as part of the NAV transfer) and a \$6.0 million outstanding receivable from AXA Switzerland.

Note 1 General information

XL Bermuda Ltd (the “Company” or “XLB”) is an exempted company incorporated and domiciled in Bermuda and registered as a Class 4E insurer under the Insurance Act 1978. Its registered office is O’Hara House, One Bermudiana Road, Hamilton HM11 Bermuda.

The Company’s shares are wholly owned by XL Group Ltd and the ultimate parent is AXA SA, a French société anonyme that is the holding company of an international financial services group (“AXA”). Effective October 29, 2021, the Company’s direct shareholder EXEL Holdings Limited merged with indirect shareholders of the Company, XLIT Ltd and XL Group Ltd, with XL Group Ltd as the surviving company in the merger, becoming the direct shareholder of the Company. A list of the main entities included in the scope of XLB’s Consolidated Financial Statements is provided in Note 3.1.

The Company and its operating subsidiaries are a leading provider of Property & Casualty insurance and reinsurance coverages to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis. The Company and its various subsidiaries operate globally through the Company’s three business operations: Insurance, Reinsurance and Risk Consulting.

1.1 Insurance operations

The Company, through its insurance operations, offers a broad range of coverages, including property, primary and excess casualty, excess and surplus lines, environmental liability, professional liability, construction, marine, energy, aviation & satellite, fine art & specie, livestock & aquaculture, accident & health and crisis management, among other risks.

1.2 Reinsurance operations

The Company, through its reinsurance operations, provides casualty, property risk, property catastrophe, specialty, and other reinsurance lines on a global basis with business being written on both a proportional and non-proportional treaty basis, as well as a facultative basis. Also included within reinsurance is the run-off life business, of which, most product lines are covered by 100% quota share retrocession.

1.3 Risk Consulting operations

In addition, the Company, through its risk consulting operations, offers both insurance and non-insurance clients customized risk management solutions and consulting services to understand and quantify the risks companies face or may face in the future, with the objective of avoiding preventable losses and mitigating the impact of losses that do occur.

/ Note 2 Significant accounting policies

2.1 BASIS OF PREPARATION

2.1.1 Statement of compliance

The Consolidated Financial Statements are prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the end of the reporting period with a compulsory date of January 1, 2025.

The Consolidated Financial Statements for the year ended December 31, 2025, were authorized for issue by the directors on April 22, 2026. The directors have the power to amend and reissue the financial statements.

2.1.2 Basis of accounting and going concern

The financial statements have been prepared on a going concern basis, based on the expectation that the Company will continue in operational existence for twelve months from the date of the financial statements.

The Consolidated Financial Statements are prepared under the historical cost convention and modified by the measurement of certain financial assets and liabilities at fair value as follows:

- derivative financial instruments;
- financial instruments at fair value through profit or loss; and
- financial instruments at fair value through other comprehensive income.

2.1.3 Functional and presentation currency

The Consolidated Financial Statements are presented in US Dollars, which is XLB's functional currency, and all values are rounded to the nearest thousand (\$'000/US Dollars in thousands), except where otherwise indicated. Rounding differences may exist, including for percentages.

2.1.4 Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions as well as a degree of judgment in the application of the Company's accounting principles described below. The Company's most significant areas of estimation include:

- assets and liabilities arising from insurance contracts and reinsurance contracts held;
- valuation and impairment of investments;
- income taxes;
- carrying value of goodwill and intangible assets (in particular impairment tests described in Note 2.6).

While Management believes that all amounts included in the Consolidated Financial Statements reflect the Company's best estimates and assumptions, actual results could differ materially from these estimates.

The principles set out in the Note 2 sections which follow specify the measurement methods used for these items. These methods, along with key assumptions where required, are discussed in greater depth in the Notes relating to the asset and liability items concerned where meaningful and useful.

As recommended by IAS 1 - Presentation of Financial Statements, assets and liabilities are generally classified globally in the consolidated statement of financial position in increasing order of liquidity, which is more relevant for financial institutions than a classification between current and non-current items.

2.2 IFRS STANDARDS AND AMENDMENTS

2.2.1 IFRS requirements adopted on January 1, 2025

The application, as of January 1, 2025, of the amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, issued on August 15, 2023, had no material impact on the Company's Consolidated Financial Statements.

2.2.2 Standards and amendments published but not yet effective

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 - Presentation and Disclosure in Financial Statements, published on April 9, 2024, will be effective on January 1, 2027, with earlier application permitted.

It aims at improving the quality and cross-industry comparability of financial reporting, notably by introducing defined subtotals in the statement of profit or loss, adding new principles for aggregation and disaggregation of information and requiring disclosures about management-defined performance measures. It will replace IAS 1 - Presentation of Financial Statements.

The assessment of its impact on XLB's Consolidated Financial Statements is in progress.

Amendments to the Classification and Measurement Requirements for Financial Instruments in IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosures

These amendments, issued on May 30, 2024, and endorsed by the European Union on May 27, 2025, will be effective on January 1, 2026, with earlier application permitted.

They result from the post-implementation review of the classification and measurement requirements in IFRS 9 - Financial Instruments and related requirements in IFRS 7 - Financial Instruments: Disclosures. These amendments notably improve the requirements related to settling financial liabilities using an electronic payment system as well as to assess contractual cash flow characteristics of financial assets with contingent features, including those with Environmental, Social and Governance (ESG)-linked features.

The amendments also modify disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and add disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

The assessment of their impact on XLB's Consolidated Financial Statements is in progress, but is not expected to be material.

Other IFRS requirements not yet effective

The following standards and amendments are not expected to have a material impact on XLB's Consolidated Financial Statements:

- IFRS 19 - Subsidiaries without Public Accountability: Disclosures, published on May 9, 2024, and effective for annual periods beginning on or after January 1, 2027;
- Annual Improvements to IFRS Accounting Standards - Volume 11: narrow amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7, published on July 18, 2024, and effective for annual periods beginning on or after January 1, 2026;
- Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity, published on December 18, 2024, and effective for annual periods beginning on or after January 1, 2026; and
- Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency, published on November 13, 2025, and effective for annual periods beginning on or after January 1, 2027.

2.3 PRINCIPLES AND METHODS OF CONSOLIDATION

2.3.1 Scope and basis of consolidation

Companies in which XLB exercises control are subsidiaries. They are fully consolidated from the date on which control is transferred to XLB. Under IFRS 10 - Consolidated Financial Statements, XLB controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Only substantive rights (*i.e.* the holder must have the practicability to exercise them) and rights that are not protective are considered in the control evaluation.

Companies in which XLB exercises significant influence are accounted for under the equity method. Under IAS 28 - Investments in Associates and Joint Ventures, significant influence is presumed when XLB directly or indirectly holds 20% or more of the voting rights. Significant influence can also be exercised through an agreement with other shareholders.

Under the equity method, XLB's share in equity investments' post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in reserves is stated under "Other reserves".

Investment funds and real estate companies are either fully consolidated or accounted for under the equity method, depending on which conditions of IFRS 10 / IAS 28 listed above that they satisfy. For investment funds managed by external asset managers, when the voting rights of the Company exceed 99%, the presumption is that XLB has power because, in substance, XLB's full divestment would lead to the liquidation of the investment vehicle. This presumption of non-control when the voting rights of the Company are strictly less than 99% can be rebutted based on other indicators such as removal rights, exit mechanisms, or existing contractual agreements. For fully consolidated investment funds, minority interests are recognized at fair value and shown as liabilities in the consolidated statement of financial position, if the companies' instruments can be redeemed at any time by the holder at fair value. Investment funds accounted for using the equity method are included in the "Financial investments" line item.

2.3.2 Business combinations and subsequent changes in the Company ownership interest

2.3.2.1 Sale of an entity in a business combination

The Company accounts for the sale of an entity occurring in connection with a business combination at fair value. The gain or loss on disposal is measured as the difference between the consideration received and the carrying amount of the net assets disposed of, defined as total assets less total liabilities of the entity sold. Transaction-related costs directly attributable to the sale are expensed as incurred and recognized in the statement of profit or loss.

2.3.2.2 Business combinations of entities under common control

For business combinations of entities under common control, the acquired entities' results and consolidated statement of financial position are incorporated prospectively from the date of acquisition of the entity under common control occurred. Assets and liabilities of the acquired entity are stated at predecessor carrying values adjusted to achieve uniform accounting policies. Any difference between the consideration given and aggregate carrying value of assets and liabilities of the acquired entity at the date of transaction is included in equity.

2.3.2.3 Purchase and sale of minority interests in a controlled subsidiary

Purchase and sale transactions of minority interests in a controlled subsidiary that do not change the conclusion of control are recorded through shareholder's equity (including direct acquisition costs).

If control in a subsidiary is lost, any gain or loss is recognized in net income. Furthermore, if an investment in the entity is retained by the Company, it is re-measured to its fair value and any gain or loss is also recognized in net income.

2.3.2.4 Intra-group transactions

Intra-group transactions, including internal dividends, payables/receivables and gains/losses pertaining to these transactions are eliminated:

- in full for controlled subsidiaries; and

- to the extent of XLB's interest for entities accounted for using the equity method.

The effect on profit or loss of transactions between consolidated entities is always eliminated. However, in case of a loss, an impairment test is performed in order to assess whether an impairment has to be booked.

In the event of an internal sale of an asset that is not intended to be held for the long term by the Company, deferred tax is recognized as the current tax calculated on the realized gain or loss and is eliminated.

2.4 FOREIGN CURRENCY TRANSLATION

The results and financial position of all XLB entities that have a functional currency (*i.e.* the currency of the primary economic environment in which the entity operates) different from XLB's presentation currency are translated into US Dollars as follows:

- assets and liabilities are translated at the year-end exchange rate;
- revenues and expenses are translated at the monthly average exchange rates over the period;
- all resulting foreign exchange differences are recognized as a separate component of equity (translation differences).

At the local entity level, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. When currency risk relating to such monetary items is hedged using derivative instruments as described in Note 2.8, changes in fair value of those derivative instruments are recognized in profit or loss and therefore offset most of the translation difference relating to monetary items.

All assets and liabilities arising from insurance contracts are treated as monetary items. At each period end foreign currency monetary items are revalued using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange differences arising from monetary financial assets at fair value through other comprehensive income ("OCI") are recognized as income or expense for the period in respect of the portion corresponding to amortized cost. The residual translation differences relating to fair value changes are recorded in OCI, like for non-monetary items such as equity securities designated at fair value through OCI without recycling.

The groups of insurance contracts that generate cash flows in one or several foreign currencies are treated as monetary items, which requires translating their carrying amounts at the end of the reporting period into the functional currency using the closing rate.

When measuring a multi-currency group of insurance contracts, the entities determine on initial recognition whether the group is denominated in a single currency or in the multiple currencies of the cash flows within the group, the methodology having to be applied consistently for similar transactions:

- under a single-currency denomination policy, the changes in exchange rates between the currencies of the cash flows and the currency of the group of contracts correspond to a financial risk accounted for applying IFRS 17 whereas the changes in exchange rates between the currency of the group of contracts and the functional currency are accounted for applying IAS 21 – The Effects of Changes in Foreign Exchange Rates;
- under a multi-currency denomination policy, all changes in exchange rates are exchange differences that are accounted for applying IAS 21.

Goodwill arising on the acquisition of a foreign entity is recorded in the local currency of the acquired entity and is translated into US Dollars at the closing date.

Foreign exchange differences arising from the translation of a net investment in a foreign subsidiary, borrowings and other currency instruments qualifying for hedge accounting of such investment are recorded in shareholder's equity under translation differences and are recycled in the statement of profit or loss as part of the realized gain or loss on disposal of the hedged net investment (see Note 15.2.3).

Regarding the cumulative amount of the exchange differences related to disposed business, the Company applies the step-by-step consolidation method (IFRIC 16).

Assets and liabilities of foreign operations whose functional currency is not the US Dollar are then translated into the Company's US reporting currency at prevailing financial position-date exchange rates, while revenue and expenses of such foreign operations are translated into the Company's US reporting currency at monthly average exchange rates during the year. The net effect of these translation adjustments, as well as any gains or losses on intercompany balances for which settlement is not planned or anticipated in the foreseeable future, net of applicable deferred income taxes, are included in shareholder's equity in the currency translation reserve.

2.5 FAIR VALUE MEASUREMENT

The Company applies the fair value hierarchy of IFRS 13 - Fair Value Measurement as described below for all assets and liabilities where another IFRS requires or permits fair value measurement or disclosures about fair value measurement in the Notes to the Consolidated Financial Statements. The principles below address mostly assets given the nature of the activities of the Company.

2.5.1 Assets and liabilities quoted in an active market

An asset or a liability is considered as being quoted in an active market when quoted prices are readily and regularly available from a stock 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 between a willing seller and a willing buyer.

The assets need to be liquid, meaning that XLB can dispose of them in the ordinary course of business within a certain limited time period at approximately the price at which the asset is valued. Liquidity for debt instruments is assessed using a multi-criteria approach including the number of quotes available, the place of issuance and the evolution of the widening of bid ask spreads.

The fair value of assets and liabilities traded on active markets is determined using quoted market prices when available. For financial instruments traded in active markets, quotes received from external pricing services represent consensus prices, *i.e.* using similar models and inputs resulting in a very limited dispersion.

The fair value of assets and liabilities which is determined in whole directly by reference to an active market is disclosed as level 1 in the Notes to the Consolidated Financial Statements.

2.5.2 Assets and Liabilities not quoted in an active market

An asset or liability is regarded as not quoted in an active market:

- if there is little observation of transaction prices as an inherent characteristic of the asset or the liability;
- when there is a significant decline in the volume and level of trading activity;
- in case of significant illiquidity;
- if observable prices cannot be considered as representing fair value because of dislocated market conditions.

Characteristics of inactive markets can therefore be very different in nature, inherent to the asset or the liability, or indicative of a change in the conditions prevailing in certain markets.

The fair value of assets and liabilities that are not traded in an active market is estimated using:

- external and independent pricing services; or
- valuation techniques.

The fair value of assets and liabilities that are not traded in an active market mainly based on observable market data are disclosed as level 2 in the Notes to the Consolidated Financial Statements. The fair value of assets and liabilities, which is mainly not based on observable market data is disclosed as level 3.

2.5.2.1 No active market: use of external pricing services

External pricing services may be provided by brokers or fund asset managers in the case of investments in non-consolidated investment funds. Where possible, XLB collects quotes from external pricing providers as inputs to measure fair value. Prices received may form tight clusters or dispersed quotes which may then lead to the use of valuation techniques. The dispersion of quotes received may be an indication of the large range of assumptions used by external pricing providers given the limited number of transactions observed or reflect the existence of forced transactions.

2.5.2.2 No active market: use of valuation techniques

The objective of valuation techniques is to arrive at the price at which an orderly transaction would take place between market participants (a willing buyer and a willing seller) at the measurement date. Valuation techniques include:

- market approach: the consideration of recent prices and other relevant information generated by market transactions involving substantially similar assets or liabilities;
- income approach: use of discounted cash flow analysis, option pricing models, and other present value techniques to convert future amounts to a single current (*i.e.* discounted) amount;
- cost approach: the consideration of amounts that would currently be required to construct or replace the service capacity of an asset

Valuation techniques are subjective in nature and significant judgment is involved in establishing fair value. They include recent arm's length transactions between knowledgeable willing parties on similar assets if available and representative of fair value and involve various assumptions regarding the underlying price, yield curve, correlations, volatility, default rates and other factors. Unlisted equity instruments valuation is based on cross checks using different methodologies such as discounted cash flows techniques, price-earnings ratios multiples, adjusted net asset values, taking into account recent transactions on instruments which are substantially the same if concluded at arm's length between knowledgeable willing parties, if any. The use of valuation techniques and assumptions could produce different estimates of fair value. However, valuations are determined using generally accepted models (discounted cash flows, Black & Scholes models, etc.) based on quoted market prices for similar instruments or underlying (index, credit spread, etc.) whenever such directly observable data are available and valuations are adjusted for liquidity and credit risk.

Valuation techniques may be used when there is little observation of transaction prices as an inherent characteristic of the instrument, when quotes made available by external pricing providers are too dispersed or when market conditions are so dislocated that observed data cannot be used or need significant adjustments. Therefore, internal mark to model valuations are either normal market practices for certain assets and liabilities inherently scarcely traded or exceptional processes implemented due to specific market conditions.

When valuation techniques are used, the classification between levels 2 and 3 depends on the proportion of assumptions supported by observable market data used by external pricing services or, in very limited cases, by the Company.

2.5.2.3 Use of valuation techniques in dislocated markets

The dislocation of certain markets may be evidenced by various factors. For example, a very large widening of bid ask spreads may be a helpful indicator in understanding whether market participants are willing to transact. The dislocation of markets may also be suspected in case of wide dispersion in the prices (over time or among market participants), small number of transactions, closing down of primary and/or secondary markets, forced transactions motivated by needs of liquidity or other difficult financial conditions with insufficient time to market the assets to be sold, and large bulk sales to exit such markets at all costs that may involve side arrangements (such as sellers providing finance for a sale to a buyer).

In such cases, the Company uses valuation techniques including observable data whenever possible and relevant, adjusted if needed to develop the best estimate of fair value, including adequate risk premiums, or develops a valuation model based on unobservable data representing estimates of assumptions that willing market participants would use when prices are not current, relevant or available without undue costs and efforts. In inactive markets, transactions may be inputs when measuring fair value, but would likely not be determinative and unobservable data may be more appropriate than observable inputs.

2.6 INTANGIBLE ASSETS

2.6.1 Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of XLB's share of the net assets of an acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on acquisition of subsidiaries is shown as a separate intangible asset, while that on associates and joint ventures is included within the carrying amount of those investments.

Goodwill on acquisitions prior to January 1, 2018, (date of transition to IFRS) is carried at its deemed cost, which represents the amount recorded under previous US GAAP principles.

Goodwill is considered to have an indefinite useful life and is therefore not amortized, but instead subject to a test for impairment at least annually.

Goodwill is allocated to XLB's Insurance and Reinsurance cash-generating units ("CGUs") according to the smallest identifiable unit to which cash flows are generated and at which goodwill is monitored for internal management purposes.

The impairment process examines whether or not the carrying amount of the goodwill attributable to individual CGUs exceeds its recoverable amount. Any excess of goodwill over the recoverable amount arising from this process indicates impairment. Any impairment charges are presented as part of operational expenses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment of goodwill is not reversible.

XLB performs an impairment test of goodwill by CGU, using valuation approaches that rely on parameters such as market indicators, market value of assets, market value of liabilities and future operating profits, derived on the basis of operational and economic assumptions in order to determine any significant adverse changes that might lead to the non-recoverability of the goodwill. Compliant with IAS 36 – Impairment of Assets, within each CGU, a comparison is made between net carrying amount and the recoverable amount (equal to the higher of fair value less costs to sell and value in use). An impairment loss is recognized for a CGU if, and only if, the recoverable amount of the unit or group of units is lower than the net carrying amount of the unit or group of units.

Value in use consists of the net assets and the value placed on expected future earnings from existing and new business. Fair value less costs to sell is determined in compliance with IFRS 13 (Note 2.5). The recoverable amount is built upon cash flow projections, based on the business plans approved by XLB management and discounted using a risk adjusted rate (value in use). Cash flows beyond that period are extrapolated using a steady growth rate and a terminal value.

2.6.2 Other intangible assets

The Company's indefinite-lived intangible assets consist primarily of Lloyd's syndicate capacity and acquired insurance and reinsurance licenses. These assets are deemed to have indefinite useful lives and are therefore not subject to amortization. In accordance with IFRS, the Company tests non-amortized intangible assets for potential impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. If the carrying amount of a non-amortized intangible asset is in excess of its fair value, the asset must be written down to its fair value through the recognition of an impairment charge to earnings.

The Company's definite-lived intangibles consist primarily of acquired agency relationships, distribution networks, trade names, and internally-developed computer software. These assets are deemed to have defined useful lives and are amortized on a straight-line basis over the assets' estimated useful lives. The amortization periods approximate the time over which the Company expects to generate future net cash inflows from the use of these assets, and range from three to twenty years depending on the nature of the asset. In accordance with IFRS, these assets are subject to impairment testing when events or conditions indicate that the carrying amount of an asset may not be fully recoverable from future cash flows. If the carrying amount of a definite-lived intangible asset is in excess of its fair value, the asset must be written down to its fair value through the recognition of an impairment charge to earnings. The Company tests definite-lived intangible assets whenever events or circumstances indicate that carrying amounts may not be recoverable.

2.7 INVESTMENTS FROM INSURANCE ACTIVITIES

Investments from insurance activities include investments in real estate properties and financial investments.

2.7.1 Investments in real estate properties

Investments in real estate properties, including investments in real estate funds, are recognized at cost. The properties components are amortized over their estimated useful lives, also considering their residual value if it may be reliably estimated.

In case of unrealized loss over 15%, an impairment is recognized for the difference between the net book value of the investment property and its fair value based on an independent valuation. Furthermore, at the level of each reporting entity, if the cumulative amount of unrealized losses under 15% (without offsetting with unrealized gains) represents more than 10% of the cumulative net cost of real estate assets, additional impairment is booked on a line-by-line approach until the 10% threshold is reached.

In subsequent periods, if the appraisal value rises to at least 15% more than the net carrying value, previously recorded impairment is reversed to the extent of the difference between (i) the net carrying value and (ii) the lower of the appraisal value and the depreciated cost (before impairment).

The fair value of investments in real estate properties generally cannot be determined via reference to quotes of an active market from an exchange market or service provider. Instead, XLB real estate properties are valued by qualified independent appraisers with relevant professional qualification and experience in the locations and segments of the properties to be valued.

Three main valuation methods may apply to determine the fair value of XLB real estate assets, with the first two being the most commonly used:

- the discounted cash flow method determines the value of the real estate property from its potential to generate future income. Thus, the value is estimated by compiling the net present value of the future cash flows. Main inputs for the valuation are: projected rental income, projected operating expenses, capital expenditures requirements, discount rate and exit yield which corresponds to the rate used to capitalize the exit rent to determine the exit value of an asset. The Company provides external appraisers with all relevant information (notably detailed rent rolls, budget, etc.) to enable them to determine future cash flows, to which they also apply their own assumptions. The discount rate and exit yield applied vary from one property to another since they are a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities;
- the income capitalization method determines the value of the real estate property by applying a capitalization rate at the net operating income in perpetuity. The income capitalization method can notably be used when cash flows are stable and relatively certain, mainly where the real estate asset is fully leased (with limited number of tenants) and/or no occupancy changes are expected. In that case, it may not be necessary to consider an explicit forecast period as required under the discounted cash flow methodology and the terminal value alone may form the basis for the valuation; and
- the Hardcore method is a variation of the income capitalization method and determines the value of the real estate property by applying a different capitalization rate at the net operating income depending on the type of income.

Specific risks (such as climate, regulatory, legal risks) on real estate property are reflected in the exit yield or discount rate used in the modelling by the external appraiser.

2.7.2 Financial investments

2.7.2.1 Classification of financial assets

Financial assets held by XLB include notably debt instruments, equity instruments, loans, receivables and investments in non-consolidated investment funds. These instruments are held directly or through controlled investment funds.

The classification of financial assets reflects the way those assets are subsequently measured in the statement of financial position and how gains and losses generated by those assets are reported. The classification of financial assets (including the application of classification options) is assessed at initial recognition applying the guidance below and cannot be modified afterwards, unless if, in extremely rare cases, the business model in which those financial assets are held changes.

Financial assets held directly

Financial assets are classified in the three following measurement categories, based on the business model in which those financial assets are held and on the characteristics of their contractual cash flows:

- a financial asset is measured at amortized cost if both (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows from the assets held, and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding;
- if both (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (which is the major business model for XLB’s investments in debt instruments), and (ii) the contractual terms of cash flows are SPPI, the financial asset is measured at fair value through other comprehensive income (“FV OCI”) and realized gains and losses are recycled through profit or loss upon sale; or
- assets not fitting either of these categories are measured at fair value through profit or loss (“FV P&L”).

In addition to the general classification guidance above, the Company uses the following classification options:

- optional FV OCI designation for investments in equity instruments (other than those held for trading), also referred to as “FV OCI without recycling”. When applying this option, all subsequent changes in fair value on concerned equity instruments are presented in OCI and never recycled to profit or loss; however, the corresponding cumulative gains or losses are transferred to retained earnings on derecognition. Dividends received on those instruments are recognized in profit or loss. XLB applies this optional designation to most equity securities held; and
- optional FV P&L designation (Fair Value Option for financial assets). XLB applies this option for some financial assets that otherwise meet the requirements to be measured at amortized cost or at FV OCI, if doing so eliminates or significantly reduces an accounting mismatch in profit or loss.

Financial assets held through consolidated investment funds

Assets held through consolidated investment funds are classified:

- either as assets of the “Core Investment Portfolios” which include assets backing liabilities arising from insurance and investment contracts, managed in accordance with XLB’s Assets and Liabilities Management (“ALM”) strategy;
- or as assets of the “Satellite Investment Portfolios”, reflecting the strategic asset allocation based on a dynamic asset management aiming at maximizing returns. Those portfolios are managed, and their performance is evaluated on a fair value basis.

Financial assets held in the “Core Investment Portfolios” are classified and accounted for on a line-by-line basis as if they were held directly. Debt instruments held in those funds are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and, as a consequence, are measured at FV OCI to the extent that their contractual cash flows are SPPI on the principal amount outstanding.

Financial Assets held in the “Satellite Investment Portfolios” are held within a business model whose objective is achieved neither by collecting contractual cash flows nor collecting contractual cash flows and selling financial assets and are, therefore, accounted for at FV P&L.

2.7.2.2 Impairment of financial investments

The impairment applies to debt instruments, loans and receivables measured at amortized cost or at FV OCI and reflects Expected Credit Losses (“ECL”) on those financial assets.

The Company measures ECL allowances at an amount equal to:

- 12-month ECL resulting from default events that are possible within the 12 months after the reporting date and recognized for financial assets for which the credit risk has not increased significantly since initial recognition (it is also assumed that the credit risk has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date); or

- lifetime ECL resulting from all possible default events over the expected life of the financial asset and calculated for financial instruments for which there have been significant increases in credit risk since initial recognition, as well as for financial assets for which a credit event has occurred since their initial recognition.

Financial assets for which 12-month ECL are recognized are referred to as “Stage 1” financial assets. Financial assets for which lifetime ECL are recognized but for which no credit event has occurred are referred to as “Stage 2” financial instruments. Finally, financial assets for which a credit event has occurred since their initial recognition are referred to as credit-impaired, or “Stage 3” financial assets.

To perform the impairment stage allocation, at each reporting date, and for each financial asset within the scope of the ECL calculation, the Company assesses:

- whether the financial asset has low credit risk;
- whether the credit risk on the financial asset has increased significantly since initial recognition;
- whether the credit risk on the financial asset previously classified in Stage 2 has improved since the previous reporting date; and
- whether a credit event (default) has occurred.

The approach used by XLB to perform the impairment stage allocation relies on both:

- a quantitative assessment aimed at detecting, for all financial assets within the scope of ECL calculations, significant increases and decreases in credit risk. The Company assesses at each reporting date whether the credit risk has significantly deteriorated compared to initial recognition, a concept referred to as “Significant Increase in Credit Risk” (SICR). This concept triggers the shift from a 12-month expected credit loss to a lifetime expected credit loss for each instrument. The quantitative assessment is based on the “IFRS 9 rating” determined by the Company. This methodology has been developed internally by XLB’s financial risk management and investment department and captures all relevant information, including forward looking information. In the absence of this internal rating, external rating agencies are used. This methodology outlines three specific cases:
 1. General case for corporate bonds, government agency, sub-sovereign, and quasi-sovereign bonds, with a methodology based on the issuer’s rating;
 2. Specific cases for asset-backed securities (ABS), mortgage loans, and specific corporate bonds (SFT, secured debt, subordinated debt), with a methodology based on the instrument’s rating; or
 3. Specific case for government bonds, with a methodology based on the country’s rating.

The quantitative assessment of the SICR takes into account specific rules such as a downgrade of 3 notches or more in the IFRS 9 rating for instruments rated B- and above at the reporting date, and a downgrade of one notch for instruments rated CCC+ and below at the reporting date. Furthermore, the Company applies the practical expedient for low credit risk instruments, thereby limiting the quantitative analysis of credit risk deterioration to high-yield assets (rating below BBB-).

- a qualitative assessment based on expert judgment, carried out to confirm transfers between stage 1 and stage 2 or 3 for significant exposures identified through the quantitative assessment. This qualitative assessment only applies to instruments where the IFRS 9 rating does not result from an internal view of credit risk (namely, government bonds) and supplements the quantitative analysis to confirm the significant deterioration of credit risk.

ECL is defined at each financial reporting date based on the key inputs, which are the probability of default, the magnitude of potential credit loss after any potential recovery and the exposure to the risk of default determined as the financial instrument’s gross carrying amount plus the accrued interests at the closing date.

The amount of ECL is updated at each reporting date to reflect changes in the credit risk of the relevant financial assets. Any increase in credit risk gives rise to an additional ECL allowance. Previously recognized ECL allowances are reversed when the corresponding credit risk improves. ECL allowances and reversals are recognized in profit or loss and, as a counterpart, affect:

- for the financial assets measured at amortized cost, their carrying value in the statement of financial position; and
- for the financial assets measured at FV OCI, the amount of unrealized gains or losses on those instruments accumulated in the OCI.

2.7.3 Repurchase agreement and securities lending

The Company is party to repurchase agreements and securities lending transactions under which financial assets are sold to a counterparty, subject to a simultaneous agreement to repurchase these financial assets at a certain later date, at an agreed price. Since substantially all of the risks and rewards of the financial assets remain with the Company over the entire lifetime of the transaction, the Company does not derecognize the financial assets. The liability arising from the cash received is reported separately in the statement of financial position. Interest expense from repurchase and security lending transactions is accrued over the duration of the agreements.

Additionally, the Company is party to total return swaps under which financial assets are sold to a counterparty with a corresponding agreement. Cash flows equal to those of the underlying assets will be remitted to the Company in exchange for specified payments taking into account any increase or decline in the fair value of the assets. This results in substantially all of the risks and rewards of the financial assets remaining with the Company. As such, the Company does not derecognize the financial assets.

2.8 DERIVATIVE INSTRUMENTS

Derivatives are initially recognized at fair value at purchase date and are subsequently re-measured at their fair value at the reporting date. Unrealized gains and losses are recognized in the statement of profit or loss unless they relate to a qualifying hedge relationship as described below.

In the statement of financial position, derivatives are presented in separate line items, as either assets or liabilities, depending upon the fair value position at the reporting date, with no offsetting, regardless of whether these derivatives meet the criteria for hedge accounting.

The Company designates certain derivatives as either: (i) hedging the exposure to variability in cash flows attributable to a recognized asset or liability or a highly probable future transaction (cash flow hedge), or (ii) hedging the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), or (iii) hedging net investments in a foreign operation (net investment hedges).

The Company formally documents, at inception of a designated hedging relationship, its risk management objectives and strategy for undertaking the hedge. This documentation includes (i) the identification of the hedged item and of the hedging instrument, (ii) the nature of the risk being hedged, (iii) the economic relationship between the hedged item and the hedging instrument, including whether the changes in the value of the hedged item and the hedging instrument are expected to offset each other, (iv) and how the assessment of whether the hedging relationship meets the hedge effectiveness requirements will be performed, including its analysis of the sources of hedge ineffectiveness.

The hedging relationship documentation is updated on an ongoing basis.

The purpose and condition of the use of derivatives within the Company are detailed in Note 15.

2.8.1 Cash flow hedge

A separate component of equity, referred to as cash flow hedge reserve, is adjusted through OCI for the lower of the following amounts:

- the cumulative gain or loss on the hedging instrument since inception of the hedge, and
- the cumulative change in fair value of the hedged item since inception of the hedge (*i.e.* the present value of the cumulative change in the hedged expected future cash flows).

If the cumulative gain or loss on the hedging instrument exceeds the change in fair value of the hedged item (sometimes referred to as an 'over-hedge'), the related ineffectiveness is recognized in profit or loss. If the cumulative gain or loss on the hedging instrument is lower than the change in fair value of the hedged item (sometimes referred to as an 'under-hedge'), no ineffectiveness appears.

Cumulative gain or loss in shareholder's equity is recycled in the statement of profit or loss when the hedged underlying item impacts the profit or loss for the period (for example when the hedged future transaction is recognized). When a hedging instrument

reaches its maturity date or is sold, or when a hedge no longer qualifies for hedge accounting, the cumulative gains or losses in shareholder's equity are released in profit or loss when the initially hedged future transaction ultimately impacts the statement of profit or loss. If the hedged future cash flows are no longer expected to occur, the cumulative gains or losses are immediately reclassified from shareholder's equity to profit or loss.

Cash flow hedge relationships are by design highly effective as they generally rely on matching the critical terms of the hedged item and the hedging instrument. When the critical terms matching method cannot be used, some hedge ineffectiveness may occur due to basis or timing differences. Hedge ineffectiveness is measured using the dollar offset method and is recognized when required in profit or loss.

2.8.2 Fair value hedge

Changes in the fair value of derivatives designated and qualifying as fair value hedges of equity instruments designated at FV OCI are recorded in OCI, without recycling into profit or loss, together with changes in fair value of the hedged equity instrument.

Changes in the fair value of derivatives designated and qualifying as fair value hedges of other financial instruments are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability.

Therefore, the gain or loss relating to any ineffective portion is directly recognized in the statement of profit or loss.

Hedged items involved in fair value hedge relationships are generally already measured at fair value through OCI. In this case, hedge accounting results in the remeasurement of the hedged item through profit or loss rather than through OCI.

Fair value hedge relationships are designed to be highly effective. When sources of ineffectiveness in hedge relationships are identified, the hedge ineffectiveness is measured using the dollar offset method and are recognized in profit or loss.

2.8.3 Net investment hedge

Hedges of net investments in foreign operations are accounted for in a manner similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in shareholder's equity; the gain or loss relating to the ineffective portion is recognized in the statement of profit or loss. Cumulative gains and losses in shareholder's equity impact the statement of profit or loss only on disposal of the foreign operations.

2.8.4 Cost of hedging approach

When only part of a derivative is used as the hedging instrument, the Company applies the "cost of hedging approach" under IFRS 9 to reduce profit or loss volatility. For example, if only changes in the intrinsic value of an option are designated as the hedging instrument, the changes in fair value of the time value of the option are deferred in OCI. This deferred amount is then recognized in profit or loss, depending on whether the hedged item is transaction-related or time-period related.

The same approach applies to changes in forward points of a forward contract and changes in the foreign currency basis spread when excluded from the designation of the hedging instrument.

2.8.5 Derivatives not qualifying for hedge accounting

Most of the derivatives used by the Company are purchased for hedging purposes or as an alternative to gain exposure to certain asset classes through "synthetic positions". However, given IFRS 9 constraints, only qualifying hedges are eligible to hedge accounting provisions described above. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profit or loss.

The Company holds financial instruments that also include embedded derivatives. A derivative embedded in a contract where the host is a financial asset in the scope of IFRS 9 is not separated. Instead, the hybrid financial instrument as a whole is assessed for classification applying the guidance described in Section 2.7.2.1. Conversely, if the host contract is a financial liability within the scope of IFRS 9 and is not measured at FV P&L, the embedded derivative is separated from the host contract to the extent that the impact is deemed material, unless the economic characteristics and risks of both the embedded derivative and the host contract

are closely related. In this case, the host contract is accounted for as a financial liability within the scope of IFRS 9, and the separate derivative is accounted for at FV P&L and might be eligible as a hedging instrument.

2.9 ASSETS HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. The assets, particularly buildings, are measured at the lower of their carrying value and their fair value net of estimated selling costs and are shown separately in the consolidated statement of financial position.

2.10 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits while cash equivalents are short-term, liquid investments that are readily convertible to cash and which are subject to low volatility.

Investments normally qualify as cash equivalents only when they have a maturity of three months or less from the date of acquisition.

2.11 SHAREHOLDER'S EQUITY

2.11.1 Share capital

Ordinary shares are classified in shareholder's equity when there is no obligation to transfer cash or other assets to the holders.

Additional costs (net of tax) directly attributable to the issue of equity instruments are shown in shareholder's equity as a deduction to the proceeds.

2.11.2 Compound financial instruments

Any financial instrument issued by the Company with an equity component (for example certain options granted to convert the debt instrument into an equity instrument of the Company) and a liability component (a contractual obligation to deliver cash) is classified separately in the consolidated statement of financial position with the equity component reported in Company shareholder's equity and the liability component reported in financing debt. Gains and losses relating to redemptions or refinancing of the equity component are recognized as changes to shareholder's equity.

2.11.3 Minority interests

Minority interests in the Company's shareholder's equity represent equity in subsidiary entities which is not directly or indirectly attributable to the Company's controlling shareholder.

2.12 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

In the consolidated statement of financial position, (i) insurance contracts and (ii) reinsurance contracts held are aggregated by portfolios and presented separately, depending on their balances at the end of the reporting period, leading to the four following categories:

- the carrying amount of portfolios of insurance contracts that are assets;
- the carrying amount of portfolios of insurance contracts that are liabilities;
- the carrying amount of portfolios of reinsurance contracts held that are assets; and
- the carrying amount of portfolios of reinsurance contracts held that are liabilities.

IFRS 17 - Insurance Contracts applies to these contracts, such as detailed in Section 2.12 of this Note.

Significant judgments and estimates are made by the Company in applying IFRS 17. The judgments that have the most significant effects on the amounts recognized in the Consolidated Financial Statements relate to the classification of contracts, their level of aggregation and their measurement.

In particular, the Company makes significant judgments regarding to inputs, assumptions concerning the future and other sources of uncertainty at the reporting date, and uses estimation techniques to measure the insurance contracts. These assumptions and estimates are reviewed on an ongoing basis, based on changes in facts and circumstances (including market changes), which lead to adjustments in the measurement of insurance contracts.

The Company uses notable assumptions to project future cash flows and ensures to design them to adequately reflect any uncertainty underlying the cash flows. Non-market assumptions, based on latest best estimate assumptions (historical data and expert judgment), include the following information: loss ratios, best estimate reserves, and payment patterns.

In respect of estimation techniques used to measure the Property & Casualty (P&C) insurance contracts, different actuarial projection models are applied, based on (i) the portfolios' main features (in terms of risk drivers, underwriting and claims policies), (ii) quality, relevance and consistency over time of available statistical data, (iii) selection of relevant actuarial assumptions and models, and (iv) ability to economically interpret and justify the projected range of results, both quantitatively and qualitatively.

In respect of estimation techniques used to measure the Life contracts, they are based on projections of the key components of statutory financial statements, namely income or expenses that relate to policyholders and beneficiary obligations. The main assumptions that may generate material changes in the estimate of the future cash flows relate to (i) mortality, morbidity, and longevity rates, (ii) policyholder behavior (due to lapse and surrender), and (iii) overhead expenses.

More specifically, assumptions made about the discount rates, the confidence level for risk adjustment for non-financial risk, and the pattern of the Contractual Service Margin ("CSM") release are explained in paragraph 2.12.5 and quantitative information about these assumptions is disclosed in Note 12.5.

2.12.1 Definition and classification

An insurance contract is a contract under which an issuer accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event (an "insured event") adversely affects this policyholder. The assessment of whether a contract transfers a significant insurance risk considers all substantive rights and obligations (including those arising from law or regulation) and is based on the use of judgment.

2.12.1.1 Insurance contracts with direct participation features

The Company classifies as insurance contract with direct participation features (*i.e.* direct participating contract) a contract for which (i) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items, (ii) the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and (iii) the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. In addition to the transfer of significant insurance risk to the issuer, a direct participating contract is therefore based on a substantially investment-related service under which an entity promises an investment return on underlying items (the link must be enforceable), as well as on a contractually specified participation. The underlying items determine some of the amounts payable to a policyholder and can comprise any items (*e.g.* a reference portfolio of assets, technical items, the net assets of the entity, or a specified subset of the net assets of the entity). The nature of underlying items mainly depends on local regulation and products' features. The Company assesses whether the conditions above are met using its expectations at inception of the contract and needs not reassess the conditions afterwards, unless the contract is modified. XLB does not have any insurance contracts with direct participation features.

2.12.1.2 Insurance contracts without direct participation features

The Company classifies as insurance contract without direct participation features an insurance contract that is not an insurance contract with direct participation features, namely:

- an insurance contract with indirect participation features (*i.e.* indirect participating contract) because the payment to policyholders depends upon the return on underlying items, without meeting the criteria defined for insurance contracts with direct participation features; or
- an insurance contract without any participation features (*i.e.* non-participating contract) as the payment to policyholders does not depend upon the return on underlying items.

2.12.2 Level of aggregation of insurance contracts

The insurance contracts are aggregated at inception to form a group, which is the basis for recognition, measurement and presentation, and disclosure. To define the level of aggregation to be used, the Company applies the process hereafter:

- first, portfolios of insurance contracts are identified, each of them only comprising contracts that are managed together and subject to similar risks:
 - since the way insurance contracts are managed is based on the nature of service provided to the policyholder (*e.g.* Property and Casualty, Life, adverse development cover, etc.), contracts for which the service provided to the policyholder is substantially similar are managed together. In assessing the nature of the service provided, the entity considers several factors such as the granularity at which the internal strategy is designed, the business units organization or the granularity of financial reporting;
 - contracts are bearing similar risks when the nature of the risk drivers (death, longevity, liability, motor, property damage, etc.) at inception of contracts is similar,
- then, these portfolios are broken down by annual cohort (IFRS 17 as issued by the IASB preventing contracts issued more than one year apart from being included in the same group).
- finally, a further split is performed depending on the level of profitability, with notably a separate group for contracts that are onerous at initial recognition.

A group of insurance contracts should not be reconsidered after initial recognition.

2.12.3 The General Measurement Model or “BBA”

IFRS 17 requires applying by default the General Measurement Model of insurance contracts, called the “Building Block Approach” (“BBA”) as it is based on the following building blocks:

- the Fulfillment Cash Flows (“FCF”), which comprise:
 - the present value of future cash flows (“PVFCF”) corresponding to probability-weighted estimates of future cash inflows and outflows (forward looking) with an adjustment to reflect the time value of money (*i.e.* discounting) and the financial risks associated with those future cash flows (market consistent); and
 - a risk adjustment (“RA”) for non-financial risk;
- the Contractual Service Margin (“CSM”), which is calculated at inception as the difference between the premium paid by the policyholder and the expected FCF, corresponds to the present value of future expected profits.

The General Measurement Model is used for XLB's Life business and adverse development cover (“ADC”) within the P&C business.

2.12.3.1 Insurance acquisition cash flows

The insurance acquisition cash flows (IACF) arise from the costs of selling, underwriting and starting a group of insurance contracts. When these IACF are incurred prior to the date of initial recognition of the group of insurance contracts, such IACF are recognized as an asset, which is deducted from the carrying amounts of insurance contracts. The recoverability of assets for IACF is assessed at the end of each reporting period, if facts and circumstances indicate that the asset may be impaired. If an impairment loss is identified, the carrying amount of the asset for IACF is adjusted and the impairment loss is recognized in the statement of profit or loss. When the group of insurance contracts is recognized, the corresponding asset for IACF is derecognized and included in the measurement of that group. XLB does not have any IACF asset.

2.12.3.2 Estimates of future cash flows

The FCF notably include all the probability-weighted estimates of future cash flows within the boundary of each contract already recognized. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which XLB can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends notably when XLB has the practical ability to reassess the insurance risks and, as a result, can set a price or level of benefits that fully reflects those risks.

The unbiased estimate of the expected future cash flows within the boundary of insurance contracts, including the cost of options and guarantees, are based on a probability-weighted mean of the full range of possible outcomes to factor the uncertainty about the timing and amounts of the cash flows, determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables reflecting conditions existing at the measurement date.

The cash flows attributable to the group of insurance contracts include premiums from the policyholders, claim payments (including reported, incurred and all the future claims for which XLB has a substantive obligation net of recoveries from claims), expenses, and commissions.

The following cash flows are not included in the contracts boundary: investment returns as they are recognized, measured and presented separately under other applicable IFRSs, costs of investment activities performed for the benefit of shareholders, payments or receipts that arise under reinsurance contracts held (as they are accounted for separately), those that may arise from future insurance contracts, overheads that do not provide any economic benefits to fulfilling insurance contracts, income tax payments and receipts XLB does not pay or receive in a fiduciary capacity, flows arising from components separated from the insurance contracts and accounted for using other applicable IFRSs.

If insurance premiums are first collected by an intermediary and then transferred to XLB at a later date, the premium receivables from the intermediary are accounted for as future cash flows within the boundary of insurance contracts included in the measurement of the corresponding group of insurance contracts applying IFRS 17.

2.12.3.3 Discount rate

XLB has a defined methodology for the calibration and the generation of “IFRS 17 yield curves” used to discount the estimate of future cash flows within the boundary of contracts, consistent with the IFRS 17 requirements and applied homogeneously across all XLB entities.

If the standard does not impose a particular estimation technique to determine the yield curves, XLB has chosen to adopt a bottom-up approach. This approach consists in using a basic Risk-Free Rate (“RFR”), based on swap rates for most currencies and government bond rates for others, adjusted by adding on a Liquidity Premium (“LP”) allowance to reflect the remuneration of illiquidity observed on traded assets until the Last Liquid Point (“LLP”), meaning the longest maturity for which there are enough traded bonds. An Ultimate Forward Rate (“UFR”) macro-economically defined as the sum of the average of past real interest rates and central bank’s target inflation is also considered. Discount rates between the LLP and the UFR maturities are obtained by extrapolation.

The yield curves used by XLB for main currencies are summarized in Note 12.5.

The Company has chosen to apply the “OCI option” (refer to paragraph 2.17.2) to all portfolio of insurance contracts, allowing to recognize the impact of changes in discount rates through Other Comprehensive Income.

2.12.3.4. Risk adjustment for non-financial risk (“RA”)

The measurement of the RA reflects the compensation required by XLB for bearing the uncertainty around the amount and timing of the future cash flows that arises from non-financial risk as XLB fulfills insurance contracts. In this respect, the Company considers the 62.5th–67.5th percentile range as the adequate level of prudence on underlying insurance liabilities.

The determination of the risk adjustment follows a value-at-risk type approach, reflecting a retained confidence level with reference to the risk drivers of insurance liabilities. The value-at-risk is the maximum loss within a certain confidence level. The implementation is slightly different between Life and Property & Casualty businesses. For Life business, groups of contracts are first

shocked, risk factor by risk factor, up to the retained confidence level to assess the change in the present value of future cash flows. Then, diversification benefits between risks implicit to the entity's portfolio are considered by applying correlation factors between risks. For Property & Casualty liabilities for incurred claims, a direct value-at-risk calculation, reflecting the retained confidence level, is applied to the full probability distribution of the related liabilities. Finally, a diversification effect between XLB entities is considered to reflect the fact that the same risk is unlikely to impact all the Company's entities at the same time.

The changes in the RA are presented in the insurance service result (*i.e.* they are not disaggregated into an insurance service component and an insurance finance component).

2.12.3.5 Contractual Service Margin ("CSM")

For a group of insurance contracts, the CSM represents the unearned profit attributable to the shareholder. At inception, the CSM is the amount that offsets the FCF, less the derecognition of any IACF (see above), or the value of XLB's rights in excess of the value of its obligations under the insurance contracts. On the other hand, the CSM cannot be negative. Consequently, if the expected cash outflows exceed the expected cash inflows, the group of insurance contracts is onerous and the loss, which corresponds to the expected net cash outflow, is expensed immediately in the consolidated statement of profit or loss.

At the end of each subsequent reporting period, XLB remeasures the liability for remaining coverage ("LRC"), which comprises the FCF related to future services and the CSM of the group of contracts at that date. Hence, the CSM is adjusted at each subsequent reporting period for changes in expected future cash flows driven by changes in technical assumptions (death, morbidity, longevity, surrenders, expenses, future premiums, etc.). Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (*i.e.* discount rate used at inception to determine the present value of future cash flows).

Moreover, the CSM is progressively recognized and included in insurance revenue in the consolidated statement of profit or loss over the coverage period of insurance contracts (refer to paragraph 2.15.1). The portion of the CSM to be released as part of insurance revenue for a reporting period, which reflects the provision of insurance contract services, is based on coverage units. In practice, XLB:

- identifies the total number of coverage units for each group of contracts, which is the quantity of services provided for the insurance contracts belonging to the group over the expected coverage period;
- allocates the CSM at the end of the reporting period (before having recognized any amounts in the statement of profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current reporting period and expected to be provided in the future; and
- recognizes the amount of CSM allocated to the coverage units provided in the current reporting period in the statement of profit or loss.

Given the variety of insurance contracts, XLB exercises its judgment to define coverage units, considering both the level of coverage defined within the contract (*e.g.* a death benefit over a fixed term, the policyholders' account value, or a combination of guarantees) and the expected coverage duration of the contract.

However, this release of CSM is not applicable if there are adverse changes in future cash flows greater than the remaining CSM. In this case, the group of insurance contracts becomes onerous and the loss is immediately recognized in the statement of profit or loss.

When a group of insurance contracts is onerous, on initial recognition or subsequently, the LRC includes a loss component reflecting the loss recognized in profit or loss. As long as the group of contracts remains onerous, subsequent changes in the amount of loss component are immediately allocated to the statement of profit or loss.

2.12.3.6 Liability for Incurred Claims ("LIC")

After initial recognition of a group of insurance contracts, the carrying amount of the group at each reporting date is the sum of two different components: the LRC, that relates to the remaining coverage (see above) and the LIC, which corresponds to the FCF related to past services allocated to the group.

The LIC reflects XLB's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses, as well as to pay amounts

relating to other insurance contract services already provided or any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the LRC.

2.12.4 Measurement with the Premium Allocation Approach

The Premium Allocation Approach ("PAA") is used for XLB's Property and Casualty business. This is a simplified model permitted for the measurement of the LRC provided that the measurement of the LRC does not differ materially from the general measurement model or the coverage period is one year or less. With the PAA, the LRC corresponds to premiums received at initial recognition less acquisition costs, and amounts already recognized on a pro rata basis as insurance revenue at the closing date. However, the BBA remains applicable for the measurement of incurred claims.

2.12.5 Derecognition of insurance contracts

An insurance contract is derecognized from the group of contracts to which it belongs in case of extinguishment, transfer, or a modification of its terms in such a way that a new contract is recognized in a new group. The derecognition of insurance contracts leads to the elimination of the FCF and an adjustment to the CSM of the group of contracts instead of generating a direct and immediate effect in profit or loss, unless the group of contracts becomes onerous or empty. Depending on the cause of derecognition, the CSM of the group of contracts is adjusted:

- in case of extinguishment of an insurance contract, by the same amount eliminated from the FCF;
- in case of a portfolio transfer to a third party, by the difference between the amount eliminated from the FCF and the premium charged by the third party; or
- in case of a modification of insurance contracts (requiring a derecognition followed by a recognition in a new group of contracts), by the difference between the amount eliminated from the FCF and any additional premium charged to the policyholder as a result of the modification. This means that the global adjustments of CSM generated by the modification is split between the initial group of contracts and the new one, depending on the hypothetical premium that the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification.

Finally, if an insurance contract is derecognized because of its transfer to a third party or a modification, the remaining amount previously recognized in OCI is reclassified in the statement of profit or loss when the Building Block Approach applies.

2.12.6 Reinsurance contracts

The Company assumes and cedes reinsurance in the normal course of business. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other companies have underwritten leading to the recognition of groups of reinsurance contracts issued. Ceded reinsurance refers to the transfer of insurance risks, along with the related premiums, to other reinsurers who will assume the risks as the Company seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk underwritten, leading to the recognition of groups of reinsurance contracts held.

Both groups of reinsurance contracts issued and groups of reinsurance contracts held are subject to the BBA or the PAA described in the previous paragraphs provided that there is a transfer of significant insurance risk; in any case, they are not eligible for the Variable Fee Approach as they are not insurance contracts with direct participation features. As the specificities of the treaties can affect their classification, each reinsurance contract is subject to a detailed analysis by XLB in order to determine the appropriate accounting treatment.

Whereas the recognition and measurement of reinsurance contracts issued are similar to insurance contracts issued, the reinsurance contracts held have some specificities which are described hereafter.

Date of initial recognition

The recognition of groups of reinsurance contracts held depends on the type of coverage. When the reinsurance contract held provides proportionate coverage, the date of recognition of the group corresponds to the date when any underlying insurance contract is recognized by XLB. When the reinsurance contract held does not provide proportionate coverage, the group of

reinsurance contracts is recognized at the earliest of the beginning of the coverage period of the group of underlying insurance contracts and the date when the entity recognizes an onerous group of underlying insurance contracts.

Boundary of contract

For reinsurance contracts held, the cash flows are within the boundary of the reinsurance contract if XLB has a substantive right to receive services from the reinsurer or a substantive obligation to pay premiums to the reinsurer. Depending on the relationship between the contract boundary of the direct insurance contracts and that of the reinsurance contracts held, in some cases, the reinsurance treaty might offer protection for underlying insurance contracts that XLB has not issued yet. However, the carrying amount of a reinsurance contract held is nil before any cash flows occur or any service is received.

Measurement

Similar to underlying insurance contracts, PAA is used for short term reinsurance coverages, while long term coverages are measured with the BBA.

The measurement of reinsurance contracts held follows a mirroring principle of the underlying insurance contracts leading to estimate the present value of the future cash flows of the reinsurance contract held using assumptions consistent with those used for the underlying insurance contracts. Thus, the reinsurance asset is derived using the same assumptions as those used by XLB for the underlying insurance contracts as these are the ones used to determine the expected reinsurance recoveries. In practice, some reinsurance contracts held by XLB provide cover for underlying insurance contracts that are included in different groups.

However, using consistent assumptions does not imply the use of the same assumptions as those used for measuring the underlying insurance contracts if those assumptions are not valid for the reinsurance contract held. In practice, the use of the same discount rate might not be appropriate, especially if the reinsurance contract is entered into during the coverage period of the underlying insurance contracts. In addition, the cash flows from the reinsurance contract held include an adjustment for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

At inception, the reinsurance coverage, in exchange of a reinsurance premium, is measured as:

- the reinsurer's share of the expected present value of the cash flows generated by the underlying insurance contracts, including an adjustment to reflect the fact that the reinsurer might dispute coverage or fail to satisfy its obligations under the contract (risk of non-performance/counterparty risk); and
- typically a "net cost" (a "net gain" can however occur in some cases), which is in substance a negative CSM corresponding to the cost paid to the reinsurer, depending on the pricing of the reinsurance contract held and assessed independently of the CSM arising from the underlying insurance contracts.

The mechanics of the measurement models are the same for the underlying insurance contracts with the difference that the concept of CSM is replaced by the concept of net cost/net gain. This net loss or net gain is deferred and released in profit or loss throughout the coverage period, in line with the provision of reinsurance services. However, if the net cost of purchasing reinsurance relates to past events, *i.e.* retrospective reinsurance contracts covering such as adverse development covers for incurred claims, any net cost occurring at inception is immediately recognized in profit or loss.

Subsequently, at the end of each reporting period, the carrying amount of the net deferred cost or gain for reinsurance contracts held is adjusted to reflect changes in estimates. However, if XLB recognizes losses in profit or loss on underlying insurance contracts because of adverse changes in estimates of fulfillment cash flows, the corresponding changes in cash inflows for reinsurance contracts held are also recognized in profit or loss and therefore do not adjust the net deferred loss or gain of the group of reinsurance contracts held. As a result, there is no net effect in the profit or loss for the period to the extent that the change in the fulfillment cash flows of the underlying insurance contracts is matched with a change in the fulfillment cash flows on the reinsurance contracts held.

2.12.7 Transition methods

The Company has been applying IFRS 17 since January 1, 2023, with a transition date at January 1, 2022 corresponding to the beginning of the annual reporting period immediately preceding the date of initial application.

The transition from IFRS 4 to IFRS 17 required applying the new standard fully retrospectively, as if it was applied from the inception of insurance contracts in force. However, if the application of this full retrospective approach (“FRA”) is impracticable, the two following options are possible:

- either the modified retrospective approach (“MRA”), which consists in applying certain modifications of general requirements, to the extent that the full retrospective application is impracticable, but still with the objective to achieve the outcome as close as possible to the retrospective application, based on reasonable and supportable information available without undue cost and effort;
- or the fair value approach (“FVA”), which consists in repricing the contracts in the light of actuarial and financial parameters seen at the transition date by calculating the CSM as the positive difference between (i) the fair value of liabilities determined in accordance with IFRS 13 - Fair Value Measurement, corresponding to the price that would be required by an external party to acquire the liabilities, and (ii) the fulfillment cash flows of insurance contracts.

In practice, the Company has applied the FRA only to the LRC of insurance contracts measured using the PAA and the LIC occurred since 2019. This date aligns with the acquisition of the Company by AXA, the ultimate parent. For the other groups of insurance contracts, the Company has applied the FVA.

2.13 OTHER LIABILITIES

2.13.1 Deposit liabilities

Contracts entered into by the Company that are not deemed to transfer significant underwriting risk and/or timing risk are accounted for as deposits, whereby liabilities are initially recorded at an amount equal to the assets received. The Company uses a portfolio rate of return of equivalent duration to the liabilities in determining risk transfer. An initial accretion rate is established based on actuarial estimates whereby the deposit liability is increased to the estimated amount payable over the term of the contract.

The deposit accretion rate is the rate of return required to fund expected future payment obligations (this is equivalent to the “best estimate” of future cash flows), which are determined actuarially based upon the nature of the underlying indemnifiable losses.

The Company periodically reassesses the estimated ultimate liability. Any changes to this liability are reflected as adjustments to interest expense to reflect the cumulative effect of the period the contract has been in force, and by an adjustment to the future accretion rate of the liability over the remaining estimated contract term.

2.13.2 Income taxes

The current income tax expense (benefit) is recorded in profit or loss on the basis of local tax regulations.

Deferred tax assets and liabilities emerge from temporary differences between the accounting and fiscal values of assets and liabilities, and when applicable from tax loss carry forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset the temporary differences taking into account the existence of tax groups and any legal or regulatory requirements on the limits (in terms of amounts or timing) relating to the carry forwards of unused tax credits. The recoverability of deferred tax assets recognized in previous periods is re-assessed at each closing.

In particular, a deferred tax liability is recognized for any taxable temporary difference relating to the value of shares in a consolidated company held, unless the Company controls the date when the temporary difference is reversed and it is probable that the temporary difference will not be reversed in the foreseeable future. If an XLB company decides to sell its stake in another consolidated entity, the difference between the carrying amount and the tax value of these shares for the company that holds them leads to the recognition of deferred tax.

The measurement of deferred tax liabilities and deferred tax assets reflects the expected tax impact at the end of the reporting period. That would follow the way the Company expects to recover or settle the carrying amount of its assets and liabilities. When income taxes are calculated at a different rate if dividends are paid, deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are only accounted when a liability to pay the dividend is recognized.

The international tax reform released by Organization for Economic Cooperation and Development (OECD), known as Pillar Two, aims to ensure that an effective taxation of 15% is reached in each jurisdiction where multinational groups operate. As a result, if the effective tax rate based on Pillar Two rules in a jurisdiction where the Company operates is lower than the minimum 15% rate, an additional tax has to be paid. Amendments to IAS 12 - Income taxes introduce a mandatory temporary exception, prohibiting both the recognition and disclosure of deferred tax assets and deferred tax liabilities that arise from the implementation of the OECD Pillar Two model rules.

As a result of the OECD international tax reform, on December 27, 2023 the Government of Bermuda enacted the Corporate Income Tax Act 2023 ("the Act"). The Act introduced a 15% corporate income tax ("CIT") on Bermuda businesses that are part of a Multinational Enterprise group with annual revenue of EUR 750 million or more. The effective date for the CIT was January 1, 2025 and the Company was subject to CIT for full year 2025. The Act included a provision for an opening tax loss carry forward which is intended to provide a fair and equitable transition into the tax regime.

2.14 PROVISIONS FOR RISKS, CHARGES AND CONTINGENT LIABILITIES

2.14.1 Restructuring costs

Restructuring provisions, other than those that may be recognized in the statement of financial position of an acquired company on the acquisition date, are recorded when the Company has a present obligation evidenced by a binding sale agreement or a detailed formal plan whose main features are announced to those affected or their representatives.

2.14.2 Other provisions and contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when the provision can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, discounted at the risk-free rate of return for long term provisions.

2.15 REVENUES FROM ALL ACTIVITIES

2.15.1 Insurance revenue

The insurance revenue reflects the insurance contract services provided by XLB over the period, which is derived from the reduction in the LRC during the reporting period, subject to corrections (adjustment of premiums, loss components) and excluding investment components (*i.e.* amounts to be paid to a policyholder in all circumstances, regardless of whether an insured event occurs).

However, the way these changes are reflected in insurance revenue differs by measurement model.

For the insurance contracts measured under the PAA, the insurance revenue corresponds to the amount of expected insurance coverage during the period (or passage of time if not significantly different), excluding any investment components.

For the insurance contracts measured under the BBA, the insurance revenue corresponds to the release of the LRC, depending on the quantity of provided services, and an allocation of insurance acquisition cash flows (refer to paragraph 2.12.3.5).

In substance, the amounts related to the provision of insurance contract services include:

- the expected claims, including expenses other than insurance acquisition cash flows, but excluding those not contributing to the fulfillment of insurance contracts (*i.e.* non-attributable expenses);
- the release of the risk adjustment for non-financial risk; and
- the allocation of the CSM to the period.

The allocation of insurance acquisition cash flows represents the portion of premiums that corresponds to the recovering of those cash flows to each reporting period in a systematic way based on the passage of time, the same amount being recognized as insurance service expenses. This mechanism allows the inclusion in revenue of the part of the premium corresponding to the

coverage of insurance acquisition cash flows. This means that insurance acquisition cash flows are not recognized in the statement of profit or loss when the acquisition cash flows occur but when the CSM is released.

2.15.2 Revenues from other activities

Revenues from other activities mainly include insurance companies revenues from non-insurance activities, notably commissions received on the sales or distribution of financial products.

2.16 EXPENSES FROM ALL ACTIVITIES

2.16.1 Insurance service expenses

Insurance service expenses arising from groups of contracts issued by XLB are recognized in the statement of profit or loss as they are incurred, excluding amounts allocated to refunds of premiums and payment of policy loans. Symmetrically to insurance revenue, the payments relating to investment components are excluded from insurance service expenses.

All insurance service expenses correspond to actual cash outflows within the boundary of contracts identified when projecting and calculating the present value of future cash flows (refer to paragraph 2.12.3.2). These cash flows are:

- those that relate directly to the fulfillment of insurance contract; and
- those over which XLB has discretion over the amount or timing (in this respect, the change in discretionary cash flows is determined at inception of the contract, for instance by identifying the minimum guarantees and defining its profit-sharing policy).

2.16.2 Net expenses from reinsurance contracts held

In the consolidated statement of profit or loss, net expenses from reinsurance contracts held (net income in some cases) are presented separately from the insurance service expenses and included in a single line item, corresponding to the net between reinsurance service expenses and amounts recovered from the reinsurers.

2.16.3 Expenses from other activities

The expenses from other activities include the expenses that are the twin of revenues from other activities, namely acquisition costs and administrative expenses relating to other non-insurance activities (i.e. those incurred by insurance entities and holding entities).

2.17 FINANCIAL RESULT (EXCLUDING FINANCING EXPENSES)

2.17.1 Investment return

The investment return recognized through profit or loss consists of:

- net investment income from investments net of interest expense and depreciation expense. This includes interest income calculated using the effective interest method for debt instruments and dividends received on equity instruments;
- realized gains and losses relating to investments at amortized cost and at fair value through other comprehensive income (with recycling in profit or loss), net of releases of impairment following sales;
- realized gains and losses and change in fair value of investments at fair value through profit or loss; and
- change in impairment on investments.

2.17.2 Net finance income or expenses from insurance and reinsurance contracts held

Net finance income or expenses from insurance and reinsurance contracts is presented in the consolidated statement of profit or loss with a split between insurance contracts issued and reinsurance contracts held.

This line item comprises the changes in the carrying amount of the groups of contracts that relate to financial risk arising from both (i) the effect of the time value of money and changes in the time value of money and (ii) the effect of financial risk and changes in financial risk (*i.e.* effect of changes in discount rates, exchange rate, the time value of options and guarantees).

However, the option to disaggregate insurance (and reinsurance) financial income or expense between the consolidated statement of profit or loss and the OCI is applied by XLB in order to limit the volatility in profit or loss (considering that many of the supporting financial assets are measured at fair value through OCI under IFRS 9).

Under this option, for insurance contracts without direct participation features, the difference between the valuation of the liabilities at locked-in rates (used for the unwind in the finance income or expenses) and their valuation at current rates is recognized by XLB in OCI. In the same way, when changes in liabilities arise from a contractual link (indexation) between inflation and the payments to policyholders, the changes due to inflation that relate to future services shall also be considered as resulting from a financial risk and therefore are recognized by XLB through OCI with a release over the duration of the payments to the policyholders. The amount included in the consolidated statement of profit or loss is determined by a systematic allocation of the expected total insurance (and reinsurance) finance income or expenses over the duration of the group of contracts. This systematic allocation is based on the characteristics of the contracts, depending on whether the changes in assumptions relating to financial risk have a substantial effect on the amount paid to the policyholder or not:

- when the changes in financial risk assumptions do not have a substantial effect on amounts paid to policyholders, the systematic allocation is determined using the discount rates at the date of initial recognition of the groups of contracts measured with the Building Block Approach and at the date of the incurred claims for groups of contracts applying the Premium Allocation Approach; or
- when the changes in financial risk assumptions do have a substantial effect on amounts paid to the policyholder, the systematic allocation is determined by using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (*i.e.* the effective yield approach) or a crediting rate based on the amounts credited to the policyholders in the period and expected to be credited in future periods (*i.e.* the projected crediting approach).

2.18 OTHER INCOME AND EXPENSES

Other income and expenses notably include other insurance expenses, which correspond to overheads assessed as being not attributable to the fulfillment of insurance contracts (refer to paragraph 2.12.5).

2.19 SUBSEQUENT EVENTS

Subsequent events relate to events that occur between the end of the reporting period date and the date when the Consolidated Financial Statements are issued:

- such events lead to an adjustment of the Consolidated Financial Statements if they provide evidence of conditions that existed at the end of the reporting period; and
- such events result in additional disclosures if indicative of conditions that arose after the end of the reporting period, and if relevant and material.

See Note 22 for further details.

Note 3 Scope of consolidation

3.1 CONSOLIDATED COMPANIES

3.1.1 Main fully consolidated companies

Below is a list of the main fully consolidated companies of XLB, excluding consolidated investment funds and real estate entities. Each of the below are wholly owned by XLB.

XLB Entities	Jurisdiction
AXA XL Insurance Company Americas	US (Delaware)
AXA XL Insurance Company UK Limited	United Kingdom
AXA XL Reinsurance Ltd	Bermuda
AXA XL Syndicate Limited	United Kingdom
Coliseum Reinsurance Company	US (Delaware)
Greenwich Insurance Company	US (Delaware)
Indian Harbor Insurance Company	US (Delaware)
XL Catlin Services SE	Ireland
XL Insurance America, Inc.	US (Delaware)
XL Insurance Company SE	Ireland
XL Insurance Switzerland Ltd	Switzerland
XL Re Europe SE	Ireland
XL Reinsurance America Inc.	US (New York)
XL Specialty Insurance Company	US (Delaware)

Consolidated investment funds

As of December 31, 2025, consolidated investment funds represented a total of \$507.3 million invested assets (\$538.3 million at the end of 2024).

3.1.2 Main investments in companies accounted for using the equity method

Companies accounted for using the equity method are discussed in Note 9 with the exception of equity-method investment funds. As of December 31, 2025, investment funds accounted for using the equity method amounted to \$999.9 million invested assets (\$1,024.7 million at the end of 2024). See Note 2.7.2 for further details.

3.2 NON-CONSOLIDATED STRUCTURED ENTITIES

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when relevant activities are directed by means of contractual arrangements. Structured entities often have a narrow and well-defined objective or restricted activities.

The Company does not hold significant interests in non-consolidated insurance/reinsurance structured entities.

Furthermore, given its insurance business, the Company holds direct investments in corporates of various sectors, such as debt instruments, equity securities and loans. These investments are not designed to be held in structured entities and the whole Company's exposure is reflected in the consolidated statement of financial position.

In addition, the Company holds interests in investment funds including real estate companies. Some of these funds are fully consolidated or accounted for using the equity method (see Note 2.3.1). Other funds are not consolidated because they are not controlled or under significant influence. By nature, and notably because of the power of decision usually given to the asset managers, most of these funds are structured entities.

As an investor, XLB's interests in non-consolidated funds are limited to the investments held which are fully recognized in the consolidated statement of financial position. Depending on the nature of its investment, XLB receives interest or dividends and can realize capital gains or losses when sold.

Information on these non-consolidated investment funds are provided in Note 8.7 "Non-Consolidated Investment Funds."

Note 4 Acquisitions and disposals

4.1 ACCOUNTING METHOD

The transaction described below relates to the disposal of a foreign operation. Accordingly, as described in Note 2.3.2, XLB has applied the fair value method to account for the business combination from the respective transaction date.

4.2 DISPOSAL OF CATLIN RE SWITZERLAND LTD

On September 26, 2025, AXA XL Luxembourg S.à r.l. ("AXA LM"), a wholly owned subsidiary of the Company, entered into a share purchase agreement with AXA Versicherungen AG ("AXA CH"), a direct subsidiary of the ultimate parent, AXA SA, pursuant to which AXA CH acquired 100% of the issued shares of Catlin Re Switzerland Ltd ("CRCH"), a wholly owned subsidiary of AXA LM. The transaction was contractually agreed to be effective as of July 1, 2025, with total consideration of \$370.0 million. Regulatory approval for the merger between AXA CH and CRCH was obtained from the Swiss Financial Market Supervisory Authority (FINMA) on November 26, 2025. The impact of the disposal is presented in the table below.

The equity value of CRCH included a Currency Translation Adjustment ("CTA") totaling \$204.5 million. The CTA was reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Statement of Profit or Loss in line with IAS 21 paragraph 48 Disposal of Foreign Operation. Additionally, the intangible assets were written off as part of the sale. A loss on sale of \$273.2 million, inclusive of the CTA recycling and intangible asset write-off, was recorded in the Other income and expenses line of the Consolidated Statement of Profit or Loss. The Company continues to provide reinsurance to the surviving entity, AXA CH under a 95% loss portfolio transfer ("LPT") of the legacy CRCH business. This disposal has been accounted for using the fair value method.

The table below provides details of the assets and liabilities that were disposed of.

<i>(US Dollars in thousands)</i>	December 31, 2025
Intangible assets	38,901
Investments	231,119
Assets arising from reinsurance contracts held	787,760
Cash and cash equivalents	45,475
Tax receivable	154
Total carrying value of assets disposed	1,103,409
Liabilities arising from insurance contracts	676,964
Provisions for risks and charges	29
Tax payable	(4,095)
Other payables	12,556
Total carrying value of liabilities disposed	685,455
Carrying value of net assets disposed	417,955
Total consideration received	370,001
Difference between net assets disposed and consideration received	(47,954)

Note 5 Financial and Insurance Risk Management

5.1 RISK MANAGEMENT AND INTERNAL ORGANIZATION

The Company faces strategic, financial, and operational risks related to, among others: underwriting activities, changing macroeconomic conditions, investments, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on the Company's profitability, capital strength and liquidity. This is managed by the Risk Management function, an integrated part of all business processes, who define and deploy the Risk Management Framework ("RMF").

The Company RMF consists of a set of risk policies and standards. These are reviewed and approved by the Board, at least annually. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy, or organizational structure.

The aim of the RMF is to:

- support business objectives and strategy;
- provide management information to facilitate the identification and understanding of material risks including related mitigants;
- contribute to the Company's overall Internal Control Framework by helping to manage the inherent complexity within the business;
- maintain the desired credit rating, which is applicable to the Company; and
- support regulatory risk management requirements.

The Board meets regularly and oversees the implementation and embedding of the RMF and monitoring of Company performance against its risk appetite. The Board also has responsibility for capital monitoring. The Board ensures that material and emerging risks are identified and reported and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Company's stress testing framework and outputs are reviewed by the Board and support understanding of the risk profile.

The AXA XL Division ("AXA XL") and the Company are required by AXA Group to comply with AXA Group Policies and Standards. The AXA Group Standards form part of the overall risk management framework including Compliance, Internal Audit, Internal Control and Risk Management. AXA Group Standards have specifically identified Divisional and Company standard owners. The Group Solvency II Policies have been implemented and adapted to AXA XL Division's specificities as described in the AXA XL Division's Solvency II Policies. These policies are also implemented at legal entity level with local addenda. The Solvency II Policies implement AXA's risk strategy throughout the AXA XL Division and the Company, facilitate control mechanisms and consider the nature, scope and time horizon of the business and the associated risks.

The AXA Standards include Risk Management Second Opinions, the Internal Control Framework, and the Risk Appetite Framework which are outlined below.

5.1.1 Risk Management Second Opinions

The AXA Standards require Risk Management to provide formal "Second Opinions" in certain key areas of risk to ensure that the viewpoint of Risk Management is formally documented with any related concerns and mitigation plans. The "Second Opinions" are provided by Risk Management "Centers of Excellence" at the Divisional level and cover the following areas:

- new products and loss-making portfolios;
- reserves;
- new investments and changes to the Strategic Asset Allocation ("SAA");
- strategic business plan;

- ceded reinsurance (outwards) program;
- major projects; and
- mergers & acquisitions (“M&A”) and greenfield transactions.

5.1.2 Internal Control Framework

The AXA XL Internal Control team, within Risk Management, is in charge of maintaining the Internal Control Framework at AXA XL Division and of monitoring the overall system of controls, ensuring all controls are performed effectively. A roll-out of controls is performed in all key AXA XL legal entities. The AXA Internal Control Program was introduced at AXA XL in order to implement a robust and effective Internal Control Framework by:

- implementing a risk-based approach to focus on risks that really matter;
- promoting management accountability for controls;
- introducing a common set of tools and techniques to be consistently used across the AXA Group; and
- improving coordination between the different control functions.

The AXA XL framework covers a total of 29 macro-processes for AXA XL that constitute the AXA XL value chain for the insurance and reinsurance business. For each macro-process, key risks are defined and for each key risk, control objectives are defined to cover them. For each control objective, controls are designed and operated locally to efficiently meet control objectives and mitigate the related key risk. Controls are tested over three years by the AXA XL Internal Control function.

The AXA XL Internal Control team is also responsible for the Internal Financial Control framework, with key controls in place across the Division to oversee the financial reporting controls, including Solvency II Divisional controls. This framework has been in place at AXA XL for many years and provides reasonable assurance to legal entities within the Division that financial reporting is reliable and compliant with applicable laws and regulations and provides comfort over the completeness, accuracy, and appropriateness of data.

5.1.3 Risk Appetite Framework

The Company's Risk Appetite Framework (“RAF”) is a key dimension of the risk management strategy and mirrors AXA Group's RAF. The RAF distinguishes between “Risk Appetite Statements” which apply to multiple risk types, and “Risk Appetite Exposures” which apply to single risk types. In addition, there exists the potential for additional “Risk Indicators” which are not explicitly specified in the scope of the RAF but are identified as required by the Company. The RAF is used to provide governance for setting new monitoring requirements, as well as reviewing and updating existing risk appetite statements, tolerances, and limits, so that these are aligned with business and risk management strategies. The Company's RAF focuses on regulatory capital at risk, tolerances to risks from material individual events (e.g., natural catastrophes, realistic disaster scenarios that cross multiple lines of business, etc.), liquidity standards, tolerance to specific investment related risks and operational risk. The Board approved risk appetites and risk tolerances were reviewed during the 2026 business planning process, and it was determined that all statements and tolerances were appropriate to allow the Company to execute the 2026 business plan.

5.1.4 Risk management strategy

The risk management strategy is overseen by the Board and supports the delivery of the overall business strategy. To support the Board, the Risk Management function oversees more detailed risk management activity and monitoring against the Board approved risk appetites.

The risk management strategy is to ensure that risk implications, as well as reward, are considered in both setting and implementing the Company's strategic and business objectives, and risks associated with the strategic direction of the business are appropriately monitored. The strategy is articulated in the risk policies and is achieved by incorporating risk processes, information, and decisions in the day to day running of the business.

The Company's strategy involves taking on risk in order to generate return. Risks are selected and controlled or traded off through the risk strategy that focuses on:

- retaining risk within an approved risk appetite that is consistent with our strategic objectives while maintaining appropriate levels of capital;
- a diversified portfolio of underwriting and financial markets risks;
- managing excessive aggregation risk via a limit framework;
- exercising consistency and transparency of risk management and control across the Company;
- risk mitigation on key underwriting and financial market risks to protect capital from the impact of extreme events; and
- risk reporting to the Board and other stakeholders (e.g., regulators).

The risk management strategy and risk appetite frameworks are supported by the following:

- Risk Governance - a clear and cost-effective organizational structure for risk management, including clear roles and responsibilities. The Company operates a “Three Lines of Defense” governance structure, at a functional level and at a Management Committee level;
- Risk Definition and Categorization - provides a common taxonomy and language for risk management to allow for categorization of all risks in a way which facilitates links between the business and risk management processes;
- Risk Cycle and Processes - the approach taken to top down, bottom up and process led risk identification, quantification and management and control;
- Risk Management Information and Reporting, including Commercial Insurer Solvency Self-Assessment (“CISSA”) Production - ensuring timely and accurate information is reviewed in line with the governance structure;
- Risk-Based Decision Making - the results of the CISSA and the insights gained in the CISSA process are considered for a range of business decisions; and
- Skills, Resources and Risk Culture; Organizational Learning; Change Management Governance - all enable a mature risk culture throughout the Company.

5.1.5 Risk management and solvency self-assessment systems implementation

The CISSA process includes all the material risks, processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face and to determine the capital necessary to ensure that the Company's overall solvency needs are met at all times.

The Regulatory Capital Requirement is derived using an approved Internal Model. The results are presented to the Board to provide richer insights on risk exposures, and to inform and drive risk and capital-based decision making.

The processes for the CISSA and production of the CISSA Report are tailored to fit into the Company's organizational structures in a proportionate manner with techniques to assess the overall solvency needs and taking into consideration the nature, scale, and complexity of the risks inherent to the business.

The risk management cycle is set for key aspects of the risk management process that are deemed to be part of the CISSA process and that will support the production of the Company's CISSA Report. The CISSA process includes procedures that enable the Company to monitor its compliance with its risk appetites, risk limits, economic capital and regulatory capital requirements whilst considering potential future changes in the risk profile and considering stressed situations.

5.1.6 Relationship between the solvency self-assessment, solvency needs, and capital and risk management

The Company's RMF is designed to be comprehensive and to provide a sound basis for the set of risk appetites, and the capacity to identify, manage and report on key risks facing the Company on a timely basis. From this, we can see that the Company's risk profile can be managed in line with its Board approved limit and risk appetite framework.

The Company uses an Internal Model to calculate the Required Capital to support its business plans based on risks facing the business. The Company also maintains another Internal Model which is used to determine its contribution to the AXA Group consolidated solvency position. Both Internal Models inform portfolio shaping decisions and return metrics.

5.1.7 Internal Financial Control

The Internal Control function promotes a robust Internal Control Framework, including Internal Financial Control ("IFC"), for the Audit Committee of key legal entities within the AXA XL Division, Executive Management, and external stakeholders to rely on for financial and regulatory reporting purposes.

The IFC's core strategic objectives include:

- conducting an effective and efficient assessment of the design and operating effectiveness of internal controls over financial reporting;
- identifying areas in which the inherent risk of financial misstatement is high so that management can address these risks before they manifest themselves in an actual misstatement;
- providing Executive Management, the Company's Board and AXA Group reasonable assurance over AXA XL's financial reporting processes; and
- adding value by helping management promote a robust control environment.

The Internal Control team performs a regular assessment of the control framework which includes risk identification, risk assessment and planning, documenting business processes, evaluation, and validation of key risks, testing of controls and identification and management of issues. For the Internal Financial Control Framework, this cycle is annual and well established.

The team is also responsible for monitoring remediation plans until closure and for making regular reporting on controls results to AXA Group, the AXA XL Audit, Risk and Compliance Committee, the Audit Committee of key legal entities, Executive Management and external auditors and regulators.

5.1.8 Compliance function

The Compliance function is responsible for advising the Company's management and Board on compliance with applicable laws, regulations and administrative provisions adopted in accordance with the Insurance Act 1978 and other local laws and regulations, and on the impact of changes in the legal and regulatory environment applicable to the Company's operations. The function provides expertise, advice and support to various departments of the Company to assess situations and compliance matters, analyze compliance risk and contribute to design solutions to mitigate those risks to which the Company is exposed.

The Compliance function has a direct reporting line to the Global Chief Compliance Officer and to regional Chief Executive Officers. The Compliance function manages a wide range of compliance related matters including (i) regular reporting on significant compliance and regulatory matters to senior management and to regulators, (ii) financial crime matters (which include anti-corruption, anti-bribery, anti-money laundering programs as well as international sanctions/embargo compliance), (iii) data privacy, (iv) Employee Compliance & Ethics Guide, and (v) the monitoring of compliance and regulatory risks.

The Compliance function undertakes an annual Compliance Risk Assessment to identify the most significant compliance risks to which the business is exposed. Based on this assessment, an Annual Compliance Plan is developed at the end of each year for the following year.

The compliance activities within the Company are articulated around a number of AXA Group Standards and Policies which set the minimum requirements expected to be covered by the Company. The AXA XL Code of Conduct (the "Code") contains standards and policies on significant risks affecting the compliance activities as well as the high-level control and monitoring principles to which the Company must adhere. Both the standards and policies contained in the Code (e.g., compliance governance, anti-money laundering, sanctions, anti-bribery, etc.) are mandatory. In addition, the Compliance function has adapted the AXA XL Division requirements and developed local policies to align with the relevant laws and regulations in the jurisdictions in which the Company operates and conducts business. These local policies are reviewed on a regular basis with recommendations being made for adoption to the Board or the Executive Committee.

On a regular basis, the Compliance function reports directly to the Audit Committee on significant compliance matters. These include major regulatory changes that have compliance implications, results of the Compliance Risk Assessment, the Annual Compliance Plan and any other significant issues that require escalation.

5.1.9 Internal Audit function

AXA XL Internal Audit provides the Board and Executive Management with independent and objective assurance on the effectiveness of the overall control environment to help protect the assets and reputation of the organization and help improve its operations.

AXA XL Internal Audit sets an annual plan of work, approved and monitored by the XL Bermuda Ltd Audit Committee, based on an assessment of both the inherent risk and the adequacy of controls as well as consideration of cyclical coverage.

A report is issued at the conclusion of each audit assignment to relevant senior management, with the results and resolution status of internal audit issues presented regularly to the XL Bermuda Ltd Audit Committee and management.

The AXA XL Internal Audit function has an audit charter to document its purpose, independence, scope, accountabilities, responsibilities, authorities and standards. The charter is approved by the XL Bermuda Ltd Audit Committee each year.

The head of the AXA XL Internal Audit function has a direct and unfettered reporting line directly to his/her respective Audit Committee Chairman and reports functionally through to the AXA Group Head of Internal Audit.

5.2 MARKET RISKS

Market risks represent the potential for loss due to adverse changes in the fair value of financial and other instruments. The Company is principally exposed to the following market risks:

Component	Definition
Interest Rate and Spread Risk	Financial loss or profit volatility resulting from the combined sensitivity of the economic value of the investment portfolio, (re)insurance liability cash flows, and issued debt securities to changes in the level or volatility of benchmark interest rates and credit spreads.
Market Risk Concentrations	Financial loss or profit volatility arising from increased sensitivity of the investment portfolio's market value to other risks, specifically due to concentrations of investments, such as to a specific geographic region, industry, or company.
Foreign Exchange Risk	Financial loss due to volatility in the value of the Company's assets and liabilities following changes in currency exchange rates.
Equity Price Risk	Financial loss or profit volatility arising from the sensitivity of the investment portfolio's value to changes in the level or volatility of equity market prices.

For further details of the Company's investment portfolio, which is subject to the risks above, see Note 8.

The Strategic Asset Allocation ("SAA") process establishes a target allocation for the investment portfolio that is constructed to maximize enterprise value, subject to various considerations and constraints. It is subject to the risk tolerances recommended by Risk Management and is approved annually by the Board.

- **Authorities Framework / Risk Appetite Framework**

In conjunction with the SAA, the Company has a RAF aligned to the AXA Group framework, which limits exposure to various asset classes (with tighter limits for higher risk asset types), as well as duration and foreign exchange ("FX") mismatches. The Company also has centralized investment risk monitoring through the Investment Authorities and Guidelines, which further monitors exposures by average credit quality, corporate industry sector, region (for municipal securities, emerging markets, and developed sovereigns), BBB and below exposure, and leverage. These controls are implemented through regular compliance monitoring and reporting.

The RAF and associated market risk limits address the key market risk factors and are commensurate with the volume and complexity of activities undertaken by the Company. The framework is designed to capture investment risks and to consistently and objectively measure, assess, manage, and report such risks on an ongoing basis.

- **Service Level Agreement**

A service level agreement is in place between XL Group Investments Ltd. and the Company. This includes guidance on the types of investments and the weighted average credit ratings of the portfolio that can be made on behalf of the Company. Adherence to policies and limits are monitored on a regular basis and reported to the Board.

5.2.1 Foreign exchange risk

Foreign currency exposures represent all net assets and liabilities held in currencies other than US Dollars that generate foreign exchange volatility. The Company's foreign currency exposure is dominated by the Australian Dollar, British Pound, Canadian Dollar, and Euro. Most of the exposure relates to subsidiaries of the Company whose capital is denominated in the currencies below, with foreign currency exposure reported as translation reserves in the consolidated statement of changes in equity.

The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Asset liability management analysis is run regularly to adjust surplus and shortfall currencies, ensuring that the entity exposures are broadly matched and are optimal under the entity's prevailing capital model. Currency derivative instruments are used to hedge foreign exchange mismatches between assets and liabilities of the Company, reducing sensitivity to movements in foreign exchange rates impacting shareholder's equity (see Note 15.2.3).

The table below outlines the Company's year-end adjusted, post hedge exposure:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Australian Dollar	190,955	228,649
British Pound	(82,959)	(87,602)
Canadian Dollar	323,577	451,249
Euro	272,757	660,015

5.2.2 Stress testing and sensitivity analysis

An embedded stress testing framework is used to understand possible impacts across all major risks, including market risks. The following stress and scenario tests are used to identify risk exposures:

- net income volatility stress tests;
- interest rate and credit spread sensitivity testing: by re-valuing current portfolio holdings assuming various changes in the levels of interest rates and credit spreads;
- FX stress tests on assets and liabilities;
- ad hoc scenario stress testing as deemed appropriate by Risk Management; and
- predefined stress tests in accordance with the BMA framework.

The Company performs sensitivity analyses to estimate its exposure to movements in interest rates and equity markets. These analyses quantify the potential impact on the Company of positive and adverse changes in financial markets.

The sensitivities of shareholder's equity to changes in major economic assumptions were calculated as follows for year-end 2025:

- An upward/downward shift of 50 basis points in reference interest rates simulates an instantaneous shock to initial conditions;
- An upward/downward shift of 50 basis points in credit spreads, applied in the same manner as interest rates; and
- A 25% higher/lower value of equity markets simulates a shock to initial conditions for equities only. Listed equities and private equity values, including the impact of equity hedges, are shocked (*i.e.*, changes are applied to the current market values of all such equities, excluding hedge funds).

The impacts of these shocks are assessed independently, without factoring any cross effects or correlations between them.

(US Dollars in thousands)	December 31, 2025		December 31, 2024	
	Amount	Percentage	Amount	Percentage
Shareholder's Equity	13,936,356	100%	12,800,510	100.0 %
Interest Rates +50bps	(364,948)	(2.6)%	(351,863)	(2.7)%
Interest Rates -50bps	368,479	2.6%	361,544	2.8 %
Credit Spreads +50bps	(306,633)	(2.2)%	(306,175)	(2.4)%
Credit Spreads -50bps	321,029	2.3%	322,263	2.5 %
Equity Markets +25%	261,202	1.9%	286,271	2.2 %
Equity Markets -25%	(259,397)	(1.9)%	(286,271)	(2.2)%

Note: All sensitivities are presented net of tax, and reflect the impact on both assets and liabilities, where applicable.

5.3 CREDIT RISK

Credit risk is defined as the risk of loss resulting from migration and default. AXA XL is exposed to five sources of credit risk: (i) reinsurance counterparty risk, (ii) investment counterparty risk, (iii) premium counterparty risk, (iv) underwriting counterparty risk, and (v) treasury counterparty risk. Credit risk arising from country specific exposures is captured as part of the Divisional country risk framework.

Each source of credit risk is further defined as follows:

Component	Description
Reinsurance Counterparty Risk	Risk of loss due to the default of a reinsurer or a deterioration of its credit worthiness and where appropriate risk of solvency deterioration due to recapture.
Investment Counterparty Risk	Investment counterparty default risk is the risk of possible losses due to the unexpected default, or deterioration in the credit standing of investment counterparties.
Premium Counterparty Risk	Premium counterparty default risk is the risk of possible losses due to unexpected default, or deterioration in the credit standing of the premium debtors in relation to insurance/reinsurance contracts written.
Underwriting Counterparty Risk	Exposure to obligor credit risk default or deterioration of obligor credit risk that the Company is exposed to through certain credit sensitive underwriting activities which include Trade Credit, Commercial and Construction Surety, and Professional Lines.
Treasury Counterparty Risk	Exposure to the risk of default or to the risk of credit deterioration of counterparty banks used by the Company in its day-to-day Treasury operations (deposits, cash balances and foreign exchange transactions).

5.3.1 Credit Risk Framework

The Company credit risk framework is managed with four sets of limits:

- The Systemic Credit Clash Scenario is an enterprise view of portfolio risk to a systemic credit event that incorporates all relevant Division risk sources that could be impacted by a credit risk event.
- The Systemic Financial Institutions Realistic Disaster Scenario ("FI RDS") is an underwriting view of portfolio risk to a defined global financial crisis.
- Obligor Idiosyncratic Concentration Risk is managed with alerts and limits set as a function of obligor credit quality. Alerts and limits are in USD net notional terms representing the amount at risk and assuming no recovery. Exposures are from the functional sources (Reinsurance Recoverables, Treasury, and Investments) and from the (re)insurance underwriting businesses with embedded credit risk activities. Credit quality ratings are derived from AXA Group. When an obligor is not in the AXA Group universe, AXA XL applies its own credit rating methodology.

- Country Risk Limits are set to manage obligor concentration aggregated at their country of risk level with limits by country expressed in PML terms and with methodologies aligned to tail events.

The scenarios (System Credit Clash and FI RDS) reflect an "instantaneous" view of the ultimate risk. The scenarios conservatively assume that the entirety of the losses, which are expected to multiyear in nature, all occur on day one. The risk sources are diverse in terms of how they are expected to manifest themselves thus creating a form of "time diversification". The scenarios are expressed in Probably Maximum Loss ("PML") terms with methodologies aligned to tail events.

Guidelines are used to manage concentrations to brokers and issuers of incoming letters of credit and surety bonds.

In addition, obligor exposures are also required to align to the AXA Group Global Issuer Framework, which can constrain AXA XL obligor deployment even if AXA XL credit risk framework capacity exists. Constraints from AXA Group come in various forms:

- names on Ban list due to default risk, reputational risk, or full deployment against risk appetite;
- names on Watch list due to high deployment or where available capacity has been already allocated to other AXA entities; and
- names with specific credit risk allocations.

Credit risk arising from credit sensitive underwriting activities is also managed via the underwriting limit framework. Credit risk in the investment portfolio is also managed through various frameworks including Authorities & Guidelines, and Fixed Income Concentration, Sovereign Risk Appetite and Country of Risk. These address the credit quality of obligors and counterparties, diversification, and exposure versus limits by rating, term, and seniority.

5.3.2 Investment portfolio

Credit risk is also managed through the credit research performed by external investment management service providers, AXA Group Risk Management, and the in-house portfolio management team.

At December 31, 2025 and 2024, the breakdown of the investment portfolio (\$41.3 billion and \$38.4 billion, respectively) by credit rating category was as follows:

Investment Portfolio by Credit Rating Category	Percentage of Total	
	December 31, 2025	December 31, 2024
AA and above	54.1 %	55.9 %
A	24.3 %	21.6 %
BBB	20.7 %	21.2 %
BB and below / other	0.9 %	1.2 %
TOTAL	100.0 %	100.0 %

5.3.3 Reinsurance recoverables

The Company manages its credit risk in its external reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, collateral in the form of funds withheld, trust accounts and/or irrevocable letters of credit may be held.

The following table sets forth the ratings profile of the reinsurers that support the unpaid loss and loss expense recoverable and reinsurance balances receivable, net of collateral, at December 31, 2025, and 2024:

	Percentage of Total	
	December 31, 2025	December 31, 2024
Reinsurer Financial Strength Rating		
AA and above	37.8%	39.0 %
A	51.6%	51.8 %
BBB	4.42%	0.8 %
BB and below	0.6%	0.7 %
Captives	5.6%	7.7 %
TOTAL	100.0%	100.0 %

5.3.4 Stress testing

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including credit risks. AXA XL stress tests the impact of downgrades against its obligor credit and country risk appetites. The Company initiates corrective actions by restricting any further capacity deployment in case of a high probability of downgrade that would breach credit or country risk limits.

5.4 INSURANCE RISKS

Insurance risks are defined using the following categories:

Component	Definition
Underwriting Risk	Underwriting risk derives from insurance and reinsurance policies written for the current period and from unearned exposure from prior periods. The risk is that the corresponding premium will be insufficient to cover future claims and other costs or more generally that the underwriting profitability from the tranche of business will be less than expected. Underwriting risk includes man-made and natural catastrophe events.
Reserve Risk	Reserve risk relates to policy liabilities (corresponding to business written in prior periods where the exposure has already been earned at the opening balance sheet date) being insufficient to cover the cost of claims and associated expenses until the time horizon for the solvency assessment. Additional risks are that the timing or amount of actual claims pay outs do not align with the timing or amounts of the estimated claims pay outs and that there are changes in the valuation of the market value margin (risk margin) during the time horizon for solvency assessment.

Underwriting and loss experience is reviewed regularly for, among other things, rate change, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions. Underwriting risk is also identified through:

Process	Description
Business Planning	Analysis is undertaken of the underwriting portfolio, exposures, loss experience and changes to the external environment (including market cycle and economic environment) to identify any changes to the insurance risk profile for the forthcoming period of the budget/business plan.
Underwriting Processes (including Guidelines and Escalation Authorities)	Each individual contract written is assessed through the underwriting process (which is subject to granular underwriting guidelines and escalation authorities) for the nature and level of insurance risk that it brings to the business including consideration of the exposure by nature of the limit, the risks insured, the location of the risks and other underwriting criteria.
Reserving and Claims Process	On an ongoing basis, claims trends are monitored and analyzed for any indications of change to the underlying insurance risk.
Risk Management Risk Assessment Process	Through the risk assessment processes, the Company quantifies existing risks and identifies new risks. This is reinforced by an Underwriting Risk Register which has been developed across all products in collaboration between Underwriting and Risk Management. The register contains specific risk scenarios which may impact the performance of the individual product. These scenarios are assessed by specialists in terms of potential frequency and severity and reviewed annually.
Development of Realistic Disaster Scenarios ("RDS") and Other Scenarios	Used to monitor exposure to defined scenarios and to monitor compliance with underwriting risk tolerances and limits.
Independent Underwriting Reviews	Conducted on a risk-based approach by the Underwriting Governance team.

5.4.1 Mitigation strategies

5.4.1.1 Ceded reinsurance program

The Company manages its outwards third-party reinsurance risk transfer program to support the Company's underwriting strategy within risk appetite and to ensure efficient use of capital. AXA XL works with the AXA Group Reinsurance entity ("AXA SA") on the outwards reinsurance strategy placements, especially for placements where there is a Group Risk Appetite in place (e.g., Natural Catastrophe, Cyber Per Event, Property Per Risk, Liability Per Event). Business ceded varies by location and line of business based on a number of factors, including market conditions. The goals of the outwards reinsurance risk transfer program include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios, and enabling the writing of additional business. The overall goal of the program is to reduce volatility and enhance overall capital efficiency.

The Company's reinsurance strategy is considered as part of the annual business planning process. The impact of that strategy is monitored quarterly by management.

5.4.1.2 Actuarial function

To mitigate the risk of significant changes of reserves from one period to the next which are due to internal (not external) factors such as human errors, the reserving process performed by the Actuarial function is highly structured, strictly defined and controlled, and includes several layers of oversight.

5.4.1.3 Reserve Second Opinion

To have an independent opinion on the level of technical reserves, and on the risks and uncertainties related to the reserve valuation process, AXA XL conducts two reserve assessments, performed by independent reporting lines: the First Opinion assessment is performed by Actuarial Financial Reporting (reporting to the CFO), and the Second Opinion assessment is performed by Risk Management (reporting to the CRO). The two assessments are developed separately and presented to the Management Review Committee of Reserves, which determines the level of booked reserves based on the two views.

5.4.1.4 Rating adequacy

Underwriters are supported by dedicated teams of claims personnel and pricing actuaries. Premiums are set and adjusted based, in large part, on the industry group in which the insured is placed, the corresponding industry sector rating, and the perceived risk of the insured relative to the others in that group. The rating methodology used for an individual insured seeks to set premiums in accordance with claims potential. Underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Pricing tools are specialized and generally operate by line of business.

5.4.1.5 Underwriting authorities and guidelines

All underwriters are assigned individual underwriting authorities with the objective of preserving the capital base and controlling earnings volatility. Authorities within the business units are delegated through the underwriting management structure, and the annual review of underwriting limits is part of the business planning process. Authorities are also set in line with individual underwriter experience level, agreed risk appetites and risk tolerances for material individual events, RDS that cross multiple lines of business, and from risks related to some or all the above that may occur concurrently.

The Company underwrites and prices most risks individually following a review of the exposure and in accordance with its underwriting guidelines. The Company seeks to serve our clients while controlling our exposure both on a portfolio basis and on individual insurance contracts through terms and conditions, policy limits and sub-limits, attachment points and ceded reinsurance (outwards) arrangements on certain types of risks.

5.4.1.6 New product process

The Underwriting Governance and Control Frameworks within the Global Chief Underwriting Office tracks product innovation and ensures that new products go through the defined governance process and approvals are obtained by the appropriate committees and leadership. All new products are reviewed and approved by the Company.

5.5 LIQUIDITY RISK

Liquidity risk is defined as the inability to meet cash and collateral posting obligations as they fall due. The risk arises from three principal areas: operating, financing, and investing cash flows. The RMF addresses how the Company manages liquidity under both normal and stressed environment.

5.5.1 Mitigation strategies

One of the principal objectives of liquidity risk management is to ensure readily available access to funds to settle large or multiple unforeseen claims. It is generally expected that positive operating cash flow (from underwriting activities and investment income) will be sufficient to cover cash outflows under most future loss scenarios.

Cash requirements include all possible claims on cash from policyholders, and operations. Some of these cash outflows are scheduled, while others are known with much less certainty. The goal is to ensure sufficient liquidity within the asset portfolio, together with secured external cash sources, to enable timely payment of potential cash demands under both normal business conditions and extreme conditions resulting from unforeseen events over multiple time horizons. AXA XL Treasury has responsibility to identify and monitor concentration risk of cash in banks, along with funding requirements.

Liquidity risk is managed through Treasury conducting detailed Asset-Liability Management (“ALM”) analyses to match the currency mix of its liabilities with appropriate assets. Investments manages the duration gap between assets and liabilities within a pre-defined range.

The major source of liquidity risk within underwriting contracts is exposure to Downgrade Clauses or Special Termination Clauses linked to the assuming entity’s credit rating, which are commonly included in inwards reinsurance contracts. These triggers typically necessitate the cancellation of the policy and the return of the cedant’s unearned premium in the event of being downgraded below a certain rating level, which has the potential to be a material liquidity event when aggregated. The risk is mitigated through active tracking and monitoring of exposures, Legal staff training on the topic, and enforcing a mandatory

authorization process for Clauses with triggers above certain thresholds. AXA XL's key operating entities benefit from a credit rating linked to the ultimate parent company, and the AXA Group's balance sheet strength further reduces the likelihood of the risk materializing.

The AXA XL Treasury and Risk Management departments serve as the focal point for liquidity monitoring, drawing on the expertise of other internal functions, as well as managing cash held in bank accounts covering day-to-day cash requirements, typically referred to as operating cash. Operating cash balances, together with cash managed within the investment portfolio, comprise the primary sources of liquidity for the Company. The Company also has access to several credit facilities, which are detailed in Note 20.1.

The Company's liquidity positions are routinely reported to the Board and monitored as part of the RAF.

5.5.2 Stress testing

There is an embedded stress testing framework that is used to understand possible impacts of major risks, including liquidity risks. A stressed liquidity analysis report is prepared on a quarterly basis by Treasury and Risk Management, which includes the Company's own view of the stressed sources and uses of liquidity over a 12-month horizon. Entities must maintain appropriate excess liquidity post simultaneous stresses on market risk, credit risk, P&C risk and operational risk.

5.6 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal controls and/or processes, or from people and systems, or from external events. This includes legal risk and excludes risks arising from strategic decisions. In line with business objectives, the Company does not take on operational risk with a view to achieving enhanced return. Rather, it accepts operational risk as a consequence of writing (re)insurance business and having operations to support the writing of that business. The Company identifies, measures, and manages operational risk through its annual risk assessment process, OPERA (internal loss incident and risk event) reporting, monitoring of key risk indicators, scenario analysis, Internal Control testing and governance processes.

5.6.1 Mitigation strategies

The Company's risk register takes into account the controls in place that mitigate specific risks. The nature of the controls and the strength of control exercised are based upon the:

- potential severity of the risk;
- frequency of the risk occurring;
- cost of implementing controls relative to the significance of the risk; and
- appetite and tolerance for the risk.

An annual risk assessment is performed for all risks in the risk register. The assessment involves capturing the risk owner's view of the potential severity should an incident occur relating to the risk, and the likelihood of such incident occurring. Together this establishes the profile of each risk, allowing identification of top risks, thereby facilitating appropriate risk-based monitoring.

The controls are subject to review and testing by the Internal Control and Internal Financial Control teams as noted in Section 5.1.2 and 5.1.7 and Internal Audit as described in Section 5.1.9.

It is also recognized that while the Company may buy insurance with the aim of reducing the monetary impact of certain operational risk events (e.g., physical damage), non-monetary impacts may remain (including impact on the Company's reputation). This is considered in the risk assessment process and risk register.

The risks are monitored and managed through the risk framework and the operational loss and risk event reporting process.

5.6.2 Stress and scenario testing

The Company has a stress and scenario testing framework including multiple operational risk scenarios, developed from the top risks assessed during the annual risk assessment process, which are then evaluated over multiple return periods. The largest scenario is considered as part of the Company's Single Event Risk Appetite Statement. The scenarios are monitored against tolerances and assist with understanding economic and reputational impacts of the identified top operational risk exposures.

5.7 OTHER RISKS

5.7.1 Strategic

A strategic risk is the risk that a negative impact (current or prospective) on earnings or capital, material at the AXA XL divisional level, arises from a lack of responsiveness to industry changes or adverse business decisions regarding:

- significant changes in footprint, including through mergers and acquisitions;
- product offering and client segmentation; and
- distribution model (channel mix including alliances/partnerships, multi-access and digital distribution).

Strategic risk management is based on the following guiding principles:

- provide a comprehensive perspective on divisional forecasted evolution;
- maintain a deep understanding of the competitive landscape and a comprehensive perspective of long-term trends to define a strategy; and
- ensure the strategic rationale of the portfolio evolution within the Division.

5.7.2 Reputational

Reputation risk is the risk that an event will negatively influence the stakeholders' perceptions of the Company. AXA XL maintains a Reputational Risk Framework which encompasses a set of planned actions and established policies to reduce the probability and/or the expected costs if the latent reputational problems become actual.

5.7.3 Emerging

Emerging risks are risks which may develop in the future, or which already exist and are continuously evolving. They are marked by a high degree of uncertainty, and some of them may even never emerge. Emerging risks may be difficult to quantify and can have potentially serious consequences if they are not anticipated in a timely manner. To assess the impact of emerging risks at AXA XL, there is a well-established emerging risks framework in place, which is supported by all relevant Risk Committees at both divisional and legal entity level. The Emerging Risks Team works in collaboration with the Emerging Risks Expert Network to identify, analyze, prioritize, quantify, monitor, and report on emerging risks that could have an impact on existing and future product offerings and business operations. All Risk Committees and the Emerging Risks Expert Network work together to undertake both strategic and risk management processes, assisting in identifying potential opportunities in the market and providing thought leadership around emerging risk issues to optimize underwriting and strategic decisions.

5.7.4 Regulatory

The Company operates in multiple jurisdictions across multiple legal entities, which increases the potential exposure to regulatory risk. Local Compliance presence ensures a full understanding of local regulatory issues, supported by wider training and communication to ensure local requirements are understood by all AXA XL underwriters. A robust Compliance Framework is implemented across all entities and regions.

5.7.5 Geopolitical and macroeconomic risk

Geopolitical and macroeconomic risks are currently high, driven by the recent escalation of tensions into war in the Middle East, the continuing Russia-Ukraine conflict and a fragile Israel-Gaza ceasefire. Policy uncertainty arising from changes in the U.S. administration contributed to heightened global tensions and increased protectionist trade actions, with the Division monitoring associated risks such as potential recessionary impacts and the possibility of a prolonged U.S. dollar devaluation. The Company is also monitoring additional geopolitical developments that could unfold around the world. The Company continued to use geopolitical stress scenarios and monitor key risk indicators to track war and civil unrest risks by country. The Company is also monitoring the impact of varying economic conditions across regions, particularly the U.S and Europe, for recession risks and fiscal instability. Additionally, it is closely monitoring the oil market following the effective closure of the Strait of Hormuz and the potential inflationary/interest rate pressure and knock-on effects across various sectors. Robust risk management frameworks are in place to ensure solvency and liquidity, alongside regular assessments and updates to respond to changing market conditions.

5.7.6 Talent risk

Talent risk remains a risk for the industry as a whole amidst ongoing technological advancements and demographical shifts, such as declining working-age populations. While these digital advancements and changing demographics can drive efficiency and open new opportunities, they also introduce complex risks, including Artificial Intelligence ("AI") generated misinformation, quantum computing, and potential workforce burnout. Insurance companies including AXA XL must navigate the competitive talent market whilst still managing the risks associated with adopting and integrating cutting-edge technologies.

There is a need to prepare and support employees for rapidly evolving job content and skills requirements, in no small part driven by new tools and AI functionality. Strong foundations to manage talent risk have been laid through the development and implementation of a mentorship program, the provision of underwriting and management training, and the successful execution of a succession planning exercise. AXA XL will continue to support a continuous learning and development program focused on future skills and leverage existing efforts to establish measurable upskilling and succession metrics

5.7.7 ESG risk (including climate change)

ESG Risk refers to the potential impact on the Company's long-term viability from an environmental, social, or corporate governance event. The Company is exposed to climate change risk, as further described below, but also to social issues such as ensuring a decent workplace for all and to potentially inadequate (corporate) governance which could have a reputational impact and other effects. The Company's Sustainability team conducts periodic in-depth materiality assessments, as well as regular horizon scanning of social, environmental and political shifts to identify the most significant ESG risks and adapts and practices as necessary. The Company's Sustainability strategy includes incorporating ESG considerations into our products, services, and own operations, as well as defining our vision and position as a "corporate citizen", in alignment with AXA Group's strategy.

The identification and tagging of ESG risks are included within AXA XL's Operational Risk Framework. Divisional Key Risk Indicators ("KRIs"), including those related to ESG risks, were developed during 2022 and 2023, and have been aligned to the AXA XL 2023-2026 Sustainability Strategy. In line with regulatory expectations, further focus is being placed on specific climate metrics and longer-term targets. Reputational risk is also considered across all operational risks as an impact criterion, as part of the annual operational risk assessment process, with regular reporting to the Board and AXA Group on any potential upcoming risks and an annual reporting summary including lessons learned.

Climate change, and consequently climate change risk, is a key area of consideration to the Company. AXA XL is committed to taking a leading role in working with our clients and business partners to raise awareness of climate issues, help them manage risk and develop solutions to create a more sustainable society.

The Company is exposed to all forms of climate change risk, namely:

- **Physical Risks:** Refers to the direct impact of climate change on persons and property. For example, risks such as those arising from increasingly frequent and severe events, wildfires, and rising sea-levels.
- **Transition Risks:** Refers to risks that stem from changes in behaviors and strategies of industrial actors, market participants and customers in response to climate change as well as the implementation of climate-related policy or regulatory and technological developments.

- **Liability Risks:** This refers to the potential liability that arises out of litigation brought by claimants who allege losses or seek relief due to climate change. This is driven in part by public nuisance, greenwashing, policies and decisions, failure to adapt and transition risk.

5.7.7.1 Mitigation strategies

Climate change risks have potential impacts on our underwriting, investments, and operations. Therefore, dedicated groups of colleagues are working to ensure that the transversal nature of this risk is duly considered and appropriately managed and mitigated.

Climate change risk is managed through the RMF and the Climate Change Risk Framework. Through this process risks are identified, reported and managed. Risks pertaining to climate change; physical, transition and liability have been long standing items in our emerging risks identification process. As these risks continue to develop, they are assessed and monitored for each risk type. For example, the potential physical risk impacts on our natural catastrophe risks are considered within our underwriting risk framework. This ensures that each element of climate risk is managed by those with the most expertise, relevant stakeholders are informed and these risks can be compared to others with similar characteristics.

Climate KRIs have been developed and reported on. These include metrics relating to physical, transition and liability risk and span insurance, financial, operational, reputational and strategic risk pillars. They are updated quarterly or yearly, depending on the metric, and are included within materials for every Audit, Risk and Compliance Committee meeting.

5.7.7.2 Stress testing

Given the longer time horizon over which these risks may emerge, and the considerable uncertainty in future projections, AXA XL has been developing a series of stress tests to better understand the long-term implications for this risk.

For underwriting risk, the stress testing that has been developed to consider the impact of climate physical risk to our natural catastrophe exposures, has been updated and refined in 2025. In addition, aside from the initial analysis on impacts of "sea level risk tipping point", research has been initiated on a second tipping point, specifically the slowing of the Atlantic Meridional Overturning Circulation ("AMOC") and its impact on extreme events in Europe.

Work has also advanced on the assessment of transition risk to our energy book and extending to other lines of business, based on a set of Network for Greening the Financial System ("NGFS") scenarios, as well as considering a number of liability risk scenarios within models from two different vendors.

Within market risk, there is a physical risk stress test in place (using Climate Value-at-Risk ("CVaR")) as well as transition risk stress test that considers the NGFS Sudden Wake Up Call scenario.

Moving forward, our goal remains to continue to advance our understanding and assessments of climate impacts across all risk pillars. In addition, instead of looking at risks in isolation, we aim to develop integrated scenarios across AXA XL that would allow us to understand potential impacts under a consistent framework.

5.8 MATERIAL RISK CONCENTRATIONS

Material concentrations can occur within and across risk categories. Our RAF is intended to address both. The RAF and expected exposures are reviewed annually and tested through our stress testing framework.

The RAF has two key components: high level risk appetite statements and a set of risk exposure limits linked to specific risk types. The RAF is reviewed and approved annually by the Audit, Risk and Compliance Committee and the Board, with the latest review in November 2025, reflecting the risk profile of the Company and the 2026 business plan.

There are three components to the high-level risk appetite statements:

- **Value** - this considers exposure to the largest natural catastrophe event (at 1 in 200 years), default of single counterparty (not risk adjusted), largest claim or operational risk event (at 1 in 200 years);

- Solvency - this considers the buffer that should be held in excess of regulatory capital. The target level of solvency is for the Company to withstand the largest of a 1 in 20 years financial event or insurance event without the need to call on AXA Group for support; and
- Liquidity - this considers the ability to pay claims resulting from a stress event.

The risk exposure indicators and alerts/limits cover market, credit, reserve, underwriting, operational and life risk:

- Market Risks - indicators exist for exposure per asset class, duration gap and foreign exchange mismatch;
- Credit Risks - indicators exist for fixed income concentration, global issuer exposure and sovereign exposure;
- Reserve Risk - the reserving risk appetite definition monitors the net of reinsurance discounted outstanding claims reserves against a limit and alert level;
- Underwriting Risk:
 - Underwriting limits are spread across property (where the limit is based on PML), liability, marine, aviation, D&O and cyber lines. The limits are based on exposure to a single insured and equal the sum of the contractual limits (direct or facultative) net of reinsurance.
 - Natural catastrophe exposures are monitored for the top 3 peril regions (North Atlantic Windstorm, North American Earthquake and European Windstorm) for a 1 in 200 years event net of reinsurance.
 - The cyber per event appetite monitors affirmative cyber exposure per guarantee (first party and third party).
- Operational Risk:
 - Operational risk: this appetite is set to the amount of loss per individual risk (at 1 in 200 years).
 - Information risk: various metrics monitoring exposure to theft of data and IT outage.
- Life Risk - indicators exist for longevity risk, per life and per event risk for pandemic, terrorism, and earthquake.

Alert levels are set by the AXA XL Division generally at 80% of the risk appetite level and are monitored on a regular basis. Reporting against the risk appetites is undertaken through the Risk Dashboard that is produced for the Audit, Risk and Compliance Committee on a regular basis. The frequency of update of the exposure positions is as follows:

- Over-arching risk appetite statements (solvency, single event and liquidity) - quarterly
- Risk appetite exposures:
 - Market risks - quarterly
 - Credit risks - quarterly
 - Reserve risk - semi-annually
 - Underwriting per risk - quarterly
 - Natural catastrophe exposures - quarterly
 - Cyber per event - annually
 - Operational risk - annually
 - Information risk - semi-annually
 - Life risk - annually

Loss exposure estimates for all event risks are derived from a combination of commercially available and internally developed models and methodologies together with the judgement of management, as overseen by the Board. Actual incurred losses may vary materially from our estimates. Factors that can cause a deviation between estimated and actual incurred losses may include:

- Inaccurate assumptions of event frequency and severity;
- Inaccurate or incomplete data;
- Changing climate conditions that may add to the unpredictability of frequency and severity of natural catastrophes in certain parts of the world and create additional uncertainty as to future trends and exposures;

- Future possible increases in property values and the effects of inflation that may increase the severity of catastrophic events to levels above the modelled levels;
- Natural catastrophe models that incorporate and are critically dependent on meteorological, seismological, and other earth science assumptions and related statistical relationships that may not be representative of prevailing conditions and risks, and may therefore misstate how particular events actually materialize, causing a material deviation between forecasted and actual damages associated with such events; and
- A change in the legislative, regulatory, and judicial climate.

For the above and other reasons, the incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Consequently, there is material uncertainty around our ability to measure exposures associated with individual events and combinations of events. This uncertainty can cause actual exposures and losses to deviate from those amounts estimated, which in turn can create a material adverse effect on our financial condition and results of operations and may result in substantial liquidation of investments, possibly at a loss, and outflows of cash as losses are paid.

Note 6 Goodwill

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Balance at January 1	1,032,710	1,064,804
Additions	-	-
Disposals (a)	(21,740)	(25,159)
Foreign Currency Translation	12,273	(6,935)
Balance at December 31	1,023,243	1,032,710

(a) The 2025 disposal relates to the sale of Catlin Re Switzerland Ltd (see Note 4). The 2024 disposal related to the sale of a small business unit/ subsidiary within insurance operations.

Note: Goodwill related to entities accounted for using the equity method is not presented in this table (see Note 2.6.1).

6.1 Methodology by unit

The recoverability of goodwill is assessed using the value in use approach, as described in Note 2.6.1. The fair value is then compared to the carrying amount to assess the goodwill recoverability.

6.2 Main assumptions

The value in use approach uses cash flow projections based on business plans approved by management covering up to five years and discounted using a risk adjusted rate. Cash flows beyond that period are extrapolated, using a sustainable perpetual growth rate assumed to be achievable over the long term to derive a terminal value.

The earnings included in the business plan are agreed with XLB management and defined considering best estimate of operating assumptions, including expenses and loss ratios, investment income, economic capital, premium rates and taxes, all compliant with the various standards and the requirements of supervisory authorities, when applicable.

The discount rate of 8.1% used for the valuation has been derived using assumptions for risk-free interest rates, equity risk premiums, insurance activity beta and leverage ratios that are consistent with the view of XLB's management for the specific markets in which the CGUs operate.

The results of the cash flow projections exceeded the carrying amounts of each CGU. To the extent that the valuation of securities and interest rate levels remain low for prolonged periods of time, or volatility and other market conditions stagnate or worsen, profitability is likely to be negatively affected. In addition, the future cash flow expectations from both existing and new business and other assumptions underlying management's current business plans could be negatively impacted by other risks to which XLB's business is subject. Thus, subsequent impairment tests may be based upon different assumptions and future cash flow projections, which may result in an impairment of these assets in the foreseeable future.

Note 7 Other intangible assets

Other intangible assets represented \$542.6 million net value as of December 31, 2025 (\$527.7 million as of December 31, 2024) and included:

	Analysis of changes occurred in the course of 2025			
	Intangible assets recognized in business combinations and other business operations		Other intangible assets	Total
	Indefinite Life (a)	Definite Life	Definite Life	
<i>(US Dollars in thousands)</i>				
Net carrying value as of January 1	352,244	156,372	19,104	527,720
Additions during the period	-	-	50,199	50,199
Disposals during the period (b)	-	(16,725)	-	(16,725)
Amortization	-	(16,876)	(5,637)	(22,513)
Currency impact	6,914	2,564	934	10,412
Impairment	-	-	(6,526)	(6,526)
Net carrying value as of December 31	359,158	125,335	58,074	542,567
<i>Split of net carrying value:</i>				
Gross value	687,919	372,223	677,260	1,737,402
Accumulated disposal	-	(16,725)	-	(16,725)
Accumulated amortization	-	(211,169)	(521,387)	(732,556)
Accumulated currency impact	(6,696)	(7,438)	(658)	(14,792)
Accumulated impairment	(322,065)	(11,556)	(97,141)	(430,761)

(a) Indefinite life intangible assets is comprised mostly of the Lloyd's syndicate capacity.

(b) This disposal relates to the sale of Catlin Re Switzerland Ltd (see Note 4).

	Analysis of changes occurred in the course of 2024			
	Intangible assets recognized in business combinations and other business operations		Other intangible assets	Total
	Indefinite Life (a)	Definite Life	Definite Life	
<i>(US Dollars in thousands)</i>				
Net carrying value as of January 1	356,558	175,175	46,749	578,483
Additions during the period	-	-	5,609	5,609
Disposal during the period	-	-	-	-
Amortization	-	(17,732)	(12,297)	(30,029)
Currency impact	(4,314)	(1,072)	(519)	(5,905)
Impairment	-	-	(20,439)	(20,439)
Net carrying value as of December 31	352,244	156,372	19,104	527,720
<i>Split of net carrying value:</i>				
Gross value	687,919	372,223	627,061	1,687,203
Accumulated amortization	-	(194,293)	(515,750)	(710,043)
Accumulated currency impact	(13,610)	(10,002)	(1,592)	(25,204)
Accumulated impairment	(322,065)	(11,556)	(90,615)	(424,235)

(a) Indefinite life intangible assets is comprised mostly of the Lloyd's syndicate capacity.

The Company's indefinite-lived intangible assets consist primarily of Lloyd's syndicate capacity plus acquired insurance and reinsurance licenses. The Company's definite-lived intangibles consist primarily of acquired agency relationships, distribution networks, trade names, and internally-developed computer software.

During 2025, there was a non-cash impairment charge for software of approximately \$6.5 million (\$20.4 million during 2024).

Note 8 Investments

It should be noted that the amounts disclosed in the present Note as impacting the Company's consolidated comprehensive income do not consider the induced effects related to insurance liabilities, therefore, do not represent the ultimate gains or losses recognized in the consolidated statement of comprehensive income.

8.1 BREAKDOWN OF INVESTMENTS

The tables below present the fair value and the carrying value of the Company's investments, broken down by (i) class of investments, and (ii) classification category according to IFRS 9 - Financial Instruments (namely, investments measured at amortized cost, at fair value through other comprehensive income ("FV OCI") or at fair value through profit or loss ("FV P&L")):

	December 31, 2025		
	Fair value	Carrying value	% (of total Investments)
<i>(US Dollars in thousands)</i>			
Investment in real estate properties at amortized cost (A)	1,307,528	1,184,083	2.5 %
Debt instruments at amortized cost	226,895	260,558	0.5 %
Debt instruments at FV OCI	39,272,584	39,272,584	82.5 %
Debt instruments at FV P&L - Mandatory	1,737,735	1,737,735	3.7 %
Debt Instruments (B)	41,237,214	41,270,877	86.7 %
Equity instruments at FV OCI without recycling to P&L	67,431	67,431	0.1 %
Equity Instruments (C)	67,431	67,431	0.1 %
Non consolidated investment funds at FV P&L (D)	4,240,119	4,240,119	8.9 %
Other assets at FV P&L, held by consolidated investment funds (E)	507,274	507,274	1.1 %
Financial investments excluding loans (F=B+C+D+E)	46,052,038	46,085,701	96.8 %
Loans at amortized cost	332,286	331,766	0.7 %
Loans (G)	332,286	331,766	0.7 %
Total financial investments (H=F+G)	46,384,324	46,417,467	97.5 %
INVESTMENTS (I=A+H)	47,691,852	47,601,550	100.0 %

	December 31, 2024		
	Fair value	Carrying value	% (of total Investments)
<i>(US Dollars in thousands)</i>			
Investment in real estate properties at amortized cost (A)	1,176,272	996,705	2.3%
Debt instruments at amortized cost	206,851	238,033	0.5%
Debt instruments at FV OCI	36,460,811	36,460,811	83.0%
Debt instruments at FV P&L - Mandatory	1,690,878	1,690,878	3.9%
Debt Instruments (B)	38,358,540	38,389,722	87.4%
Equity instruments at FV OCI without recycling to P&L	133,347	133,347	0.3%
Equity Instruments (C)	133,347	133,347	0.3%
Non consolidated investment funds at FV P&L (D)	3,631,196	3,631,196	8.3%
Other assets at FV P&L, held by consolidated investment funds (E)	538,290	538,290	1.2%
Financial investments excluding loans (F=B+C+D+E)	42,661,373	42,692,555	97.2%
Loans at amortized cost	223,881	222,275	0.5%
Loans (G)	223,881	222,275	0.5%
Total financial investments (H=F+G)	42,885,254	42,914,830	97.7%
INVESTMENTS (I=A+H)	44,061,526	43,911,535	100.0%

8.2 INVESTMENT IN REAL ESTATE PROPERTIES

Investment in real estate properties includes buildings owned directly and through consolidated real estate entities.

Real estate properties held by XLB are measured at amortized cost. The table below presents the carrying value (disclosing separately accumulated amortization and impairment) and the fair value of the investments held:

	December 31, 2025					December 31, 2024				
	Gross value	Amortization	Impairment	Carrying Value	Fair value	Gross value	Amortization	Impairment	Carrying Value	Fair value
<i>(US Dollars in thousands)</i>										
Total investments in real estate properties	1,439,735	(232,665)	(22,988)	1,184,083	1,307,528	1,211,389	(193,527)	(21,156)	996,705	1,176,272

The following table provides a reconciliation from the opening balances to the closing balances for the accumulated amounts of impairment and amortization on investment in real estate properties:

	Impairment		Amortization	
	2025	2024	2025	2024
<i>(US Dollars in thousands)</i>				
Opening Balance	(21,156)	(7,983)	(193,527)	(186,884)
Increase	(1,833)	(13,174)	(32,668)	(33,035)
Write back following sale or reimbursement	-	-	7,882	21,791
Write back following recovery in value	-	-	-	-
Other impacts (a)	1	1	(14,352)	4,600
Closing Balance	(22,988)	(21,156)	(232,665)	(193,527)

(a) Includes impacts of changes in scope of consolidation and movements in exchange rates.

8.3 UNREALIZED GAINS AND LOSSES ON FINANCIAL INVESTMENTS

The tables below disclose unrealized capital gains and losses not reflected in the consolidated statement of profit or loss, that are related to financial investments measured at amortized cost or at FV OCI. These unrealized capital gains and losses are broken down by class of financial instruments and IFRS 9 classification category:

(US Dollars in thousands)	December 31, 2025					December 31, 2024				
	Amortized cost	Fair Value	Carrying value	Unrealized gains	Unrealized losses	Amortized cost	Fair Value	Carrying value	Unrealized gains	Unrealized losses
Debt instruments at FV OCI	40,562,631	39,272,584	39,272,584	371,048	(1,661,095)	38,692,963	36,460,811	36,460,811	199,750	(2,431,902)
Debt instruments at amortized cost	260,558	226,895	260,558	40	(33,703)	238,033	206,851	238,033	55	(31,238)
Equity instruments at FV OCI without recycling to P&L	58,658	67,431	67,431	17,668	(8,895)	102,833	133,347	133,347	46,750	(16,236)
Loans at amortized cost	331,766	332,286	331,766	521	(1)	222,275	223,881	222,275	1,606	-

8.4 DEBT INSTRUMENTS AND LOANS

8.4.1 Debt instruments by type of issuer

The table below presents the composition of the Company's debt instruments portfolio by type of issuer:

(US Dollars in thousands)	December 31, 2025		December 31, 2024	
	Fair value	Carrying value	Fair value	Carrying value
Corporate debt instruments (a)	21,126,344	21,160,006	20,302,591	20,333,773
Government and government-like debt instruments	10,527,679	10,527,679	9,675,560	9,675,560
Other debt instruments issued by government related	9,583,192	9,583,192	8,380,389	8,380,389
Total	41,237,214	41,270,877	38,358,540	38,389,722

(a) Includes debt instruments issued by companies in which a State holds interests

8.4.2 Loans by type

The table below presents the composition of the Company's loans portfolio by type of loan:

(US Dollars in thousands)	December 31, 2025		December 31, 2024	
	Fair value	Carrying value	Fair value	Carrying value
Mortgage loans	321,097	320,591	187,574	185,985
Other loans	11,189	11,175	36,307	36,290
Total	332,286	331,766	223,881	222,275

8.4.3 Debt instruments and loans by contractual maturity and exposure to interest rate risk

The table below sets out the carrying value of debt instruments and loans held by the Company broken down by their contractual maturity. Effective maturities may differ from those presented, mainly because some debt instruments and loans include early redemption clauses, with or without penalty, or duration extension features. Furthermore, the effect of derivative instruments (refer to Note 15.3) may modify the maturity profile of assets presented below.

Debt instruments and loans whose fair value is exposed to interest rate risk, *i.e.* fixed-rate instruments, are disclosed separately. Most of debt instruments and loans held by the Company fall within this category:

(US Dollars in thousands)	December 31, 2025				December 31, 2024			
	12 months or less	More than 1 year up to 5 years	More than 5 years	Total Carrying value	12 months or less	More than 1 year up to 5 years	More than 5 years	Total Carrying value
Debt instruments	3,280,910	15,068,448	22,921,519	41,270,877	2,879,583	14,327,599	21,182,540	38,389,722
Loans	96,072	218,389	17,306	331,766	66,025	156,250	-	222,275
Total financial investments exposed to interest rate risk	3,376,982	15,286,836	22,938,825	41,602,643	2,945,609	14,483,849	21,182,540	38,611,998
<i>of which financial investments whose fair value is exposed to interest rate risk</i>	<i>3,264,767</i>	<i>13,093,996</i>	<i>19,529,500</i>	<i>35,888,264</i>	<i>2,899,354</i>	<i>12,324,518</i>	<i>18,202,626</i>	<i>33,426,497</i>

8.5 EQUITY INSTRUMENTS

8.5.1 Equity instruments by issuer industry and exposure to price risk

The table below sets out the portfolio of equity instruments held by the Company at the closing date and exposed to equity prices fluctuations, broken down by issuer's industry, presenting those designated at FV OCI without recycling to P&L applying the IFRS 9 classification option. The carrying value of those investments is equal to their fair value.

The table also discloses the amount of dividends recognized in profit or loss over the period on FV OCI equity instruments still in the portfolio at the closing date:

	December 31, 2025								
<i>(US Dollars in thousands)</i>	Financial	Consumer goods & services	Energy	Communications	Industrial	Basic Materials	Technology	Other	TOTAL
Equity instruments at FV OCI without recycling to P&L	42,927	-	-	-	-	-	24,504	-	67,431
Total carrying value of equity instruments	42,927	-	-	-	-	-	24,504	-	67,431
<i>Dividends recognized in the period on equity instruments at FV OCI without recycling to P&L held as of the reporting date</i>	1,539	-	-	-	-	-	-	-	1,539

	December 31, 2024								
<i>(US Dollars in thousands)</i>	Financial	Consumer goods & services	Energy	Communications	Industrial	Basic Materials	Technology	Other	Total
Equity instruments at FV OCI without recycling to P&L	83,837	-	-	-	-	-	49,510	-	133,347
Total carrying value of equity instruments	83,837	-	-	-	-	-	49,510	-	133,347
<i>Dividends recognized in the period on equity instruments at FV OCI without recycling to P&L held as of the reporting date</i>	7,823	-	-	-	-	-	-	-	7,823

8.5.2 Equity instruments designated at fair value through OCI derecognized during the period

The following tables display, for equity instruments designated at FV OCI without recycling to profit or loss and derecognized during the period, their fair value at the date of derecognition, dividends received in the period and recognized in profit or loss, as well as the cumulative amounts of capital gains or losses at the date of derecognition (not recycled to profit or loss but transferred to retained earnings on derecognition), all broken down by issuer's industry:

	December 31, 2025								
<i>(US Dollars in thousands)</i>	Financial	Consumer goods & Services	Energy	Communications	Industrial	Basic Materials	Technology	Other	TOTAL
Fair value at the date of derecognition	48,284	-	-	-	(1,255)	-	30,713	-	77,742
Dividend related to instruments derecognized during the period	869	-	-	-	-	-	-	-	869
Cumulative gains or losses at the date of derecognition	17,162	-	-	-	(1,255)	-	10,562	-	26,469

	December 31, 2024								
<i>(US Dollars in thousands)</i>	Financial	Consumer goods & Services	Energy	Communications	Industrial	Basic Materials	Technology	Other	TOTAL
Fair value at the date of derecognition	28,477	-	-	-	-	-	3,365	-	31,842
Dividend related to instruments derecognized during the period	691	-	-	-	-	-	-	-	691
Cumulative gains or losses at the date of derecognition	(58,362)	-	-	-	-	-	(11,265)	-	(69,627)

8.6 TRANSFERS OF FINANCIAL ASSETS NOT QUALIFYING FOR DERECOGNITION

The Company participates in repurchase agreements and securities lending transactions under which financial assets are sold to a counterparty, subject to a simultaneous agreement to repurchase these financial assets at both a certain later date and agreed price. As substantially all the risks and rewards of the financial assets remain with the Company over the entire lifetime of the transaction, they are not derecognized.

Additionally, the Company is party to total return swaps where financial assets are sold to a counterparty with an agreement in which the Company retains substantially all the risks and rewards of the financial instruments. Therefore, these financial assets are not derecognized.

Proceeds from the sales are reported separately in the line item “Collateral debts relating to investments under a lending agreement or equivalent” of the consolidated statement of financial position, and interest expense is accrued over the duration of the agreements.

The following table presents the carrying value of transferred financial assets not qualifying for derecognition, broken down by their IFRS 9 classification category, and of corresponding liabilities:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Carrying value of assets	1,751,430	1,584,089
<i>of which debt instruments at FV OCI</i>	<i>1,751,430</i>	<i>1,584,089</i>
Carrying value of associated liabilities (a)	1,759,490	1,607,938

(a) Amounts do not include securities received as collateral to securities lending transactions if such collateral is not recognized under the terms of the agreement because the risks and rewards have not been transferred to the Company.

8.7 NON-CONSOLIDATED INVESTMENT FUNDS

The table below sets out the portfolio of non-consolidated investment funds held by the Company broken down by type of underlying financial assets. These investments are measured at fair value through profit or loss:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
	Fair value	Fair value
Non-consolidated investment funds mainly holding debt instruments	2,623,863	2,251,003
Non-consolidated investment funds mainly holding equity instruments	769,436	645,074
Other non-consolidated investment funds	846,820	735,119
Total	4,240,119	3,631,196

8.8 FINANCIAL INVESTMENTS SUBJECT TO IMPAIRMENT

8.8.1 Breakdown of financial investments subject to impairment

The tables below set out the Company’s portfolio of financial investments subject to impairment, namely debt instruments and loans measured at amortized cost or at FV OCI, broken down by class of financial investments, IFRS 9 classification category and IFRS 9 impairment stage (refer to Note 2.7.2.2), namely:

- Stage 1: financial investments for which credit risk has not increased significantly since initial recognition, and the loss allowance is measured at an amount equal to 12 months expected credit losses;
- Stage 2: not credit-impaired financial investments for which credit risk has increased significantly since initial recognition, and the loss allowance is measured at an amount equal to lifetime expected credit losses; and

- Stage 3: financial investments which were not purchased or originated credit impaired but became credit impaired since their initial recognition, and for which the loss allowance is measured at an amount equal to lifetime expected credit losses.

	December 31, 2025				
	Cost before impairment and revaluation to fair value	Impairment	Cost after impairment but before revaluation to fair value	Revaluation to fair value	Carrying value
<i>(US Dollars in thousands)</i>					
Stage 1					
Debt instruments at amortized cost	260,896	(338)	260,558	-	260,558
Debt instruments at FV OCI	40,440,074	(7,177)	40,432,897	(1,280,832)	39,152,064
Debt instruments (A)	40,700,970	(7,515)	40,693,454	(1,280,832)	39,412,622
Loans at amortized cost (B)	275,613	(288)	275,325	-	275,325
Total Stage 1 (C=A+B)	40,976,583	(7,804)	40,968,779	(1,280,832)	39,687,947
Stage 2					
Debt instruments at amortized cost	-	-	-	-	-
Debt instruments at FV OCI	114,634	(2,604)	112,030	(6,401)	105,629
Debt instruments (D)	114,634	(2,604)	112,030	(6,401)	105,629
Loans at amortized cost (E)	66,566	(10,124)	56,441	-	56,441
Total Stage 2 (F=D+E)	181,199	(12,728)	168,471	(6,401)	162,071
Stage 3					
Debt instruments at amortized cost	-	-	-	-	-
Debt instruments at FV OCI	28,113	(10,408)	17,705	(2,815)	14,890
Debt instruments (G)	28,113	(10,408)	17,705	(2,815)	14,890
Loans at amortized cost (H)	-	-	-	-	-
Total Stage 3 (I=G+H)	28,113	(10,408)	17,705	(2,815)	14,890
Total Debt instruments at amortized cost	260,896	(338)	260,558	-	260,558
Total Debt instruments at FV OCI	40,582,821	(20,190)	40,562,631	(1,290,047)	39,272,584
Total debt instruments (J=A+D+G)	40,843,717	(20,527)	40,823,189	(1,290,047)	39,533,142
Total loans at amortized cost (K=B+E+H)	342,179	(10,413)	331,766	-	331,766
Total financial investments subject to impairment (L=J+K)	41,185,895	(30,940)	41,154,955	(1,290,047)	39,864,908

	December 31, 2024				
	Cost before impairment and revaluation to fair value	Impairment	Cost after impairment but before revaluation to fair value	Revaluation to fair value	Carrying value
<i>(US Dollars in thousands)</i>					
Stage 1					
Debt instruments at amortized cost	238,342	(308)	238,033	-	238,033
Debt instruments at FV OCI	38,642,697	(7,584)	38,635,112	(2,224,938)	36,410,174
Debt instruments (A)	38,881,038	(7,893)	38,873,146	(2,224,938)	36,648,207
Loans at amortized cost (B)	191,776	(129)	191,647	-	191,647
Total Stage 1 (C=A+B)	39,072,814	(8,021)	39,064,793	(2,224,938)	36,839,854
Stage 2					
Debt instruments at amortized cost	-	-	-	-	-
Debt instruments at FV OCI	39,068	(1,473)	37,594	(2,487)	35,108
Debt instruments (D)	39,068	(1,473)	37,594	(2,487)	35,108
Loans at amortized cost (E)	21,658	(1,061)	20,597	-	20,597
Total Stage 2 (F=D+E)	60,726	(2,534)	58,191	(2,487)	55,705
Stage 3					
Debt instruments at amortized cost	-	-	-	-	-
Debt instruments at FV OCI	31,105	(10,848)	20,256	(4,727)	15,529
Debt instruments (G)	31,105	(10,848)	20,256	(4,727)	15,529
Loans at amortized cost (H)	13,313	(3,282)	10,031	-	10,031
Total Stage 3 (I=G+H)	44,418	(14,131)	30,287	(4,727)	25,560
Total Debt instruments at amortized cost	238,342	(308)	238,033	-	238,033
Total Debt instruments at FV OCI	38,712,869	(19,906)	38,692,963	(2,232,152)	36,460,811
Total debt instruments (J=A+D+G)	38,951,211	(20,214)	38,930,996	(2,232,152)	36,698,844
Total loans at amortized cost (K=B+E+H)	226,747	(4,472)	222,275	-	222,275
Total financial investments subject to impairment (L=J+K)	39,177,958	(24,686)	39,153,271	(2,232,152)	36,921,119

8.8.2 Change in impairment of financial investments

8.8.2.1 Change in impairment of financial investments measured at fair value through OCI

The following tables provide a reconciliation from the opening balances to the closing balances for the carrying amount of debt instruments measured at FV OCI and for the cumulative Expected Credit Losses (“ECL”) allowance on those debt instruments, broken down by IFRS 9 impairment stage:

	December 31, 2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance
(US Dollars in thousands)								
Balance at January 1	38,642,697	7,585	39,068	1,473	31,105	10,848	38,712,869	19,907
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	(94,248)	(1,602)	94,248	1,602	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Acquisitions and originations	7,355,341	1,109	-	-	-	-	7,355,341	1,109
Derecognitions	(6,670,138)	(1,174)	(18,482)	(286)	(2,991)	(456)	(6,691,611)	(1,915)
Other changes (b)	1,206,422	1,260	(199)	(186)	-	15	1,206,222	1,089
Balance as of December 31	40,440,074	7,177	114,634	2,604	28,113	10,408	40,582,821	20,190

(a) Includes related accumulated amortization, premiums/discount and accrued interests, when applicable.

(b) Mainly includes impacts of changes in scope of consolidation and movements in exchange rates.

	December 31, 2024							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance
(US Dollars in thousands)								
Balance at January 1	37,798,262	8,103	3,819	74	31,775	12,197	37,833,856	20,375
Transfers to Stage 1	1,722	1	(1,722)	(1)	-	-	-	-
Transfers to Stage 2	(38,067)	(1,427)	38,067	1,427	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Acquisitions and originations	6,729,108	888	-	-	-	-	6,729,108	888
Derecognitions	(5,138,794)	(1,039)	(172)	(2)	(661)	(1,349)	(5,139,627)	(2,390)
Other changes (b)	(709,534)	1,059	(925)	(26)	(8)	-	(710,467)	1,033
Balance as of December 31	38,642,697	7,585	39,068	1,473	31,105	10,848	38,712,869	19,907

(a) Includes related accumulated amortization, premiums/discount and accrued interests, when applicable.

(b) Mainly includes impacts of changes in scope of consolidation and movements in exchange rates.

8.8.2.2 Change in impairment of financial investments measured at amortized cost

The following tables provide a reconciliation from the opening balances to the closing balances for the carrying amount of debt instruments and loans measured at amortized cost and for the cumulative amount of ECL allowance on those debt instruments and loans, broken down by IFRS 9 impairment stage:

	December 31, 2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance
(US Dollars in thousands)								
Balances at January 1								
Debt securities	238,342	308	-	-	-	-	238,342	308
Loans	191,776	129	21,658	1,061	13,313	3,282	226,747	4,472
Total (A)	430,117	437	21,658	1,061	13,313	3,282	465,089	4,780
Transfers to Stage 1								
Debt securities	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total (B)	-	-	-	-	-	-	-	-
Transfers to Stage 2								
Debt securities	-	-	-	-	-	-	-	-
Loans	(44,076)	(3,920)	44,076	3,920	-	-	-	-
Total (C)	(44,076)	(3,920)	44,076	3,920	-	-	-	-
Transfers to Stage 3								
Debt securities	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total (D)	-	-	-	-	-	-	-	-
Acquisitions and originations								
Debt securities	2,271	-	-	-	-	-	2,271	-
Loans	188,890	367	-	-	-	-	188,890	367
Total (E)	191,160	367	-	-	-	-	191,160	367
Derecognitions								
Debt securities	(11,453)	(12)	-	-	-	-	(11,453)	(12)
Loans	(63,804)	(26)	-	-	(13,313)	(3,282)	(77,117)	(3,308)
Total (F)	(75,257)	(38)	-	-	(13,313)	(3,282)	(88,570)	(3,320)
Other changes (b)								
Debt securities	31,736	41	-	-	-	-	31,736	41
Loans	2,828	3,739	831	5,143	-	-	3,659	8,882
Total (G)	34,564	3,780	831	5,143	-	-	35,396	8,923
Balances as of December 31								
Debt securities	260,896	338	-	-	-	-	260,896	338
Loans	275,613	288	66,566	10,124	-	-	342,179	10,413
Total financial investments at amortized cost (H=A+B+C+D+E+F+G)	536,509	626	66,566	10,124	-	-	603,075	10,751

(a) Includes related accumulated amortization, premiums/discount and accrued interests, when applicable.

(b) Mainly from movements in exchange rates.

	December 31, 2024							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance	Gross Carrying Amount (a)	ECL allowance
<i>(US Dollars in thousands)</i>								
Balances at January 1								
Debt securities	269,587	340	-	-	-	-	269,587	340
Loans	254,553	222	-	-	-	-	254,553	222
Total (A)	524,140	562	-	-	-	-	524,140	562
Transfers to Stage 1								
Debt securities	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total (B)	-	-	-	-	-	-	-	-
Transfers to Stage 2								
Debt securities	-	-	-	-	-	-	-	-
Loans	(21,658)	(356)	21,658	356	-	-	-	-
Total (C)	(21,658)	(356)	21,658	356	-	-	-	-
Transfers to Stage 3								
Debt securities	-	-	-	-	-	-	-	-
Loans	(13,313)	(110)	-	-	13,313	110	-	-
Total (D)	(13,313)	(110)	-	-	13,313	110	-	-
Acquisitions and originations								
Debt securities	-	-	-	-	-	-	-	-
Loans	21,603	167	-	-	-	-	21,603	167
Total (E)	21,603	167	-	-	-	-	21,603	167
Derecognitions								
Debt securities	(15,237)	(10)	-	-	-	-	(15,237)	(10)
Loans	(48,056)	(4)	-	-	-	-	(48,056)	(4)
Total (F)	(63,292)	(13)	-	-	-	-	(63,292)	(13)
Other changes (b)								
Debt securities	(16,008)	(22)	-	-	-	-	(16,008)	(22)
Loans	(1,353)	209	-	705	-	3,172	(1,353)	4,086
Total (G)	(17,362)	188	-	705	-	3,172	(17,362)	4,065
Balances as of December 31								
Debt securities	238,342	308	-	-	-	-	238,342	308
Loans	191,776	129	21,658	1,061	13,313	3,282	226,747	4,472
Total financial investments at amortized cost (H=A+B+C+D+E+F+G)	430,117	437	21,658	1,061	13,313	3,282	465,089	4,780

(a) Includes related accumulated amortization, premiums/discount and accrued interests, when applicable.

(b) Mainly from movements in exchange rates.

8.9 FAIR VALUE OF INVESTMENTS

The table below presents the breakdown of the fair value of financial investments and investments in real estate properties by fair value hierarchy level as set in IFRS 13 - Fair Value Measurement (refer to Note 2.5). The carrying value of those financial investments measured at FV P&L or FV OCI is equal to their fair value:

	December 31, 2025				December 31, 2024			
	Investments quoted in an active market	Investments not quoted in an active market or no active market	Total	Investments quoted in an active market	Investments not quoted in an active market or no active market	Total		
	Level 1 (a)	Level 2 (b)			Level 3 (c)			
(US Dollars in thousands)	Level 1 (a)	Level 2 (b)	Level 3 (c)		Level 1 (a)	Level 2 (b)	Level 3 (c)	
Debt instruments	-	39,272,584	-	39,272,584	-	36,460,811	-	36,460,811
Equity instruments	4,698	-	62,733	67,431	24,593	-	108,754	133,347
Financial assets at FV OCI (A)	4,698	39,272,584	62,733	39,340,015	24,593	36,460,811	108,754	36,594,157
Debt instruments	-	1,737,735	-	1,737,735	-	1,690,878	-	1,690,878
Non consolidated investment funds	-	1,453,179	2,786,940	4,240,119	-	1,261,954	2,369,242	3,631,196
Other assets held by consolidated investment funds	-	-	507,274	507,274	-	-	538,290	538,290
Financial assets at FV P&L (excluding FV option) (B)	-	3,190,914	3,294,214	6,485,128	-	2,952,833	2,907,532	5,860,364
Total financial instruments at fair value (D = A + B + C)	4,698	42,463,498	3,356,947	45,825,143	24,593	39,413,643	3,016,285	42,454,522
Investments in real estate properties	-	-	1,307,528	1,307,528	-	-	1,176,272	1,176,272
Debt instruments	-	-	226,895	226,895	-	-	206,851	206,851
Loans	-	-	332,286	332,286	-	-	223,881	223,881
Total investments at amortized cost (E)	-	-	1,866,709	1,866,709	-	-	1,607,003	1,607,003
TOTAL (F = D + E)	4,698	42,463,498	5,223,656	47,691,852	24,593	39,413,643	4,623,289	44,061,525

(a) Level 1: fair value determined directly by reference to an active market.

(b) Level 2: fair value mainly based on observable market data.

(c) Level 3: fair value mainly not based on observable market data.

The Company applies the IFRS 13 fair value hierarchy as described in Note 2.5 to categorize financial assets it holds, based on the characteristics of the market in which financial assets are traded and on the nature of inputs used to determine their fair value.

LEVEL 1 FAIR VALUES

Financial assets are categorized in level 1 of the IFRS 13 fair value hierarchy when their fair value is determined directly by reference to an active market (see Note 2.5.1).

As of December 31, 2025, the net transfer between level 1 and level 2 was nil.

LEVEL 2 AND LEVEL 3 FAIR VALUES

The common characteristic of assets categorized in levels 2 and 3 of the IFRS 13 fair value hierarchy is that they are not quoted in an active market (see Note 2.5.2). Their fair value may be either provided by external parties or measured using valuation techniques. The classification of those assets between levels 2 and 3 depends on the proportion of inputs used to determine their fair value: if those inputs are mainly supported by market transactions and other observable market data, the assets are classified in level 2, otherwise, they are classified in level 3.

Financial assets categorized in levels 2 and 3 represent a variety of circumstances. A financial instrument is regarded as not quoted in an active market if there is little observation of transaction prices as an inherent characteristic of the instrument, when there is a significant decline in the volume and level of trading activity, in case of significant illiquidity or if observable prices cannot be considered as representing fair value because of dislocated market conditions. Characteristics of inactive markets can therefore be very different in nature, inherent to the instrument or be indicative of a change in the conditions prevailing in certain markets.

The identification of level 3 assets among assets not quoted in an active market involves a significant level of judgment. The following are considered as observable inputs: inputs provided by external pricing services, information obtained from specialized data providers, rating agencies, external surveys. The extent to which such data are external to the Company and not assessed by internal valuation teams is one of the main criteria applied in assessing whether data are observable or not. Should those data be significantly adjusted or would they be outdated because of the lack of newly available factors, such inputs would be deemed unobservable. Another area of judgment is the assessment of the significance of an input against the fair value measurement in its entirety. As a result, a different cut between observable and unobservable data and variances in the weighting of the significance of each input against the fair value measurement in its entirety could produce a different categorization.

Assets such as certain unquoted debt instruments, some instruments issued on private markets such as private equity instruments or private loans, have always been considered as not quoted in active markets as an inherent characteristic of these investments and included as assets not quoted in active markets or for which there is no active market in all periods presented. Valuations are based either on external pricing providers or internal models using techniques commonly used by market participants. Valuation teams make the maximum use of current transaction prices (if any) and observable data, but some of the underlying sectors to which the investments relate may be so particular that significant adjustments are performed or unobservable data are used. Private equity funds of funds are measured on the basis of the latest net asset values of funds provided to the Company.

The fair values of debt instruments and loans measured at cost are determined with consideration of market inputs to the extent possible. For level 2 debt instruments and loans, the fair value is mainly derived using valuation techniques based upon observable market interest rate curves. For level 3 instruments, the fair value of debt instruments and loans measured at cost is determined by valuation techniques using limited observable market data.

The fair values of investments in real estate properties generally cannot be determined via reference to quotes of an active market from an exchange market or service provider, and no real estate property is therefore categorized in level 1 of the IFRS 13 fair value hierarchy. . The fair values of real estate properties are classified as level 3. This classification reflects the limited volume of transactions and the resulting lack of market observable inputs used by appraisers to value these investments.

TRANSFERS IN AND OUT OF THE LEVEL 3 CATEGORY AND OTHER MOVEMENTS

From January 1, 2025, to December 31, 2025, the amount of level 3 assets increased by \$600.4 million to \$5,223.7 million, representing 11.0% of total assets measured at fair value and amortised cost (\$4,623.3 million, representing 10.5% in 2024).

Main movements related to level 3 assets to be noted were the following:

- \$1,059.2 million of new investments mainly in alternative assets and real estate properties;
- \$212.1 million of change in fair value related to investments accounted for at fair value and amortized cost;
- \$237.6 million of net asset transfers in and out of level 3 and foreign exchange fluctuation impact; and
- \$(908.5) million of asset sales, redemptions and settlements mainly of non-consolidated investment funds, other assets held by controlled investment funds accounted as fair value through profit or loss and investments in real estate properties at amortized cost.

A majority of assets classified in level 3 correspond to real estate and private investments, in particular private credit and private equity assets.

/ Note 9 Investments accounted for using the equity method

As of December 31, 2025 and 2024, the Company invested in strategic ownership interests of \$35.9 million (\$64.6 million in 2024) which are accounted for using the equity method.

Non-consolidated investment funds under significant influence are accounted for as assets at fair value with changes in fair value recognized through profit or loss (see Note 2.7.2.1).

Note 10 Receivables

	December 31, 2025				December 31, 2024			
	Gross value	Impairment	Carrying value	Fair value	Gross value	Impairment	Carrying value	Fair value
<i>(US Dollars in thousands)</i>								
Current tax receivables	42,030	-	42,030	42,030	57,843	-	57,843	57,843
Employee benefits & related	24,387	-	24,387	24,387	22,608	-	22,608	22,608
Other deposits	132,637	-	132,637	132,637	37,214	-	37,214	37,214
Others	485,148	(11,277)	473,871	473,871	248,311	(7,926)	240,385	240,385
Other Receivables	642,172	(11,277)	630,895	630,895	308,133	(7,926)	300,207	300,207
TOTAL	684,202	(11,277)	672,925	672,925	365,976	(7,926)	358,050	358,050

/ Note 11 Shareholder's equity and minority interests

11.1 IMPACT OF TRANSACTIONS WITH SHAREHOLDER

The Consolidated Statement of Changes in Equity is presented as a primary financial statement.

11.1.1 Change in Shareholder's equity Company share in 2025

SHARE CAPITAL AND CAPITAL IN EXCESS OF NOMINAL VALUE

The authorized share capital of XLB is 15,000,000 shares, par value \$0.10 each, and the total issued and outstanding shares as at December 31, 2025, was 12,500,000, representing \$1.3 million of share capital.

DIVIDENDS PAID

The Company paid common share dividends of \$1,720.0 million to XL Group Ltd during 2025.

11.1.2 Change in Shareholder's equity Company share in 2024

SHARE CAPITAL AND CAPITAL IN EXCESS OF NOMINAL VALUE

The authorized share capital of XLB is 15,000,000 shares, par value \$0.10 each, and the total issued and outstanding shares as at December 31, 2024 was 12,500,000, representing \$1.3 million of share capital.

DIVIDENDS PAID

The Company paid common share dividends of \$1,720.0 million to XL Group Ltd during 2024.

11.2 COMPREHENSIVE INCOME FOR THE PERIOD

The Consolidated Statement of Comprehensive Income, presented as a primary financial statement, includes the net income for the period and the other comprehensive income, the latter reflecting the changes relating to other reserves recognized through other comprehensive income ("OCI") in accordance with IFRS 9 and IFRS 17, translation reserves.

11.2.1 Other comprehensive income for 2025

OTHER RESERVES RECOGNIZED THROUGH OCI IN ACCORDANCE WITH IFRS 9 AND IFRS 17

The table below gives detailed information on changes in other reserves recognized through OCI during the year 2025:

	Fair value reserves relating to financial instruments	Fair value reserves relating to cash flow hedge derivatives	Reserves relating to the cost of hedging	Reserves relating to finance income or expenses from insurance and reinsurance contracts	Total
<i>(US Dollars in thousands)</i>					
Balance at January 1, 2025 (a)	(1,783,550)	5,460	(357)	750,667	(1,027,780)
Change in OCI without recycling in Profit or Loss	(18,157)	-	-	-	(18,157)
Change in OCI with recycling in Profit or Loss	745,915	17,168	190	(95,486)	667,787
Others (including effect of changes in scope of consolidation) (b)	19,617	-	-	1,122	20,738
Other comprehensive income	747,375	17,168	190	(94,364)	670,368
Balance at December 31, 2025 (a)	(1,036,175)	22,627	(166)	656,302	(357,412)

(a) Reported on Company share basis.

(b) Relates mainly to the sale of Catlin Re Switzerland Ltd (see Note 4).

As explained in Note 2.17.2 and in accordance with IFRS 17, XLB applies the option to disaggregate insurance and reinsurance financial income or expenses between the statement of profit or loss and the OCI to limit the volatility in profit or loss considering that many of supporting financial assets are measured at fair value through OCI under IFRS 9.

When equity instruments without recycling in Profit or Loss are sold, their related net unrealized gains and losses previously recognized in OCI without recycling in Profit or Loss are transferred to retained earnings. In 2025, the realized capital gains or losses on these equity instruments amounted to \$36.0 million, net of tax.

11.2.2 Other comprehensive income for 2024

OTHER RESERVES RECOGNIZED THROUGH OCI IN ACCORDANCE WITH IFRS 9 AND IFRS 17

The table below gives detailed information on change in other reserves recognized through OCI during the year 2024:

	Fair value reserves relating to financial instruments	Fair value reserves relating to cash flow hedge derivatives	Reserves relating to the cost of hedging	Reserves relating to finance income or expenses from insurance and reinsurance contracts	Total
<i>(US Dollars in thousands)</i>					
Balance at January 1, 2024 (a)	(1,681,707)	42,006	171	842,595	(796,935)
Change in OCI without recycling in Profit or Loss	(17,382)	-	-	-	(17,382)
Change in OCI with recycling in Profit or Loss	(84,461)	(36,546)	(528)	(91,928)	(213,463)
Others (including effect of changes in scope of consolidation)	-	-	-	-	-
Other comprehensive income	(101,843)	(36,546)	(528)	(91,928)	(230,845)
Balance at December 31, 2024 (a)	(1,783,550)	5,460	(357)	750,667	(1,027,780)

(a) Reported on Company share basis.

When equity instruments without recycling in Profit or Loss are sold, their related net unrealized gains and losses previously recognized in OCI without recycling in Profit or Loss are transferred to retained earnings. In 2024, the realized capital gains or losses on these equity instruments was \$(63.5) million, net of tax.

11.3 CHANGE IN MINORITY INTERESTS

As of December 31, 2025, and 2024, the Company's minority interest balance consists of external investments in the Company's subsidiaries operating in the Property & Casualty insurance and reinsurance sector.

11.3.1 Change in minority interests for 2025

The \$13.4 million decrease in minority interests to \$(17.5) million was largely driven by distributions made to alternative capital investors.

11.3.2 Change in minority interests for 2024

The \$3.6 million decrease in minority interests to \$(4.1) million was largely driven by distributions made to alternative capital investors.

/ Note 12 Insurance and Reinsurance Contracts

12.1 INSURANCE AND REINSURANCE CONTRACTS

This note highlights the effects of contracts within the scope of IFRS 17 on the consolidated statement of financial position and the consolidated statement of profit or loss. Information relating to other investment contracts within the scope of IFRS 9 Financial Instruments is disclosed in paragraph 12.2.

As described in Note 2.12, IFRS 17 – Insurance Contracts applies to insurance and reinsurance contracts issued, investment contracts with discretionary participation features, and reinsurance contracts held. This Note 2.12 also describes accounting principles applying to these contracts and defines the terms used in the following paragraphs of Note 12 in this way:

- DPF: Discretionary Participation Features
- LRC: Liability for Remaining Coverage
- LIC: Liability for Incurred Claims
- ARC: Asset for Remaining Coverage
- AIC: Asset for Incurred Claims
- CSM: Contractual Service Margin
- OCI: Other Comprehensive Income
- MRA: Modified Retrospective Approach
- FVA: Fair Value Approach
- PVFCF: Present Value of Future Cash Flows
- RA: Risk Adjustment for Non-Financial Risk
- BBA: Building Block Approach
- PAA: Premium Allocation Approach

12.1.1 Reconciliation with the Consolidated Financial Statements

The tables below show reconciliations between the consolidated statement of financial position and the consolidated statement of profit or loss with information disclosed in the next paragraphs.

These reconciliations are excluding the amounts of both insurance and reinsurance receivables and payables, as well as the assets for insurance acquisition cash flows, included in the consolidated statement of financial position on one hand, and the related amounts affecting the consolidated statement of profit or loss on the other hand.

12.1.1.1 Reconciliation with the consolidated statement of financial position

The reconciliation of amounts presented in the consolidated statement of financial position with the “carrying amount of insurance contracts and investment contracts with DPF”, as disclosed in paragraph 12.2, is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Amounts reported in the consolidated statement of financial position		
Liabilities arising from insurance contracts and investment contracts with DPF	53,251,200	48,869,609
Assets arising from insurance contracts and investment contracts with DPF	-	-
Net position	53,251,200	48,869,609
Receivables arising from direct insurance and inward reinsurance operations	10,497,602	10,007,072
Payables arising from direct insurance and inward reinsurance operations	(1,485,031)	(1,408,718)
Carrying amount of insurance contracts and investment contracts with discretionary participation features, as disclosed hereinafter	62,263,771	57,467,962
<i>Of which Life contracts</i>	<i>1,862,534</i>	<i>1,895,587</i>
<i>Of which Property & Casualty contracts</i>	<i>60,401,237</i>	<i>55,572,375</i>

The reconciliation of amounts presented in the consolidated statement of financial position with the “carrying amount of reinsurance contracts held”, as disclosed in paragraph 12.3, is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Amounts reported in the consolidated statement of financial position		
Assets arising from reinsurance contracts held	19,766,145	17,799,921
Liabilities arising from reinsurance contracts held	-	-
Net position	19,766,145	17,799,921
Payables arising from outward reinsurance operations	6,310,939	6,406,876
Receivables arising from outward reinsurance operations	(2,244,803)	(2,205,247)
Carrying amount of reinsurance contracts held, as disclosed hereinafter	23,832,281	22,001,550
<i>Of which Life contracts</i>	<i>1,481,743</i>	<i>1,524,813</i>
<i>Of which Property & Casualty contracts</i>	<i>22,350,538</i>	<i>20,476,737</i>

12.1.2 Reconciliation with the consolidated statement of profit or loss

The reconciliation of amounts presented in the consolidated statement of profit or loss to both the “Insurance service expenses” and the “Net finance income or expenses from insurance contracts recognized in profit or loss”, as disclosed below in Section 12.2.1, is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Insurance service expenses reported in the consolidated statement of profit or loss	(16,910,374)	(15,319,510)
Increase in impairment relating to receivables arising from direct insurance and inward reinsurance operations	-	-
Write back of impairment relating to receivables arising from direct insurance and inward reinsurance operations	-	-
Increase in impairment of assets for insurance acquisition cash flows	-	-
Write back of impairment of assets for insurance acquisition cash flows	-	-
Insurance service expenses, as disclosed hereinafter	(16,910,374)	(15,319,510)
<i>Of which Life contracts</i>	<i>(347,929)</i>	<i>(365,933)</i>
<i>Of which Property & Casualty contracts</i>	<i>(16,562,445)</i>	<i>(14,953,577)</i>

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Net finance income or expenses from insurance contracts issued, reported in the consolidated statement of profit or loss	(1,146,651)	(1,215,189)
Interest income on receivables arising from direct insurance and inward reinsurance operations	-	-
Interest expenses on payables arising from direct insurance and inward reinsurance operations	-	-
Foreign exchange unrealized gains or losses relating to receivables and payables arising from direct insurance and inward reinsurance operations	36,558	1,449
Net finance income or expenses from insurance contracts issued, recognized in profit or loss, as disclosed hereinafter	(1,110,093)	(1,213,741)
<i>Of which Life contracts</i>	<i>(22,102)</i>	<i>(18,192)</i>
<i>Of which Property & Casualty contracts</i>	<i>(1,087,991)</i>	<i>(1,195,548)</i>

The reconciliation of amounts presented in the consolidated statement of profit or loss to both the “Net expenses from reinsurance contracts held” and the “Net finance income or expenses from reinsurance contracts recognized in profit or loss”, as disclosed paragraph 12.3.1, is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Net expenses from reinsurance contracts held, reported in the consolidated statement of profit or loss	(2,363,496)	(2,998,052)
Increase in impairment relating to receivables arising from outward reinsurance operations	-	-
Write back of impairment relating to receivables arising from outward reinsurance operations	-	-
Net expenses from reinsurance contracts held, as disclosed hereinafter	(2,363,496)	(2,998,052)
<i>Of which Life contracts</i>	<i>(10,576)</i>	<i>(11,477)</i>
<i>Of which Property & Casualty contracts</i>	<i>(2,352,919)</i>	<i>(2,986,576)</i>

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Net finance income or expenses from reinsurance contracts held, reported in the consolidated statement of profit or loss	357,054	531,440
Interest income on receivables arising from outward reinsurance operations	-	-
Interest expense on payables arising from outward reinsurance operations	-	-
Foreign exchange unrealized gains or losses relating to receivables and payables arising from outward reinsurance operations	126,474	(66,139)
Net finance income or expenses from reinsurance contracts held, recognized in profit or loss, as disclosed hereinafter	483,529	465,302
<i>Of which Life contracts</i>	<i>13,652</i>	<i>10,477</i>
<i>Of which Property & Casualty contracts</i>	<i>469,877</i>	<i>454,825</i>

12.1.3 Carrying amount of insurance contracts and investment contracts with DPF, gross and net of reinsurance contracts held

The carrying amount of insurance contracts and investment contracts with DPF, gross and net of reinsurance contracts held, is allocated by line of business as follows:

	December 31, 2025			December 31, 2024		
	Life	Property & Casualty	Total	Life	Property & Casualty	Total
<i>(US Dollars in thousands)</i>						
Assets and liabilities for remaining coverage	1,812,462	11,214,872	13,027,334	1,846,158	10,267,791	12,113,950
Assets and liabilities for incurred claims	50,071	49,186,365	49,236,437	49,429	45,304,584	45,354,012
Carrying amount of insurance contracts and investment contracts with DPF	1,862,534	60,401,237	62,263,771	1,895,587	55,572,375	57,467,962
Assets and liabilities for remaining coverage	1,439,850	3,620,362	5,060,212	1,484,342	2,991,245	4,475,587
Assets and liabilities for incurred claims	41,893	18,730,177	18,772,070	40,471	17,485,492	17,525,963
Carrying amounts of reinsurance contracts held	1,481,743	22,350,538	23,832,281	1,524,813	20,476,737	22,001,550
Carrying amount of insurance contracts and investment contracts with DPF, net of reinsurance contracts held	380,791	38,050,699	38,431,489	370,774	35,095,638	35,466,412

12.2 Movements in balances of insurance contracts and investment contracts with DPF

12.2.1 Changes in the carrying amount of insurance contracts and investment contracts with DPF, split between remaining coverage and incurred claims components

The two following tables provide an analysis of movements in the carrying amount of insurance contracts and investment contracts with DPF, split between the LRC and the LIC.

The analysis of movements highlights how this carrying amount is affected by (i) the amounts recognized in the statement of profit or loss and OCI, (ii) the cash flows, (iii) the effect of movements in exchange rates, and (iv) the effect of changes in scope of consolidation and other changes.

The amounts recognized in the consolidated statement of profit or loss reconcile to insurance revenue (see paragraph 12.4) as well as to insurance service expenses and net finance income or expenses as disclosed above (see paragraph 12.1.2).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The following changes occurred during the current year 2025:

	Analysis of changes occurred in the course of 2025, split between LRC and LIC										
	Liability for Remaining Coverage (LRC)				Liability for Incurred Claims (LIC)				of which		
	Excluding loss component	Loss component	Total LRC	LIC related to non PAA contracts	LIC related to PAA contracts			Total LIC	Total	Life	Property & Casualty
					Estimates of the PVFCF	RA	Total				
(US Dollars in thousands)											
Opening assets	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	12,097,648	16,302	12,113,950	49,429	43,942,604	1,361,980	45,304,584	45,354,012	57,467,962	1,895,587	55,572,375
Net opening balance (A)	12,097,648	16,302	12,113,950	49,429	43,942,604	1,361,980	45,304,584	45,354,012	57,467,962	1,895,587	55,572,375
Insurance revenue coming from contracts under the MRA	-	-	-	-	-	-	-	-	-	-	-
Insurance revenue coming from contracts under the FVA	(353,750)	-	(353,750)	-	-	-	-	-	(353,750)	(353,750)	-
Insurance revenue coming from other contracts	(21,090,908)	-	(21,090,908)	-	-	-	-	-	(21,090,908)	-	(21,090,908)
Insurance revenue (B)	(21,444,659)	-	(21,444,659)	-	-	-	-	-	(21,444,659)	(353,750)	(21,090,908)
Incurred claims and other insurance service expenses	-	(3,827)	(3,827)	332,607	13,361,389	235,763	13,597,151	13,929,758	13,925,931	328,780	13,597,151
Amortisation of insurance acquisition cash flows	2,801,694	-	2,801,694	-	-	-	-	-	2,801,694	-	2,801,694
Losses and reversal of losses on onerous contracts	-	30,233	30,233	-	-	-	-	-	30,233	19,149	11,084
Adjustments to liabilities for incurred claims	-	-	-	-	259,406	(106,890)	152,516	152,516	152,516	-	152,516
Insurance service expenses (C)	2,801,694	26,406	2,828,100	332,607	13,620,795	128,872	13,749,667	14,082,274	16,910,374	347,929	16,562,445
Investment components (D)	-	-	-	-	-	-	-	-	-	-	-
Insurance service result (E=B+C+D)	(18,642,965)	26,406	(18,616,559)	332,607	13,620,795	128,872	13,749,667	14,082,274	(4,534,285)	(5,821)	(4,528,463)
Net finance income or expenses recognized in profit or loss	(2,755)	84	(2,670)	(29)	1,119,903	(7,110)	1,112,793	1,112,764	1,110,093	22,102	1,087,992
Net finance income or expenses recognized in OCI	(8,692)	-	(8,692)	-	400,766	1	400,766	400,766	392,074	(8,692)	400,766
Net finance income or expenses from insurance contracts (F)	(11,447)	84	(11,363)	(29)	1,520,668	(7,109)	1,513,559	1,513,530	1,502,167	13,410	1,488,758
Total changes in the statement of profit or loss and in OCI (G = E+F)	(18,654,411)	26,490	(18,627,921)	332,578	15,141,463	121,763	15,263,226	15,595,804	(3,032,117)	7,588	(3,039,706)
Premiums received	21,804,928	-	21,804,928	-	-	-	-	-	21,804,928	133,902	21,671,025
Claims and other insurance service expenses paid	-	-	—	(335,407)	(13,568,792)	-	(13,568,792)	(13,904,199)	(13,904,199)	(335,407)	(13,568,792)
Insurance acquisition cash flows paid	(2,933,772)	-	(2,933,772)	-	-	-	-	-	(2,933,772)	(5,564)	(2,928,208)
Total cash flows (H)	18,871,156	-	18,871,156	(335,407)	(13,568,792)	-	(13,568,792)	(13,904,199)	4,966,957	(207,068)	5,174,025
Effect of movements in exchange rates (I)	679,434	880	680,314	3,471	2,301,041	35,811	2,336,852	2,340,324	3,020,637	166,427	2,854,211
Change in scope of consolidation, and other changes (J)	(10,155)	(9)	(10,164)	-	(147,627)	(1,878)	(149,504)	(149,504)	(159,668)	-	(159,668)
Closing assets	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	12,983,670	43,664	13,027,334	50,071	47,668,689	1,517,677	49,186,365	49,236,437	62,263,771	1,862,534	60,401,237
Net closing balance (K=A+G+H+I+J)	12,983,670	43,664	13,027,334	50,071	47,668,689	1,517,677	49,186,365	49,236,437	62,263,771	1,862,534	60,401,237
Of which Life	1,780,885	31,577	1,812,462	50,071	-	-	-	50,071	1,862,534		
Of which Property & Casualty	11,202,785	12,087	11,214,872	-	47,668,689	1,517,677	49,186,365	49,186,365	60,401,237		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The following changes occurred during the year 2024:

	Analysis of changes occurred in the course of 2024, split between LRC and LIC										
	Liability for Remaining Coverage (LRC)			Liability for Incurred Claims (LIC)					of which		
	Excluding loss component	Loss component	Total LRC	LIC related to non PAA contracts	LIC related to PAA contracts			Total LIC	Total	Life	Property & Casualty
					Estimates of the PVFCF	RA	Total				
(US Dollars in thousands)											
Opening assets	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	11,829,238	22,967	11,852,205	53,587	44,726,919	1,401,004	46,127,923	46,181,510	58,033,716	2,185,033	55,848,682
Net opening balance (A)	11,829,238	22,967	11,852,205	53,587	44,726,919	1,401,004	46,127,923	46,181,510	58,033,716	2,185,033	55,848,682
Insurance revenue coming from contracts under the MRA	-	-	-	-	-	-	-	-	-	-	-
Insurance revenue coming from contracts under the FVA	(383,166)	-	(383,166)	-	-	-	-	-	(383,166)	(383,166)	-
Insurance revenue coming from other contracts	(20,076,614)	-	(20,076,614)	-	-	-	-	-	(20,076,614)	-	(20,076,614)
Insurance revenue (B)	(20,459,780)	-	(20,459,780)	-	-	-	-	-	(20,459,780)	(383,166)	(20,076,614)
Incurred claims and other insurance service expenses	-	(2,343)	(2,343)	364,658	12,299,838	165,128	12,464,966	12,829,624	12,827,281	362,315	12,464,966
Amortisation of insurance acquisition cash flows	2,660,911	-	2,660,911	-	-	-	-	-	2,660,911	-	2,660,911
Losses and reversal of losses on onerous contracts	-	(4,202)	(4,202)	-	-	-	-	-	(4,202)	3,618	(7,820)
Adjustments to liabilities for incurred claims	-	-	-	-	20,117	(184,598)	(164,480)	(164,480)	(164,480)	-	(164,480)
Insurance service expenses (C)	2,660,911	(6,544)	2,654,367	364,658	12,319,955	(19,469)	12,300,486	12,665,143	15,319,510	365,933	14,953,577
Investment components (D)	-	-	-	-	-	-	-	-	-	-	-
Insurance service result (E=B+C+D)	(17,798,868)	(6,544)	(17,805,413)	364,658	12,319,955	(19,469)	12,300,486	12,665,143	(5,140,269)	(17,233)	(5,123,036)
Net finance income or expenses recognized in profit or loss	26,157	488	26,645	(30)	1,183,537	3,589	1,187,126	1,187,096	1,213,741	18,192	1,195,548
Net finance income or expenses recognized in OCI	21,180	-	21,180	-	173,096	(1)	173,094	173,094	194,275	21,180	173,094
Net finance income or expenses from insurance contracts (F)	47,337	488	47,825	(30)	1,356,633	3,587	1,360,220	1,360,190	1,408,015	39,372	1,368,643
Total changes in the statement of profit or loss and in OCI (G = E+F)	(17,751,531)	(6,057)	(17,757,588)	364,628	13,676,588	(15,882)	13,660,706	14,025,333	(3,732,254)	22,139	(3,754,394)
Premiums received	21,076,959	-	21,076,959	-	-	-	-	-	21,076,959	127,458	20,949,501
Claims and other insurance service expenses paid	-	-	-	(367,660)	(13,475,062)	-	(13,475,062)	(13,842,722)	(13,842,722)	(367,660)	(13,475,062)
Insurance acquisition cash flows paid	(2,813,774)	-	(2,813,774)	-	-	-	-	-	(2,813,774)	(6,003)	(2,807,770)
Total cash flows (H)	18,263,186	-	18,263,186	(367,660)	(13,475,062)	-	(13,475,062)	(13,842,722)	4,420,463	(246,205)	4,666,669
Effect of movements in exchange rates (I)	(243,245)	(608)	(243,853)	(1,126)	(985,841)	(23,142)	(1,008,983)	(1,010,109)	(1,253,963)	(65,381)	(1,188,582)
Change in scope of consolidation, and other changes (J)	-	-	-	-	-	-	-	-	-	-	-
Closing assets	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	12,097,648	16,302	12,113,950	49,429	43,942,604	1,361,980	45,304,584	45,354,012	57,467,962	1,895,587	55,572,375
Net closing balance (K=A+G+H+I+J)	12,097,648	16,302	12,113,950	49,429	43,942,604	1,361,980	45,304,584	45,354,012	57,467,962	1,895,587	55,572,375
Of which Life	1,830,846	15,312	1,846,158	49,429	-	-	-	49,429	1,895,587		
Of which Property & Casualty	10,266,801	990	10,267,791	-	43,942,604	1,361,980	45,304,584	45,304,584	55,572,375		

12.2.2 Changes in the carrying amount of insurance contracts and investment contracts with DPF, broken down by measurement component

The two following tables provide an analysis of movements in the carrying amount of insurance contracts and investment contracts with DPF not measured under the PAA, broken down by measurement component, namely (i) the estimate of the PVFCF, (ii) the RA, and (iii) the CSM.

However, the carrying amount of insurance contracts measured under the PAA is also reported to match with the opening and closing balances of financial statements.

In this respect, the total amount of RA gross of reinsurance (including contracts measured under the PAA) was \$1,578.9 million at December 31, 2025, and \$1,436.6 million at December 31, 2024. The percentile was stable at 65th comprised within the 62.5th-67.5th percentile range considered by the Company as the adequate level of prudence on underlying insurance liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The following changes occurred during the current year 2025:

	Analysis of changes occurred in the course of 2025, broken down by measurement component (only for non PAA contracts)										
	Estimates of the PVFCF	RA	Contractual Service Margin (CSM)			CSM	Carrying amount of non PAA contracts	of which		Carrying amount of PAA contracts	Total
			Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts			Life	Property & Casualty		
(US Dollars in thousands)											
Opening assets	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	1,718,404	74,601	-	102,582	-	102,582	1,895,587	1,895,587	-	55,572,375	57,467,962
Net opening balance (A)	1,718,404	74,601	-	102,582	-	102,582	1,895,587	1,895,587	-	55,572,375	57,467,962
CSM recognized in profit or loss for services provided	-	-	-	(9,533)	-	(9,533)	(9,533)	(9,533)	-	-	(9,533)
Release of RA	-	(7,343)	-	-	-	-	(7,343)	(7,343)	-	-	(7,343)
Experience adjustments	(8,095)	-	-	-	-	-	(8,095)	(8,095)	-	-	(8,095)
Changes that relate to current services (B)	(8,095)	(7,343)	-	(9,533)	-	(9,533)	(24,970)	(24,970)	-	-	(24,970)
Contracts initially recognized in the period	-	-	-	-	-	-	-	-	-	-	-
Changes in estimates that adjust the CSM	38,388	(8,479)	-	(29,909)	-	(29,909)	-	-	-	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	21,638	(2,489)	-	-	-	-	19,149	19,149	-	-	19,149
Changes that relate to future services (C)	60,026	(10,968)	-	(29,909)	-	(29,909)	19,149	19,149	-	-	19,149
Adjustments to liabilities for incurred claims	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past services (D)	-	-	-	-	-	-	-	-	-	-	-
Insurance service result (E=B+C+D)	51,932	(18,311)	-	(39,442)	-	(39,442)	(5,821)	(5,821)	-	-	(5,821)
Net finance income or expenses recognized in profit or loss	20,180	237	-	1,685	-	1,685	22,102	22,102	-	-	22,102
Net finance income or expenses recognized in OCI	(8,692)	-	-	-	-	-	(8,692)	(8,692)	-	-	(8,692)
Net finance income or expenses from insurance contracts (F)	11,488	237	-	1,685	-	1,685	13,410	13,410	-	-	13,410
Total changes in the statement of profit or loss and in OCI (G=E+F)	63,419	(18,073)	-	(37,758)	-	(37,758)	7,588	7,588	-	(3,039,706)	(3,032,117)
Premiums received	133,902	-	-	-	-	-	133,902	133,902	-	21,671,025	21,804,928
Claims and other insurance service expenses paid	(335,407)	-	-	-	-	-	(335,407)	(335,407)	-	(13,568,792)	(13,904,199)
Insurance acquisition cash flows	(5,564)	-	-	-	-	-	(5,564)	(5,564)	-	(2,928,208)	(2,933,772)
Total cash flows (H)	(207,068)	-	-	-	-	-	(207,068)	(207,068)	-	5,174,025	4,966,957
Effect of movements in exchange rates (I)	154,975	4,720	-	6,731	-	6,731	166,427	166,427	-	2,854,211	3,020,637
Change in scope of consolidation, and other changes (J)	-	-	-	-	-	-	-	-	-	(159,668)	(159,668)
Closing assets	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	1,729,731	61,248	-	71,555	-	71,555	1,862,534	1,862,534	-	60,401,237	62,263,771
Net closing balance (K=A+G+H+I+J)	1,729,731	61,248	-	71,555	-	71,555	1,862,534	1,862,534	-	60,401,237	62,263,771
Of which Life	1,729,731	61,248	-	71,555	-	71,555	1,862,534			-	1,862,534
Of which Property & Casualty	-	-	-	-	-	-	-			60,401,237	60,401,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The following changes occurred during the year 2024:

	Analysis of changes occurred in the course of 2024, broken down by measurement component (only for non PAA contracts)										
	Estimates of the PVFCF	RA	Contractual Service Margin (CSM)			CSM	Carrying amount of non PAA contracts	of which		Carrying amount of PAA contracts	Total
			Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts			Life	Property & Casualty		
(US Dollars in thousands)											
Opening assets	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	1,978,587	69,559	-	136,887	-	136,887	2,185,033	2,185,033	-	55,848,682	58,033,716
Net opening balance (A)	1,978,587	69,559	-	136,887	-	136,887	2,185,033	2,185,033	-	55,848,682	58,033,716
CSM recognized in profit or loss for services provided	-	-	-	(19,656)	-	(19,656)	(19,656)	(19,656)	-	-	(19,656)
Release of RA	-	(5,679)	-	-	-	-	(5,679)	(5,679)	-	-	(5,679)
Experience adjustments	4,484	-	-	-	-	-	4,484	4,484	-	-	4,484
Changes that relate to current services (B)	4,484	(5,679)	-	(19,656)	-	(19,656)	(20,851)	(20,851)	-	-	(20,851)
Contracts initially recognized in the period	-	-	-	-	-	-	-	-	-	-	-
Changes in estimates that adjust the CSM	5,277	9,433	-	(14,710)	-	(14,710)	-	-	-	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	327	3,291	-	-	-	-	3,618	3,618	-	-	3,618
Changes that relate to future services (C)	5,604	12,725	-	(14,710)	-	(14,710)	3,618	3,618	-	-	3,618
Adjustments to liabilities for incurred claims	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past services (D)	-	-	-	-	-	-	-	-	-	-	-
Insurance service result (E=B+C+D)	10,088	7,046	-	(34,366)	-	(34,366)	(17,233)	(17,233)	-	-	(17,233)
Net finance income or expenses recognized in profit or loss	16,460	(72)	-	1,804	-	1,804	18,192	18,192	-	-	18,192
Net finance income or expenses recognized in OCI	21,180	-	-	-	-	-	21,180	21,180	-	-	21,180
Net finance income or expenses from insurance contracts (F)	37,640	(72)	-	1,804	-	1,804	39,372	39,372	-	-	39,372
Total changes in the statement of profit or loss and in OCI (G=E+F)	47,728	6,974	-	(32,562)	-	(32,562)	22,139	22,139	-	(3,754,394)	(3,732,254)
Premiums received	127,458	-	-	-	-	-	127,458	127,458	-	20,949,501	21,076,959
Claims and other insurance service expenses paid	(367,660)	-	-	-	-	-	(367,660)	(367,660)	-	(13,475,062)	(13,842,722)
Insurance acquisition cash flows	(6,003)	-	-	-	-	-	(6,003)	(6,003)	-	(2,807,770)	(2,813,774)
Total cash flows (H)	(246,205)	-	-	-	-	-	(246,205)	(246,205)	-	4,666,669	4,420,464
Effect of movements in exchange rates (I)	(61,705)	(1,932)	-	(1,744)	-	(1,744)	(65,381)	(65,381)	-	(1,188,582)	(1,253,963)
Change in scope of consolidation, and other changes (J)	-	-	-	-	-	-	-	-	-	-	-
Closing assets	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	1,718,404	74,601	-	102,582	-	102,582	1,895,587	1,895,587	-	55,572,375	57,467,962
Net closing balance (K=A+G+H+I+J)	1,718,404	74,601	-	102,582	-	102,582	1,895,587	1,895,587	-	55,572,375	57,467,962
Of which Life	1,718,404	74,601	-	102,582	-	102,582	1,895,587			-	1,895,587
Of which Property & Casualty	-	-	-	-	-	-	-			55,572,375	55,572,375

12.3 Movements in balances of reinsurance contracts held**12.3.1 Changes in the carrying amount of reinsurance contracts held, split between remaining coverage and incurred claims components**

The two following tables provide an analysis of movements in the carrying amount of reinsurance contracts held, split between the ARC and the AIC.

The analysis of movements highlights how this carrying amount is affected by (i) the amounts recognized in the statement of profit or loss and OCI, (ii) the cash flows, (iii) the effect of movements in exchange rates, and (iv) the effect of changes in scope of consolidation and other changes.

The amounts recognized in the consolidated statement of profit or loss reconcile to net expenses from reinsurance contracts held and net finance income or expenses as disclosed above (see paragraph 12.1.2).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The following changes occurred during the current year 2025:

	Analysis of changes occurred in the course of 2025, split between ARC and AIC										
	Assets for Remaining Coverage (ARC)			Asset for Incurred claims (AIC)				of which			
	Excluding loss recovery component	Loss recovery component	Total ARC	AIC related to non PAA contracts	Estimates of the PVFCF	RA	Total	Total AIC	Total	Life	Property & Casualty
<i>(US Dollars in thousands)</i>											
Opening assets	4,459,372	16,215	4,475,587	40,471	16,961,056	524,436	17,485,492	17,525,963	22,001,550	1,524,813	20,476,737
Opening liabilities	-	-	-	-	-	-	-	-	-	-	-
Net opening balance (A)	4,459,372	16,215	4,475,587	40,471	16,961,056	524,436	17,485,492	17,525,963	22,001,550	1,524,813	20,476,737
Expenses from reinsurance contracts	(7,702,380)	-	(7,702,380)	-	-	-	-	-	(7,702,380)	(341,531)	(7,360,849)
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts	-	25,110	25,110	-	-	-	-	-	25,110	19,151	5,959
Amount recovered from the reinsurers (a)	-	(3,624)	(3,624)	346,371	4,926,010	48,767	4,974,777	5,321,148	5,317,524	311,805	5,005,719
Net expenses from reinsurance contracts held (B)	(7,702,380)	21,486	(7,680,895)	346,371	4,926,010	48,767	4,974,777	5,321,148	(2,359,746)	(10,576)	(2,349,170)
Investment component (C)	-	-	-	-	-	-	-	-	-	-	-
Net finance income or expenses recognized in profit or loss	(4,403)	8	(4,394)	3	490,689	(2,769)	487,921	487,923	483,529	13,652	469,877
Net finance income or expenses recognized in OCI	58,194	-	58,194	-	184,143	-	184,143	184,143	242,337	(21,258)	263,595
Net finance income or expenses from reinsurance contracts held (D)	53,791	8	53,800	3	674,832	(2,769)	672,063	672,066	725,866	(7,606)	733,472
Effect of changes in non-performance risk of reinsurers (E)	-	-	-	-	(3,749)	-	(3,749)	(3,749)	(3,749)	-	(3,749)
Total changes in the statement of profit or loss and in OCI (F=B+C+D+E)	(7,648,589)	21,494	(7,627,095)	346,374	5,597,093	45,999	5,643,091	5,989,465	(1,637,630)	(18,182)	(1,619,448)
Premiums paid (net of commissions related to premiums)	7,831,597	-	7,831,597	-	-	-	-	-	7,831,597	121,031	7,710,565
Amount received (net of commissions related to claims)	-	-	-	(316,821)	(5,195,130)	-	(5,195,130)	(5,511,951)	(5,511,951)	(316,821)	(5,195,130)
Total cash flows (G)	7,831,597	-	7,831,597	(316,821)	(5,195,130)	-	(5,195,130)	(5,511,951)	2,319,646	(195,790)	2,515,435
Effect of movements in exchange rates (H)	387,111	733	387,844	2,811	874,643	14,201	888,844	891,655	1,279,500	170,902	1,108,598
Change in scope of consolidation, and other changes (I)	(7,706)	(16)	(7,722)	-	(121,589)	(1,473)	(123,062)	(123,062)	(130,784)	-	(130,784)
Closing assets	5,021,783	38,428	5,060,212	72,835	18,116,072	583,162	18,699,234	18,772,070	23,832,281	1,481,743	22,350,538
Closing liabilities	-	-	-	-	-	-	-	-	-	-	-
Net closing balance (J=A+F+G+H+I)	5,021,783	38,428	5,060,212	72,835	18,116,072	583,162	18,699,234	18,772,070	23,832,281	1,481,743	22,350,538
<i>Of which Life</i>	<i>1,408,273</i>	<i>31,577</i>	<i>1,439,850</i>	<i>41,893</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>41,893</i>	<i>1,481,743</i>		
<i>Of which Property & Casualty</i>	<i>3,613,510</i>	<i>6,851</i>	<i>3,620,362</i>	<i>30,943</i>	<i>18,116,072</i>	<i>583,162</i>	<i>18,699,234</i>	<i>18,730,177</i>	<i>22,350,538</i>		

(a) Excluding effect of changes in the risk of non-performance by the reinsurers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

The following changes occurred during the year 2024:

	Analysis of changes occurred in the course of 2024, split between ARC and AIC										
	Assets for Remaining Coverage (ARC)			Asset for Incurred claims (AIC)				of which			
	Excluding loss recovery component	Loss recovery component	Total ARC	AIC related to non PAA contracts	AIC related to PAA contracts			Total AIC	Total	Life	Property & Casualty
					Estimates of the PVFCF	RA	Total				
<i>(US Dollars in thousands)</i>											
Opening assets	4,448,165	13,035	4,461,200	45,175	16,793,089	535,491	17,328,579	17,373,754	21,834,953	1,794,893	20,040,060
Opening liabilities	-	-	-	-	-	-	-	-	-	-	-
Net opening balance	4,448,165	13,035	4,461,200	45,175	16,793,089	535,491	17,328,579	17,373,754	21,834,953	1,794,893	20,040,060
Expenses from reinsurance contracts	(7,467,326)	-	(7,467,326)	-	-	-	-	-	(7,467,326)	(363,616)	(7,103,710)
Changes in estimates that relate to losses and reversal of losses on underlying onerous contracts	-	5,726	5,726	-	-	-	-	-	5,726	9,281	(3,556)
Amount recovered from the reinsurers (a)	-	(2,173)	(2,173)	345,031	4,103,867	(5,235)	4,098,632	4,443,663	4,441,490	342,858	4,098,632
Net expenses from reinsurance contracts held (B)	(7,467,326)	3,552	(7,463,774)	345,031	4,103,867	(5,235)	4,098,632	4,443,663	(3,020,110)	(11,477)	(3,008,634)
Investment component (C)	-	-	-	-	-	-	-	-	-	-	-
Net finance income or expenses recognized in profit or loss	19,810	91	19,901	(30)	443,840	1,591	445,431	445,401	465,302	10,477	454,825
Net finance income or expenses recognized in OCI	8,055	-	8,055	-	61,403	-	61,403	61,403	69,458	31,540	37,918
Net finance income or expenses from reinsurance contracts held (D)	27,865	91	27,956	(30)	505,243	1,591	506,834	506,804	534,760	42,017	492,743
Effect of changes in non-performance risk of reinsurers (E)	-	-	-	-	22,058	-	22,058	22,058	22,058	-	22,058
Total changes in the statement of profit or loss and in OCI (F=B+C+D+E)	(7,439,461)	3,643	(7,435,817)	345,001	4,631,167	(3,644)	4,627,523	4,972,525	(2,463,293)	30,540	(2,493,833)
Premiums paid (net of commissions related to premiums)	7,577,504	-	7,577,504	-	-	-	-	-	7,577,504	114,299	7,463,205
Amount received (net of commissions related to claims)	-	-	-	(348,959)	(4,100,830)	-	(4,100,830)	(4,449,790)	(4,449,790)	(348,959)	(4,100,830)
Total cash flows (G)	7,577,504	-	7,577,504	(348,959)	(4,100,830)	-	(4,100,830)	(4,449,790)	3,127,714	(234,660)	3,362,374
Effect of movements in exchange rates (H)	(126,836)	(463)	(127,299)	(746)	(362,370)	(7,411)	(369,781)	(370,526)	(497,825)	(65,961)	(431,864)
Change in scope of consolidation, and other changes (I)	-	-	-	-	-	-	-	-	-	-	-
Closing assets	4,459,372	16,215	4,475,587	40,471	16,961,056	524,436	17,485,492	17,525,963	22,001,550	1,524,813	20,476,737
Closing liabilities	-	-	-	-	-	-	-	-	-	-	-
Net closing balance (J=A+F+G+H+I)	4,459,372	16,215	4,475,587	40,471	16,961,056	524,436	17,485,492	17,525,963	22,001,550	1,524,813	20,476,737
<i>Of which Life</i>	<i>1,469,031</i>	<i>15,311</i>	<i>1,484,342</i>	<i>40,471</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>40,471</i>	<i>1,524,813</i>		
<i>Of which Property & Casualty</i>	<i>2,990,341</i>	<i>904</i>	<i>2,991,245</i>	<i>-</i>	<i>16,961,056</i>	<i>524,436</i>	<i>17,485,492</i>	<i>17,485,492</i>	<i>20,476,737</i>		

(a) Excluding effect of changes in the risk of non-performance by the reinsurers

12.3.2 Changes in the carrying amount of reinsurance contracts held, broken down by measurement component

The two following tables provide an analysis of movements in the carrying amount of reinsurance contracts broken down by measurement component, namely (i) the estimate of the PVFCF, (ii) the RA and (iii) the CSM.

As such, this second reconciliation is presented only for reinsurance contracts not measured under the PAA. However, the carrying amount of reinsurance contracts measured under the PAA is also reported to reconcile with the opening and closing balances of financial statements.

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The following changes occurred during the current year 2025:

	Analysis of changes occurred in the course of 2025, broken down by measurement component (only for non PAA contracts)										
	Estimates of the PVFCF	RA	Contractual Service Margin (CSM)				of which			Total	
			Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts	Total CSM	Carrying amount of non PAA contracts	Life	Property & Casualty		Carrying amount of PAA contracts
(US Dollars in thousands)											
Opening assets	919,225	60,372	-	102,836	-	102,836	1,082,432	1,524,813	(442,381)	20,919,118	22,001,550
Opening liabilities	-	-	-	-	-	-	-	-	-	-	-
Net opening balance (A)	919,225	60,372	-	102,836	-	102,836	1,082,432	1,524,813	(442,381)	20,919,118	22,001,550
CSM recognized for services received	-	-	-	(8,643)	-	(8,643)	(8,643)	(8,643)	-	-	(8,643)
Release of RA	-	(6,480)	-	-	-	-	(6,480)	(6,480)	-	-	(6,480)
Experience adjustments	(14,603)	30,943	-	-	-	-	16,339	(14,603)	30,943	-	16,339
Changes that relate to current services (B)	(14,603)	24,463	-	(8,643)	-	(8,643)	1,216	(29,727)	30,943	-	1,216
Contracts initially recognized in the period	-	-	-	-	-	-	-	-	-	-	-
Changes in estimates that adjust the CSM	46,701	(9,045)	-	(37,656)	-	(37,656)	-	-	-	-	-
Changes in estimates that relate to losses and reversal from losses on underlying onerous contracts	19,151	-	-	-	-	-	19,151	19,151	-	-	19,151
Other changes in estimates that relate to future services	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to future services (C)	65,852	(9,045)	-	(37,656)	-	(37,656)	19,151	19,151	-	-	19,151
Adjustments to incurred claims	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past services (D)	-	-	-	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts (E=B+C+D)	51,249	15,417	-	(46,300)	-	(46,300)	20,366	(10,576)	30,943	-	20,366
Net finance income or expenses recognized in profit or loss	8,819	237	-	1,690	-	1,690	10,746	13,652	(2,906)	-	10,746
Net finance income or expenses recognized in OCI	58,194	-	-	-	-	-	58,194	(21,258)	79,452	-	58,194
Net finance income or expenses from reinsurance contracts held (F)	67,013	237	-	1,690	-	1,690	68,940	(7,606)	76,546	-	68,940
Effect of changes in non-performance risk of reinsurers (G)	-	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and in OCI (H=E+F+G)	118,261	15,655	-	(44,610)	-	(44,610)	89,307	(18,182)	107,489	(1,726,936)	(1,637,630)
Premiums paid (net of commissions related to premiums)	121,031	-	-	-	-	-	121,031	121,031	-	7,710,565	7,831,597
Amount received (net of commissions related to claims)	(316,821)	-	-	-	-	-	(316,821)	(316,821)	-	(5,195,130)	(5,511,951)
Total cash flows (I)	(195,790)	-	-	-	-	-	(195,790)	(195,790)	-	2,515,435	2,319,646
Effect of movements in exchange rates (J)	199,040	4,720	-	6,727	-	6,727	210,488	170,902	39,586	1,069,012	1,279,500
Change in scope of consolidation, and other changes (K)	-	-	-	-	-	-	-	-	-	(130,784)	(130,784)
Closing assets	1,040,737	80,747	-	64,953	-	64,953	1,186,437	1,481,743	(295,306)	22,645,845	23,832,281
Closing liabilities	-	-	-	-	-	-	-	-	-	-	-
Net closing balance (L=A+H+I+J+K)	1,040,737	80,747	-	64,953	-	64,953	1,186,437	1,481,743	(295,306)	22,645,845	23,832,281
Of which Life	1,366,986	49,804	-	64,953	-	64,953	1,481,743			-	1,481,743
Of which Property & Casualty	(326,249)	30,943	-	-	-	-	(295,306)			22,645,845	22,350,538

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The following changes occurred during the year 2024:

	Analysis of changes occurred in the course of 2024, broken down by measurement component (only for non PAA contracts)										
	Estimates of the PVFCF	RA	Contractual Service Margin (CSM)				Carrying amount of non PAA contracts	of which		Carrying amount of PAA contracts	Total
			Contracts measured at transition under the MRA	Contracts measured at transition under the FVA	Other contracts	Total CSM		Life	Property & Casualty		
(US Dollars in thousands)											
Opening assets	1,196,329	57,500	-	127,953	-	127,953	1,381,782	1,794,893	(413,111)	20,453,171	21,834,953
Opening liabilities	-	-	-	-	-	-	-	-	-	-	-
Net opening balance (A)	1,196,329	57,500	-	127,953	-	127,953	1,381,782	1,794,893	(413,111)	20,453,171	21,834,953
CSM recognized for services received	-	-	-	(16,628)	-	(16,628)	(16,628)	(16,628)	-	-	(16,628)
Release of RA	-	(5,109)	-	-	-	-	(5,109)	(5,109)	-	-	(5,109)
Experience adjustments	979	-	-	-	-	-	979	979	-	-	979
Changes that relate to current services (B)	979	(5,109)	-	(16,628)	-	(16,628)	(20,758)	(20,758)	-	-	(20,758)
Contracts initially recognized in the period	-	-	-	-	-	-	-	-	-	-	-
Changes in estimates that adjust the CSM	(1,605)	9,984	-	(8,379)	-	(8,379)	-	-	-	-	-
Changes in estimates that relate to losses and reversal from losses on underlying onerous contracts	9,281	-	-	-	-	-	9,281	9,281	-	-	9,281
Other changes in estimates that relate to future services	(30,881)	-	-	-	-	-	(30,881)	-	(30,881)	-	(30,881)
Changes that relate to future services (C)	(23,205)	9,984	-	(8,379)	-	(8,379)	(21,600)	9,281	(30,881)	-	(21,600)
Adjustments to incurred claims	-	-	-	-	-	-	-	-	-	-	-
Changes that relate to past services (D)	-	-	-	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts (E=B+C+D)	(22,226)	4,875	-	(25,007)	-	(25,007)	(42,358)	(11,477)	(30,881)	-	(42,358)
Net finance income or expenses recognized in profit or loss	6,376	(74)	-	1,626	-	1,626	7,928	10,477	(2,549)	-	7,928
Net finance income or expenses recognized in OCI	8,055	-	-	-	-	-	8,055	31,540	(23,485)	-	8,055
Net finance income or expenses from reinsurance contracts held (F)	14,431	(74)	-	1,626	-	1,626	15,983	42,017	(26,034)	-	15,983
Effect of changes in non-performance risk of reinsurers (G)	-	-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and in OCI (H=E+F+G)	(7,794)	4,801	-	(23,381)	-	(23,381)	(26,374)	30,540	(56,915)	(2,436,918)	(2,463,293)
Premiums paid (net of commissions related to premiums)	114,299	-	-	-	-	-	114,299	114,299	-	7,463,205	7,577,504
Amount received (net of commissions related to claims)	(348,959)	-	-	-	-	-	(348,959)	(348,959)	-	(4,100,830)	(4,449,790)
Total cash flows (I)	(234,660)	-	-	-	-	-	(234,660)	(234,660)	-	3,362,374	3,127,714
Effect of movements in exchange rates (J)	(34,649)	(1,930)	-	(1,736)	-	(1,736)	(38,315)	(65,960)	27,645	(459,509)	(497,825)
Change in scope of consolidation, and other changes (K)	-	-	-	-	-	-	-	-	-	-	-
Closing assets	919,225	60,372	-	102,836	-	102,836	1,082,432	1,524,813	(442,381)	20,919,118	22,001,550
Closing liabilities	-	-	-	-	-	-	-	-	-	-	-
Net closing balance (L=A+H+I+J+K)	919,225	60,372	-	102,836	-	102,836	1,082,432	1,524,813	(442,381)	20,919,118	22,001,550
Of which Life	1,361,606	60,372	-	102,836	-	102,836	1,524,813			-	1,524,813
Of which Property & Casualty	(442,381)	-	-	-	-	-	(442,381)			20,919,118	20,476,737

12.4 Insurance revenue and CSM

12.4.1 Insurance Revenue

The analysis of insurance revenue arising from PAA and non PAA contracts, is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Amounts relating to changes in LRC		
CSM recognized in profit or loss for services provided	9,533	19,656
Release of RA	7,343	5,679
Release of expected incurred claims and other insurance service expenses	337,006	354,477
Experience adjustments	(129)	3,353
Other	(2)	-
Insurance revenue arising from non PAA contracts	353,750	383,166
Insurance revenue arising from PAA contracts	21,090,908	20,076,614
Total insurance revenue	21,444,659	20,459,780

12.4.2 CSM

As of December 31, 2025, the total amount of CSM net of reinsurance contracts reported in the consolidated statement of financial position was \$6,602.0 million (\$0.3 million as of December 31, 2024), is as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
CSM arising from insurance contracts and investment contracts with DPF (A1)	71,555	102,582
CSM arising from reinsurance contracts held (A2)	-	-
Amount of CSM reported on the liability side of the consolidated statement of financial position	71,555	102,582
CSM arising from insurance contracts and investment contracts with DPF (B1)	-	-
CSM arising from reinsurance contracts held (B2)	64,953	102,836
Amount of CSM reported on the asset side of the consolidated statement of financial position	64,953	102,836
Net totaled amount of CSM (C = A - B)	6,602	(254)
<i>Of which CSM of insurance contracts issued (C1 = A1 - B1)</i>	<i>71,555</i>	<i>102,582</i>
<i>Of which CSM of reinsurance contracts held (C2 = A2 - B2)</i>	<i>(64,953)</i>	<i>(102,836)</i>

12.5 Discount rates

As explained in the Note 2.12.3.3, the estimates of future cash flows are discounted based on yield curves determined in a “risk-neutral” environment. The yield curves used as of December 31, 2025, and December 31, 2024, for the main currencies are disclosed below.

Spot discount rates used at end of December												
Maturity	EUR		USD		GBP		JPY		CHF		HKD	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
1	2.4%	2.7%	4.0%	4.8%	4.0%	4.9%	0.9%	0.4%	0%	0%	2.8%	4.1%
2	2.5%	2.5%	3.9%	4.7%	4.0%	4.7%	1.1%	0.5%	0%	0%	2.7%	4.0%
3	2.6%	2.5%	3.9%	4.7%	4.0%	4.6%	1.3%	0.6%	0.2%	0.1%	2.7%	3.9%
5	2.8%	2.6%	4.1%	4.6%	4.2%	4.4%	1.5%	0.7%	0.3%	0.2%	2.8%	3.9%
7	3.0%	2.6%	4.2%	4.7%	4.3%	4.4%	1.7%	0.8%	0.5%	0.3%	3.1%	3.9%
10	3.2%	2.7%	4.5%	4.7%	4.6%	4.5%	2.1%	1.1%	0.7%	0.4%	3.2%	3.9%
15	3.4%	2.8%	4.8%	4.7%	4.9%	4.6%	2.6%	1.6%	0.9%	0.5%	3.4%	4.0%
20	3.5%	2.7%	4.9%	4.7%	5.0%	4.7%	3.0%	1.9%	1.0%	0.7%	3.5%	3.9%
25	3.5%	2.6%	4.9%	4.6%	5.1%	4.7%	3.4%	2.1%	1.2%	0.9%	3.5%	3.9%
30	3.4%	2.6%	4.8%	4.4%	5.1%	4.6%	3.6%	2.3%	1.3%	1.1%	3.5%	3.8%

As explained in the Note 2.12.3.3, discount rates are based on swaps for most currencies and government bonds for others, adjusted by adding a liquidity premium net of credit risk adjustment. For the main currencies, these adjustments are disclosed in the table below:

Liquidity Premium, net of credit risk adjustment, used at end of December (in bps)											
EUR		USD		GBP		JPY		CHF		HKD	
2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
20	33	59	57	49	39	(4)	(5)	—	—	1	15

12.6 P&C Claims Development Table

The following table shows the development for the net ultimate cost of claims and the cumulative net claim payments by accident year from 2019 to 2025. All contracts concerned are insurance contracts as defined by IFRS. Claims development is disclosed in accordance with past published accounts (*i.e.* in accordance with IFRS 4 until 2022 and in accordance with IFRS 17 starting 2023).

The first line labelled “Estimate of net undiscounted ultimate claim costs, including claims expenses” includes outstanding reserves on reported losses, estimated reserves for IBNR claims, allocated loss adjustment expenses and net payments. For example, the amount of \$6,763.1 million appearing in accident year 2023 column represents the undiscounted net ultimate costs for that accident year which is developed in the subsequent years, being \$7,036.7 million in 2025.

The line labelled “Cumulative net payments to date” shows, for a given Accident Year Y (column), the cumulative amount of payments related to years of occurrence after to and including Y, made since December 31 of year Y-1.

The line labelled “Estimate of net liabilities from year 2018 to 2025” represents the difference between the net undiscounted ultimate cost of claims and the cumulative net payments to date, disclosing the claims reserved by accident year from 2018 to 2024.

The reconciliation with the total Liability for incurred claims (see Note 12.1.3) includes components that are not developed such as:

- “Estimate of net liabilities not developed” corresponding to the estimate of net liabilities of incurred claims prior to 2018 and of claims incurred before the acquisition date of acquired entities (\$9,476 million);
- Discounting impact (\$4,866.9 million); and
- Risk adjustment for non-financial risk (\$903.6 million).

The claims development takes into consideration the changes in scope that occurred throughout the development period.

- For acquisitions, the claims are only developed after the acquisition date, disclosing the non-developed piece, if any, in the line item “Estimate of net liabilities not developed”.

The foreign exchange rates applied for all the accident years are the closing rates for the period (December 31, 2025).

The claim development table is net of intercompany transactions.

12.6.1 Net claims development table by accident year

<i>(US Dollars in thousands)</i>	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of net undiscounted ultimate claim costs, including claims expenses								
At end of accident year	8,265,684	11,226,000	9,002,778	8,256,736	6,763,132	7,616,992	7,992,616	
One year later	8,624,193	10,550,853	9,225,795	8,430,958	7,084,796	7,826,151		
Two years later	8,789,211	10,302,825	9,143,504	8,311,712	7,036,701			
Three years later	8,750,126	10,038,168	8,861,068	8,186,367				
Four years later	8,761,686	9,997,286	8,839,240					
Five years later	8,754,796	9,978,187						
Six years later	8,727,280							
Cumulative net payments to date	(8,137,822)	(7,857,608)	(6,456,822)	(4,863,049)	(3,371,068)	(2,207,871)	(748,395)	
Estimate of net liabilities from 2018 to 2025	589,458	2,120,579	2,382,418	3,323,319	3,665,633	5,618,280	7,244,221	24,943,907
Estimate of net liabilities not developed								9,475,608
Effect of discounting								(4,866,898)
RA								903,571
TOTAL LIC NET OF REINSURANCE								30,456,189

12.7 Liquidity risk arising from contracts within the scope of IFRS 17

The following tables provides an analysis of the remaining contractual undiscounted net cash flows, by estimated timing, as of December 31, 2025 and December 31, 2024, for liabilities arising from insurance contracts and investment contracts with DPF. This analysis covers the groups of contracts measured with the BBA but excludes liabilities for remaining coverage measured under the PAA.

<i>(US Dollars in thousands)</i>	December 31, 2025										Carrying Amount
	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-15 years	15-20 years	>20 years	Discounting Impact	
Liabilities arising from insurance contracts and investment contracts with DPF	207,740	190,643	177,887	164,217	153,965	648,372	365,753	190,323	160,199	(579,442)	1,679,659

<i>(US Dollars in thousands)</i>	December 31, 2024										Carrying Amount
	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	10-15 years	15-20 years	>20 years	Discounting Impact	
Liabilities arising from insurance contracts and investment contracts with DPF	204,119	188,678	173,760	161,306	149,852	627,937	372,766	198,152	167,341	(574,935)	1,668,976

Note 13 Payables

13.1 BREAKDOWN OF PAYABLES

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Other debt instrument issued and bank overdraft	713,623	614,540
Debts relating to investments under total return swap agreement ("TRS")	713,623	614,540
Payable - current tax position	286,711	260,342
Collateral debts relating to investments under lending agreements or equivalent	1,045,867	993,397
Other Payables	1,775,987	1,711,855
TOTAL	3,822,188	3,580,135

13.2 EXPOSURE TO INTEREST RATE RISK AND CONTRACTUAL MATURITIES

The table below sets out the contractual maturities of other debt instruments and collateral debts relating to investments under lending agreements or equivalent, which are exposed to interest rate risk. Effective maturities may differ from those presented, mainly because some instruments include clauses allowing early redemption, with or without penalty.

<i>(US Dollars in thousands)</i>	December 31, 2025				December 31, 2024			
	Carrying value of other debt instrument by contractual maturity				Carrying value of other debt instrument by contractual maturity			Total carrying value
	12 months or less	More than 1 year up to 5 years	More than 5 years	Total carrying value	12 months or less	More than 1 year up to 5 years	More than 5 years	
Debts relating to investments under TRS agreement	713,623	-	-	713,623	413,700	200,840	-	614,540
Collateral debts relating to investments under a lending agreement or equivalent	1,045,867	-	-	1,045,867	876,474	116,923	-	993,397

Note 14 Tax

14.1 TAX EXPENSE

14.1.1 Breakdown of tax expense between current and deferred tax

The income tax charge/(benefit) was split as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Current Income Tax	404,214	422,488
Deferred Income Tax	304,991	96,271
TOTAL	709,204	518,759

14.1.2 Tax proof

The reconciliation between the theoretical tax charge (pre-tax profit multiplied by that jurisdiction's applicable statutory tax rate for the period concerned) and the effective tax charge was as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Income/(loss) from operating activities, gross of tax expenses (excluding discontinued activities and result from investments consolidated using equity method)	2,516,380	2,744,622
Notional tax rate	21.91%	14.91%
Notional tax charge/(benefit)	551,395	409,162
Impact of change in tax rates	(11,635)	33,744
Impact of differences in tax rate and impact of taxes not linked to pre-tax income	61,876	2,499
Impact of differences in tax rates and tax bases	50,241	36,243
Impact of permanent differences	35,798	33,741
Adjustments on tax relating to prior years - Current Tax	11,416	(22,558)
Adjustments on tax relating to prior years - Deferred Tax	37,187	11,721
Provision for Uncertain Tax Positions	3,368	51,581
Derecognition/(recognition) of DTA on temporary differences	19,800	(1,130)
Impact of adjustments, decrease in value and other items	71,770	39,614
EFFECTIVE TAX CHARGE	709,204	518,760
EFFECTIVE TAX RATE (%)	28.18%	18.90%

Effective tax rate stood at 28.18% in 2025 versus 18.90% in 2024. The increase in the tax rate was primarily driven by the jurisdictional mix of pre-tax income across higher and lower tax rate jurisdictions, French tax surcharge, unfavorable return to provision adjustments and the derecognition of Deferred Tax Assets ("DTA"); offset by the benefit of a reduction of the German tax rate and lower Uncertain Tax Positions ("UTP") accruals.

Items included in the tax rate reconciliation:

- impact of differences in tax rates and tax bases of \$50.2 million comprised primarily of worldwide taxation regime adjustment, French surcharge, US state and local tax; partially offset by reduction of the tax rate in Germany and GWP tax in Switzerland;
- impact of permanent differences of \$35.8 million comprised primarily of non-deductible corporate interest restriction, non-deductible FX and uncreditable withholding tax; and

- Derecognition/(recognition) of DTA on temporary differences of \$19.8 million comprised primarily of derecognition of previously recognized tax losses in the UK, unrecognized Current year losses from CRCH, and derecognition of US tax credits.

14.2 DEFERRED TAX

In the table below, the net deferred tax position corresponds to the difference between Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) carried on the Company's consolidated statement of financial position. Note that the breakdown of DTA/DTL disclosed in these tables corresponds to the deferred tax before the netting that occurs for financial position presentation purposes as required by IAS 12. Net deferred tax balances are broken down as follows:

(US Dollars in thousands)	December 31, 2025			December 31, 2024		
	Deferred tax assets	Deferred tax liabilities	Net Deferred tax	Deferred tax assets	Deferred tax liabilities	Net Deferred tax
Other intangible assets (including Goodwill)	47,537	110,800	(63,262)	49,565	109,967	(60,402)
Real estate	21,308	711	20,597	31,184	1,328	29,856
Financial assets	206,965	71,338	135,627	397,602	206,061	191,541
Technical reserves	384,279	899,179	(514,899)	637,397	904,491	(267,094)
Pensions and other employees benefits	127,643	13,957	113,686	130,968	8,596	122,373
Tax losses carried forward	356,372	-	356,372	454,421	-	454,421
Other	205,284	122,772	82,513	122,807	95,039	27,768
Total Deferred Tax by nature	1,349,389	1,218,755	130,633	1,823,945	1,325,482	498,462
<i>of which Deferred tax through Profit and Loss</i>	<i>917,955</i>	<i>821,636</i>	<i>96,319</i>	<i>1,168,154</i>	<i>801,628</i>	<i>366,526</i>
<i>of which Deferred tax through OCI with P&L recycling</i>	<i>426,940</i>	<i>392,303</i>	<i>34,637</i>	<i>647,028</i>	<i>517,833</i>	<i>129,195</i>
<i>of which Deferred tax through OCI without P&L recycling</i>	<i>4,494</i>	<i>4,816</i>	<i>(323)</i>	<i>8,513</i>	<i>4,788</i>	<i>3,725</i>
<i>of which Deferred tax through other equity reserves</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>250</i>	<i>1,234</i>	<i>(985)</i>

As of December 31, 2025, the \$130.6 million net DTA related to entities located in the United States (\$258.5 million), France (\$53.7 million), Ireland (\$52.6 million), and Bermuda (\$39.5 million); partially offset by DTLs in entities located in the United Kingdom (\$147.09 million), Germany (\$93.4 million), Australia (\$27.1 million), and other jurisdictions (\$6.1 million).

The statement of financial position reconciliation concerning deferred tax position is detailed as follows:

(US Dollars in thousands)	December 31, 2025	December 31, 2024
Deferred tax assets	454,710	689,300
Deferred tax liabilities	324,076	190,838
Net deferred tax position including Uncertain Tax Positions	130,633	498,462
Deferred tax - Uncertain Tax Positions	-	-
Net deferred tax position excluding Uncertain Tax Positions	130,633	498,462

The decrease in net asset position of \$498.5 million in 2024 to \$130.6 million in 2025 is mainly driven by a combination of a decrease in deferred tax assets due to the utilization of tax losses and an increase in DTLs associated with appreciation in investment fair value and technical reserve movements through PL.

	December 31, 2025	December 31, 2024
	Net deferred tax	Net deferred tax
<i>(US Dollars in thousands)</i>		
January 1	498,462	539,911
Movements through profit or loss	(304,991)	(96,271)
Movements through shareholder's equity (a)	(68,849)	52,251
Forex impact	7,330	2,571
Change in scope and other variations	(1,320)	-
December 31	130,633	498,462

a) The movements through shareholder's equity mainly concern net investment hedge in the Company, revaluation to fair value of financial investments through shareholder's equity and employee benefits actuarial gains and losses.

14.2.1 Recognized and unrecognized deferred tax assets (DTA) by expiration date

The tables below provide the total recognized and unrecognized deferred tax assets by expiration date (i.e. the latest possible date available for use), along with the corresponding tax loss carryforward.

	December 31, 2025									
<i>(US Dollars in thousands)</i>	DTA maturity date 1 year	DTA maturity date 2 years	DTA maturity date 3 years	DTA maturity date 4 years	DTA maturity date 5 years	DTA maturity date 6 years	DTA maturity date between 7 and 11 years	DTA maturity date > 11 years	No maturity date	Total
	Recognized DTA									
Recognized DTA - Tax loss carryforwards	-	-	-	-	781	-	2,138	360	353,093	356,372
Recognized DTA - Other items not related to tax losses	-	-	-	-	-	-	-	-	993,017	993,017
Total recognized DTA	-	-	-	-	781	-	2,138	360	1,346,110	1,349,389
Corresponding carry forward losses	-	-	-	-	3,965	-	10,853	1,358	1,597,650	1,613,827
	Unrecognized DTA									
Unrecognized DTA - Tax loss carryforwards	-	441	-	1	-	-	-	14,765	195,926	211,132
Unrecognized DTA - Other items not related to tax losses	-	-	-	-	-	-	23,612	-	211,173	234,784
Total unrecognized DTA	-	441	-	1	-	-	23,612	14,765	407,098	445,917
Corresponding carry forward losses	-	2,236	-	4	-	-	-	61,499	982,287	1,046,025

As of December 31, 2025, \$1,349.4 million DTA included \$356.4 million DTA on tax losses carried forward.

	December 31, 2024									
	DTA maturity date 1 year	DTA maturity date 2 years	DTA maturity date 3 years	DTA maturity date 4 years	DTA maturity date 5 years	DTA maturity date 6 years	DTA maturity date between 7 and 11 years	DTA maturity date > 11 years	No maturity date	Total
<i>(US Dollars in thousands)</i>										
Recognized DTA										
Recognized DTA - Tax loss carryforwards	335	-	2,308	3,140	2,575	326	-	-	445,736	454,421
Recognized DTA - Other items not related to tax losses	-	-	-	-	-	-	1,714	2,955	1,364,855	1,369,524
Total recognized DTA	335	-	2,308	3,140	2,575	326	1,714	2,955	1,810,592	1,823,945
Corresponding carry forward losses	1,341	-	10,992	14,952	13,072	1,656	-	-	2,261,691	2,303,705
Unrecognized DTA										
Unrecognized DTA - Tax loss carryforwards	-	-	385	17,541	19,792	-	-	15,094	161,813	214,626
Unrecognized DTA - Other items not related to tax losses	-	-	-	-	-	-	-	-	253,673	253,673
Total unrecognized DTA	-	-	385	17,541	19,792	-	-	15,094	415,486	468,300
Corresponding carry forward losses	-	-	1,955	89,043	100,469	-	-	60,401	743,172	995,040

14.3 CURRENT TAX

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Receivables - Current tax	42,030	57,843
Payables - Current tax	286,711	260,342
Net current tax position including Uncertain Tax Positions	(244,681)	(202,499)
Current tax - Uncertain Tax Positions	244,895	235,427
Net current tax position excluding Uncertain Tax Positions	214	32,928
Company tax receivables and payables	-	-
Current tax position including Company tax receivables and payables	214	32,928

The roll forward of current tax position (excluding Uncertain Tax Positions) is broken down as follows:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
January 1	32,928	(18,183)
Cash payment in the period	397,720	404,119
Movements through profit or loss	(400,846)	(374,369)
Movements through shareholder's equity (a)	(21,186)	7,852
Forex impact	(6,027)	13,793
Change in scope and other variations	(2,375)	(285)
December 31	214	32,928

(a) The movement through shareholder's equity mainly concerned the tax impacts of disposal of equity instruments at FVOCI without recycling.

14.4 UNCERTAIN TAX POSITIONS

Uncertain tax treatments are determined separately at the entity level. For those positions considered as not probable to be accepted by the tax authorities without adjustment, the assessment of the uncertainty is determined based on the most likely outcome.

For the years ended December 31, 2025, and 2024, the Company had unrecognized tax benefits of \$244.9 million and \$235.4 million, respectively. The 2025 increase primarily relates to increases due to FX movement, provisions for PE exposures in Global Programs, provisions for TP related positions, and ongoing tax audits in Spain and Germany; partially offset by release due to settlement of prior year audits in Germany, Norway and Austria.

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Uncertain Tax Positions - Current income tax	244,895	235,427
Uncertain Tax Positions - Deferred income tax	-	-
Uncertain Tax Positions - Total income tax	244,895	235,427

Note 15 Derivative instruments

This Note covers all types of derivative instruments. The applicable accounting principles, including recognition, measurement, and hedge accounting in accordance with IFRS 9, are described in Note 2.8.

Notional amounts of derivative instruments are displayed, by convention, in absolute value, and exclude any potential netting out.

15.1 Derivative instruments: maturities, notional values and fair values

The following table shows notional amounts (including the split of those amounts by maturity) and carrying values of derivative instruments held by the Company, broken down by risk category. It includes all derivative instruments, regardless of whether they relate to a qualifying hedging relationship under IFRS 9 - Financial Instruments:

	Notional amounts by maturity on December 31, 2025			Notional amount		Carrying value – Asset		Carrying value – Liability		Net carrying value	
	< 1 year	1 to 5 years	> 5 years	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
(US Dollars in thousands)											
Interest rates derivatives	1,217,254	2,859,890	317,445	4,394,589	3,471,186	37,317	8,698	(5,292)	(24,683)	32,025	(15,985)
Equity derivatives	119,700	-	-	119,700	-	1,364	-	-	-	1,364	-
Currencies derivatives	3,032,925	11,704	27,012	3,071,641	2,123,294	6,124	97,423	(29,213)	(3,478)	(23,089)	93,945
Credit derivatives	1,118,677	781,000	-	1,899,677	902,387	1,313	1,544	(14,338)	(20,146)	(13,025)	(18,602)
Other derivatives	910,503	-	-	910,503	2,660,159	1,514	2,406	-	(214)	1,514	2,192
TOTAL	6,399,059	3,652,594	344,457	10,396,110	9,157,026	47,632	110,071	(48,843)	(48,521)	(1,211)	61,550

15.2 DERIVATIVE INSTRUMENTS BY RISK CATEGORY AND HEDGING RELATIONSHIP

The following tables display notional amounts and carrying values of derivative instruments held by the Company, broken down by risk category and by IFRS 9 hedging relationship, showing separately (i) derivative instruments qualifying for IFRS 9 hedge accounting, by type of hedging relationship, and (ii) derivative instruments used in macro hedges under IAS 39 and other derivative instruments not qualifying for hedging accounting under IFRS 9 but generally used as economic hedges:

	December 31, 2025												
	Derivative instruments used in IFRS 9 qualifying hedging relationship									IAS 39 macro-hedges and derivative instruments not qualifying under IFRS 9 but generally used as economic hedges		Total	
	Fair value hedges			Cash flow hedges			Net investment hedges						
	Carrying value			Carrying value			Carrying value						
	Notional amount	Assets (FV Positive)	Liabilities (FV Negative)	Notional amount	Assets (FV Positive)	Liabilities (FV Negative)	Notional amount	Assets (FV Positive)	Liabilities (FV Negative)	Notional amount	Fair value	Notional amount	Fair value
(US Dollars in thousands)													
Interest rates derivatives	-	-	-	984,699	12,919	(2,552)	-	-	-	3,409,890	21,658	4,394,589	32,025
Equity derivatives	-	-	-	-	-	-	-	-	-	119,700	1,364	119,700	1,364
Currencies derivatives	-	-	-	32,745	2,924	-	2,813,774	678	(28,936)	225,122	2,245	3,071,641	(23,089)
Credit derivatives	-	-	-	-	-	-	-	-	-	1,899,677	(13,025)	1,899,677	(13,025)
Other derivatives	-	-	-	-	-	-	-	-	-	910,503	1,514	910,503	1,514
TOTAL	-	-	-	1,017,444	15,843	(2,552)	2,813,774	678	(28,936)	6,564,892	13,756	10,396,110	(1,211)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

December 31, 2024

(US Dollars in thousands)	Derivative instruments used in IFRS 9 qualifying hedging relationship									IAS 39 macro-hedges and derivative instruments not qualifying under IFRS 9 but generally used as economic hedges		Total	
	Fair value hedges			Cash flow hedges			Net investment hedges						
	Notional amount	Carrying value		Notional amount	Carrying value		Notional amount	Carrying value		Notional amount	Fair value	Notional amount	Fair value
		Assets (FV Positive)	Liabilities (FV Negative)		Assets (FV Positive)	Liabilities (FV Negative)		Assets (FV Positive)	Liabilities (FV Negative)				
Interest rates derivatives	-	-	-	571,186	737	(12,732)	-	-	-	2,900,000	(3,990)	3,471,186	(15,985)
Equity derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
Currencies derivatives	-	-	-	28,871	1,379	(267)	1,811,760	95,785	-	282,663	(2,952)	2,123,294	93,945
Credit derivatives	-	-	-	-	-	-	-	-	-	902,387	(18,602)	902,387	(18,602)
Other derivatives	-	-	-	-	-	-	-	-	-	2,660,159	2,192	2,660,159	2,192
TOTAL	-	-	-	600,057	2,116	(12,999)	1,811,760	95,785	-	6,745,209	(23,352)	9,157,026	61,550

As of December 31, 2025, the notional amount of all derivative instruments totaled \$10.4 billion (\$9.2 billion at the end of 2024). Their net fair value amounted to \$(1.2) million as of December 31, 2025 (\$61.6 million at the end of 2024).

The Company enters into derivative instruments for both risk management and investment purposes. The Company is exposed to potential loss from various market risks and manages its market risks based on the Authorities Framework (see Note 5.2). The Authorities Framework is intended to align the risk profile of the Company's investment portfolio to be consistent with the Company's risk tolerance, and other guidelines established by the XLB Board of Directors.

The Company, either directly or through third party investment managers, may use derivative instruments within its investment portfolio, including interest rate swaps and options on interest rate swaps, total return swaps, credit derivatives (including single name and index credit default swaps and options on credit default swaps), equity options, forward contracts and futures (including foreign exchange, bond and stock index, interest rate and commodity futures), primarily as a means of reducing investment risk by economically hedging exposures to interest rate, credit spread, equity price changes and foreign currency risk or, in limited instances, for efficient portfolio management. When using exchange traded or cleared over-the-counter derivatives, the Company is exposed to the credit risk of the applicable clearing house and of the Company's futures commission merchant. When using uncleared over-the-counter derivatives, the Company is exposed to credit risk in the event of non-performance by the counterparties to such derivative contracts. To manage this risk, the Company requires appropriate legal documentation with counterparties that has been reviewed and negotiated by legal counsel on behalf of the Company and complies with the Company's documentation standards, investment guidelines and policies.

The notional amount of derivatives which is used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments most certainly overstates the level of activity and does not directly measure risk as it greatly exceeds the possible credit and market loss that could arise from such transactions.

15.2.1 Interest rate derivative instruments

The Company's exposure to interest rate risk is primarily linked to insurance liabilities, fixed income investments and debts.

To manage this risk, interest rate derivative strategies are employed to mitigate the impact of adverse market conditions on these exposures. These derivatives include interest rate swaps, options, and forwards, and are used to manage the duration gap between assets and liabilities, hedge interest rate risks, and minimize financial charges on debt.

15.2.2 Equity derivative instruments

Equity derivatives, primarily composed of equity options, forwards and futures, are used to hedge the Company economic exposure to equity markets fluctuations.

15.2.3 Currency derivative instruments

The Company uses currency derivatives to manage exposure to foreign exchange risk, primarily arising from investments and liabilities denominated in foreign currencies. Currency derivative instruments are used by the Company to mitigate fluctuations in net foreign currency-denominated assets caused by exchange rates movements.

One of the main objectives of currency derivatives instruments is to limit variations in net foreign currency-denominated assets resulting from movements in exchange rates in order to protect partially or in full the value of the Company's net foreign-currency investments in its subsidiaries and thus reduce the variability of the Company's consolidated shareholder's equity against currency fluctuations, but also of other key indicators such as liquidity, gearing and solvency ratios.

Currency derivatives are mainly composed of futures, forwards, options, and swaps.

15.2.4 Credit derivative instruments

Credit derivatives, primarily credit default swaps (CDS), are used by the Company to manage credit risk within its investment portfolio. These instruments serve two main purposes:

- hedging credit risks associated with specific corporate names or portfolios; and
- enhancing returns on government bond portfolios by assuming synthetic credit exposure.

15.3 EFFECT OF HEDGING ON FINANCIAL INVESTMENTS

The table below sets out the impact of derivative instruments on the related assets, broken down by class of investments. The table includes the impact of all derivative instruments, regardless of whether those derivative instruments qualify for an IFRS 9 hedging relationship:

	December 31, 2025		December 31, 2024	
	Carrying value of investments	Effect of derivative instruments	Carrying value of investments	Effect of derivative instruments
<i>(US Dollars in thousands)</i>				
Investment in real estate properties	1,184,083	-	996,705	-
Debt instruments	41,270,877	25,708	38,389,722	(34,058)
Equity instruments	67,431	1,365	133,347	-
Non-consolidated investment funds	4,240,119	-	3,631,196	-
Other Investments held through consolidated investment funds	507,274	-	538,290	-
Loans	331,766	(26)	222,275	(177)
Total investments	47,601,550	27,047	43,911,535	(34,235)

15.4 FAIR VALUE OF DERIVATIVE INSTRUMENTS

Principles applied by the Company in order to proceed with the classification of financial instruments into the fair value hierarchy categories under IFRS 13 – Fair Value Measurement are described in Note 2.5. Same principles apply as far as derivatives instruments are concerned.

The following table presents the breakdown of the fair value of derivative instruments by IFRS 13 fair value hierarchy level and by type of assets to which those derivative instruments relate. The carrying value of derivative instruments is equal to their fair value:

	December 31, 2025				December 31, 2024			
	Instruments quoted in an active market	Instruments not quoted in an active market - No active market	Total		Instruments quoted in an active market	Instruments not quoted in an active market - No active market	Total	
	Level 1 (a)	Level 2 (b)	Level 3 (c)		Level 1 (a)	Level 2 (b)	Level 3 (c)	
<i>(US Dollars in thousands)</i>								
Derivative instruments relating to debt instruments	12,533	13,175	-	25,708	(13,205)	(20,853)	-	(34,058)
Derivative instruments relating to equity instruments	-	1,365	-	1,365	-	-	-	-
Derivative instruments relating to loans	(26)	-	-	(26)	(177)	-	-	(177)
Derivative instruments relating to investments	12,507	14,540	-	27,047	(13,382)	(20,853)	-	(34,235)
Fair value of derivative instruments relating to assets (A)	12,507	14,540	-	27,047	(13,382)	(20,853)	-	(34,235)
Fair value of derivative instruments relating to liabilities (B)	-	-	-	-	-	-	-	-
Total fair value of derivative instruments (C= A+B)	12,507	14,540	-	27,047	(13,382)	(20,853)	-	(34,235)

(a) Level 1: fair value determined directly by reference to an active market.

(b) Level 2: fair value mainly based on observable market data.

(c) Level 3: fair value mainly not based on observable market data.

The above table included the breakdown of derivative instruments relating to assets, detailed by instruments related to investments (as presented in Note 15.3), excluding instruments used in net investment hedges that impact shareholder's equity.

Note 16 Gross insurance and non-insurance revenues

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Property	5,286,861	5,101,798
Casualty	6,477,097	5,814,991
Specialty	3,303,153	3,303,334
Professional	3,265,392	3,281,459
P&C Insurance	18,332,504	17,501,582
Casualty	839,494	810,889
Property Other	679,299	650,160
Property Catastrophe	449,124	424,565
Global Specialty	354,284	325,710
Other (a)	436,204	363,706
P&C Reinsurance	2,758,405	2,575,032
Total P&C operations	21,090,908	20,076,614
Life operations	353,750	383,166
Non-insurance Revenues (b)	100,647	91,978
TOTAL	21,545,306	20,551,757

(a) Other within the Reinsurance segment includes: aviation, credit & surety, cyber and other lines.

(b) Mainly represents risk consulting fee income.

Distribution channels

The majority of the Company's business originates via a large number of international, national and regional producers, acting as the brokers and representatives of current and prospective policyholders. This channel is supported by client and country management teams, which include sales and distribution representatives in key markets throughout the world.

Underwriting authority is also contractually delegated to selected third parties which are subject to a financial and operational due diligence review prior to any such delegation of authority, as well as ongoing reviews and audits as deemed necessary with the goal of assuring the continuing integrity of underwriting and related business operations.

Note 17 Net investment result excluding financing expenses

The financial result excluding financing debt expenses reflects the return on invested assets generated by all activities less the net finance income or expenses stemming from insurance and reinsurance contracts. The table below highlights how this financial result impacts both the profit or loss and the other comprehensive income (OCI) before tax.

The investment return through profit or loss reported below reconciles with the amount disclosed in the consolidated statement of profit or loss. On the other hand, the reconciliation of net finance income or expenses from insurance and reinsurance contracts disclosed below with the amounts disclosed in the consolidated statement of profit or loss is explained in Note 12.1.2.

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Net investment income	1,568,778	1,405,780
Net realized gains and losses relating to investments at cost and at fair value through OCI	75,894	79,249
Net realized gains and losses and change in fair value of other investments at fair value through profit or loss	20,809	24,023
Change in impairment on investments	(12,996)	(19,597)
Investment return through profit or loss (A)	1,652,485	1,489,455
Time value of money including interest accreted on contractual service margin	(1,319,730)	(1,151,851)
Foreign exchange gains or losses	209,637	(72,124)
Other impacts	-	10,234
Net finance income or expenses from insurance contracts issued, through profit or loss (B)	(1,110,093)	(1,213,741)
Time value of money including interest accreted on contractual service margin	520,751	454,228
Foreign exchange gains or losses	(37,222)	20,037
Other impacts	-	(8,963)
Net finance income or expenses from reinsurance contracts held through profit or loss (C)	483,529	465,302
Total net finance income or expenses from insurance contracts issued and reinsurance contracts held through profit or loss (D=B+C)	(626,564)	(748,439)
Financial result recognized in profit or loss (E=A+D)	1,025,922	741,015
Realised capital gains or losses on equity instruments measured at fair value through OCI, without recycling in profit or loss	36,139	(69,052)
Changes in fair value of financial investments through OCI (a)	934,467	(180,434)
Investment return through OCI (F)	970,606	(249,486)
Net finance income or expenses from insurance contracts issued through OCI	(392,074)	(194,275)
Net finance income or expenses from reinsurance contracts held through OCI	242,337	69,458
Total net finance income or expenses from insurance contracts issued and reinsurance contracts held through OCI (G)	(149,737)	(124,816)
Financial result recognized in OCI (H=F+G)	820,869	(374,302)
Impact of financial result on the statement of comprehensive income (before tax) (I=E+H)	1,846,791	366,713

(a) Including both the change in fair value with recycling in profit or loss and the change in fair value without recycling in profit or loss.

Note 18 Expenses by nature

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Claims and benefits	(12,642,847)	(11,329,088)
Losses on onerous insurance contracts	(26,406)	6,544
Commission paid	(2,454,738)	(2,366,413)
Staff expenses	(1,729,754)	(1,626,785)
Outsourcing and professional services	(128,420)	(122,823)
IT expenses	(430,928)	(418,315)
Charges related to owner occupied properties	(84,129)	(78,825)
Other expenses (a) (b)	(110,259)	225,077
Breakdown of expenses by nature (1)	(17,607,480)	(15,710,628)
Amount of insurance acquisition cash flows	5,564	6,003
Amortization of insurance acquisition cash flows	126,514	146,859
Total impact of insurance acquisition cash flows (2)	132,078	152,862
Total (A) = (1) + (2)	(17,475,402)	(15,557,766)
<i>Represented by:</i>		
<i>Insurance service expenses</i>	(16,910,374)	(15,319,510)
<i>Expenses from other activities</i>	(61,596)	(48,028)
<i>Other income and expenses</i>	(503,620)	(190,224)
Total (B)	(17,475,590)	(15,557,763)
Net expenses from reinsurance contracts held (C)	(2,363,496)	(2,998,052)
Total expenses (B) + (C)	(19,839,086)	(18,555,815)

(a) Other expenses includes acquisition non-commission expenses and IFRS 17 reclasses to non-attributable expenses and ULAE.

(b) 2025 includes the loss on sale of Catlin Re Switzerland Ltd of \$273.2 million (see Note 4).

Note 19 **Related-party transactions**

In 2025, the Company was party to the following transactions with related parties which may be deemed to have been material to the Company or the related party in question or unusual in their nature or conditions.

19.1 AXA GROUP

On September 12, 2018, the Company was acquired by, and became a wholly-owned subsidiary of the AXA Group. In the normal course of business, the Company enters into Property & Casualty ("P&C") assumed and ceded contracts which include various subsidiaries and affiliates of AXA as other parties. During the years ending December 31, 2025, and 2024, these contracts resulted in the following amounts included in the consolidated statement of profit or loss, as summarized below.

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Insurance revenues	138,889	199,945
Insurance service expenses	(41,005)	(161,938)
Net (expenses)/recoveries from reinsurance contracts held	(53,067)	34,610

In addition, as of December 31, 2025, and December 31, 2024, under these same contracts, the following amounts are included in the consolidated statement of financial position, as summarized below.

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Assets arising from reinsurance contracts held	212,152	237,769
Liabilities arising from insurance contracts and investment contracts with discretionary	67,107	151,106
Other receivables/(payables)	(8,514)	(59,661)

As of December 31, 2025, within "Debt instruments FV OCI" (see Note 8.1), the Company held investments in publicly quoted bonds of AXA with a carrying value of:

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
AXA SA Floating Rate Bond - 29/01/2028	353,081	315,929
AXA SA 3.47% Fixed Rate Bond - 17/06/2028	151,375	136,034
TOTAL	504,456	451,963

As of December 31, 2025, and December 31, 2024, reported within financing debt, the Company has recorded a financial liability for Redeemable Preference Shares issued to AXA amounting to \$1.0 million. The Company has received a commitment from AXA that it will increase the purchase price of these Redeemable Preference Shares to total \$1.0 billion in order to assist in the Company's management and achievement of Enhanced Capital Requirement target levels, if needed (see Note 20.1).

Note 20 Contingent assets and liabilities and unrecognized contractual commitments

20.1 BREAKDOWN OF COMMITMENTS RECEIVED

<i>(US Dollars in thousands)</i>	December 31, 2025	December 31, 2024
Credit facilities received (a)	3,343,838	3,501,996
Pledged securities and collateralized commitments	93,514	80,795
TOTAL	3,437,352	3,582,791

Note: This table excludes collateral received from reinsurers in the form of funds, trust accounts and/or irrevocable letters of credit representing collateral on reported receivables and other assets (see "Insurance Trusts and other matters" below).

(a) As of December 31, 2025, total commitments used were \$ 3,250.9 million (\$3,462.6 million as of December 31, 2024).

The Company has several credit facilities provided on both syndicated and bilateral bases from commercial banks as well as facilities entered into with its ultimate parent, as described in more detail below. The Company may utilize the full capacity of these credit facilities to issue letters of credit in support of non-admitted insurance and reinsurance operations in the United States and to meet capital requirements at Lloyd's.

AXA Syndicated Facilities

In October 2018, the Company acceded to an AXA Group unsecured credit facility that provides for the issuance of letters of credit. This facility was renewed in July 2025 and matures in July 2030. In July 2019, the Company, with the support of a guarantee from AXA, its indirect, ultimate parent, entered into an unsecured credit facility that provides for the issuance of letters of credit and revolving credit loans up to \$1,000.0 million. In connection with the Syndicated Facility, the Company's previous syndicated credit agreements originally entered into in August 2016, as well as certain related security arrangements, were terminated in July 2019. The commitments under the AXA Unsecured Syndicated Facility I are available until, the earlier of (i) July 24, 2030 and (ii) the date of termination in whole of the commitments upon an optional termination or reduction of the commitments by the account parties or upon the occurrence of certain events of default.

AXA Ancillary Own Funds

In October 2019, the Company entered into an Ancillary Own Funds ("AOF") Facility with AXA, its indirect, ultimate parent, for the issuance of a guarantee for up to \$587.2 million (the "AXA AOF Facility"). The AXA AOF Facility was entered into in connection with the Capital Commitment Deed dated September 30, 2019, provided by the Company to XL Insurance Company SE ("XLICSE"), see Note 20.3.2. The commitments under the AXA AOF Facility were extended in 2024 and are available until, the earlier of (i) December 30, 2029, (unless extended by the parties), and (ii) the date of termination in whole of the commitments upon an optional termination or reduction of the commitments by the account parties or upon the occurrence of certain events of default.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

AXA Redeemable Preference Shares

Effective December 30, 2020, the Company issued Redeemable Preference Shares to AXA, its indirect ultimate parent. Associated with this issuance, the Company received proceeds of \$1.0 million (see Note 19.2) and a commitment from AXA to receive an additional \$999.0 million of purchase price if such funds are needed by the Company in order to meet Target Enhanced Capital Requirement of 120% for the Bermuda Monetary Authority. Effective December 19, 2025, the Non-Voting Redeemable Preference Share subscription Agreement was amended and restated in its entirety with the Scheduled Redemption Date now being December 31, 2030. During the period that these preference shares remain in effect up to 31 December 2030, the Company intends to include the preference shares in its capitalization structure. After this period, the Company will assess whether to discontinue the preference shares or to incorporate them into its off-balance sheet capital maintenance strategy.

Insurance Trusts and other matters

The Company's reinsurance assets result from reinsurance arrangements in the course of its operations. A credit exposure exists with respect to reinsurance assets as they may be uncollectible. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound, and if necessary, the Company may hold collateral in the form of funds held, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid on an individual reinsurer basis. At December 31, 2025, the value of collateral in funds held was \$3,201.3 million (\$3,199.5 million in 2024), trust accounts was \$10,131.6 million (\$10,142.6 million in 2024), and letters of credit was \$8,166.4 million (\$7,338.6 million in 2024).

20.2 BREAKDOWN OF COMMITMENTS GIVEN

	December 31, 2025					December 31, 2024
	Expiring date					Total
	12 months or less	More than 1 year up to 3 years	More than 3 years up to 5 years	More than 5 years	Total	
<i>(US Dollars in thousands)</i>						
Letters of credit	739,377	512,712	791,613	620,000	2,663,701	2,944,810
Pledged securities and collateralized commitments	53,863	219,044	227,894	655,832	1,156,633	1,114,132
Other commitments	404,057	1,096,504	331,109	586,874	2,418,544	1,430,668
TOTAL	1,197,296	1,828,260	1,350,616	1,862,706	6,238,878	5,489,610

The Company has committed to invest in certain real estate, private equity and private credit limited partnerships, limited liability companies or similar structures. At December 31, 2025, the Company had unfunded commitments with these entities totaling \$2,418.5 million over a weighted average period of 3.4 years. At December 31, 2024, the Company had unfunded commitments with these entities totaling \$1,430.7 million over a weighted average period of 4.2 years.

In addition to letters of credit, the Company has established insurance trusts in the United States that provide cedants with statutory relief required under state insurance regulation in the United States. It is anticipated that the commercial facilities may be renewed on expiry but such renewals are subject to the availability of credit from banks utilized by the Company and may be renewed with materially different terms and conditions. If such credit support is insufficient, the Company could be required to provide alternative security to cedants. This could take the form of additional insurance trusts supported by the Company's investment portfolio or funds withheld using the Company's cash resources. The value of letters of credit required is driven by, among other things, loss development of existing reserves, the payment pattern of such reserves, the expansion of business written by the Company and the loss experience of such business.

20.3 OTHER AGREEMENTS

20.3.1 Tax matters

Neither the Company nor its non-US subsidiaries have paid US corporate income taxes on the basis that they are not engaged in a trade or business or otherwise subject to taxation in the United States. However, because definitive identification of activities that constitute being engaged in a trade or business in the United States is not provided by the Internal Revenue Code ("IRS Code"), regulations or court decisions, there can be no assurance that the Internal Revenue Service will not contend that the Company or its non-US subsidiaries are engaged in a trade or business or otherwise subject to taxation in the United States. If the Company or its non-US subsidiaries were considered to be engaged in a trade or business in the United States (and, if the Company or such subsidiaries were to qualify for the benefits under the income tax treaty between the United States and Bermuda and other countries in which the Company operates, such businesses would be considered to be attributable to a "permanent establishment" in the United States), the Company or such subsidiaries could be subject to US tax at regular tax rates on their respective taxable income that is effectively connected with their US trade or business plus an additional "branch profits" tax (at a rate as high as 30%) on such income remaining after the regular tax, in which case there could be a significant adverse effect on the Company's results of operations and financial position.

20.3.2 Capital commitment deed provided to XLICSE

On September 30, 2019, the Company provided a Capital Commitment Deed to XLICSE for a 5-year term (commencing from the effective date of the merger with AXA Corporate Solutions Assurance). XLICSE received approval from the Central Bank of Ireland on December 6, 2019, to be able to recognize this as a Tier 2 Ancillary Own Fund item. This Capital Commitment Deed was extended for a further 5-year term in 2024. To ensure that XL Bermuda has sufficient funds, the Company entered into an AOF Facility with AXA (see Note 20.1) pursuant to which AXA SA provided a €500.0 million (\$587.2 million) letter of credit for the benefit of XLICSE. XLICSE can only draw down up to between the Capital Commitment Deed and the letter of credit.

Note 21 Litigations

The Company and its subsidiaries are subject to litigation and arbitration in the normal course of business. These lawsuits and arbitrations principally involve claims on policies of insurance and contracts of reinsurance and are typical for the Company and for the property and casualty insurance and reinsurance industry in general. Such claims proceedings are considered in connection with the Company's loss and loss expense reserves. Reserves in varying amounts may or may not be established in respect of particular claims proceedings based on many factors, including the legal merits thereof.

US OPIOID AND PFAS LITIGATION

Lawsuits have been filed throughout the United States against various manufacturers, distributors and retailers of opioid medications and against manufacturers which utilized perfluoroalkyl and polyfluoroalkyl substances (PFAS), some of whom are insured by The Company & its subsidiaries and several of whom have entered into multi-billion dollar settlements. The Company's subsidiaries are parties to coverage actions brought by manufacturers (including Purdue Pharma), distributors and retailers against insurers and others are anticipated. Although there have been a number of court decisions - both favorable and unfavorable for insurers, it is expected that the coverage litigation (including appeals) and possible arbitrations will take several years to reach final resolution.

AVIATION LITIGATION FOLLOWING THE RUSSIAN INVASION OF UKRAINE

Since the Russian invasion of Ukraine, lawsuits were filed against subsidiaries of The Company in the United Kingdom, Ireland and the United States relating to alleged aircraft losses in Russia. The Company's subsidiaries provide coverage to aircraft lessors for their aircraft, engines and spares under various types of aviation policies (including lessor war and lessor all risk) as well as other insureds under separate policies (for example, aircraft operators under operator war and operator all risk). The Company's subsidiaries were dismissed from a number of lawsuits before substantive rulings and had minimal exposure to the UK "Mega-Trial" ruling in June 2025, but remain involved in active litigations predominantly in the UK.

In addition to litigation relating to insurance and reinsurance claims, the Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance or reinsurance policies. This category of business litigation typically involves, among other things, allegations of underwriting errors or misconduct, employment claims, regulatory activity, or disputes arising from business ventures. The status of these legal actions is actively monitored by management. In addition, the Company and certain of its subsidiaries are also involved in tax assessment negotiations and/or active litigation with tax authorities over contested assessments or other matters in a number of jurisdictions. These actions or assessments arise in a variety of circumstances including matters in connection with restructuring and financing transactions, as well as in the ordinary course of business.

Legal actions are subject to inherent uncertainties, and future events could change management's assessment of the probability or estimated amount of potential losses from pending or threatened legal actions.

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable, and the amount of the loss can be reasonably estimated, we establish a reserve and record an estimated loss for the expected outcome of the litigation. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the litigation is in its early stages, or when the litigation is highly complex or broad in scope.

Based on available information, it is the opinion of management that the ultimate resolution of pending or threatened legal actions other than claims proceedings, both individually and in the aggregate, will not result in losses having a material adverse effect on the Company's financial position or liquidity at December 31, 2025.

No material provisions have been established for non-claims-related litigation, nor have any such contingent liabilities been identified that require disclosure.

Note 22 Subsequent events

CAPITAL DISTRIBUTIONS

On March 11, 2026, a distribution of \$400.0 million was paid by the Company to its parent, XL Group Ltd.

The Company has determined that for the year ended December 31, 2025, there are no additional subsequent events that occurred that would have a material impact on the information contained in this financial statement report.