
2017 Annual Results

Analyst Presentation

21 March 2018

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2017 Financial highlights

Result before tax

(£2.0bn)

(2016: profit of £2.1bn)

Investment return

2.7%

(2016: 2.2%)

Net resources

£27.6bn

(2016: £28.6bn)

Combined ratio

114.0%

(2016: 97.9%)

Gross written premium

£33.6bn

(2016: £29.9bn)

Developments on the 2017 strategic priorities

Market conditions

New risk-based oversight approach and account management approach

Brexit

Significant progress towards a fully operational subsidiary in Brussels in 2018

Solvency II & Capital

Successfully maintained capital above risk appetite during 2017

London Market Target Operating Model

Modernisation continues to gain momentum with a number of initiatives rolled out

Corporation Operating Model

Rolled out in 2017 with cost-efficient, streamlined services

Financials

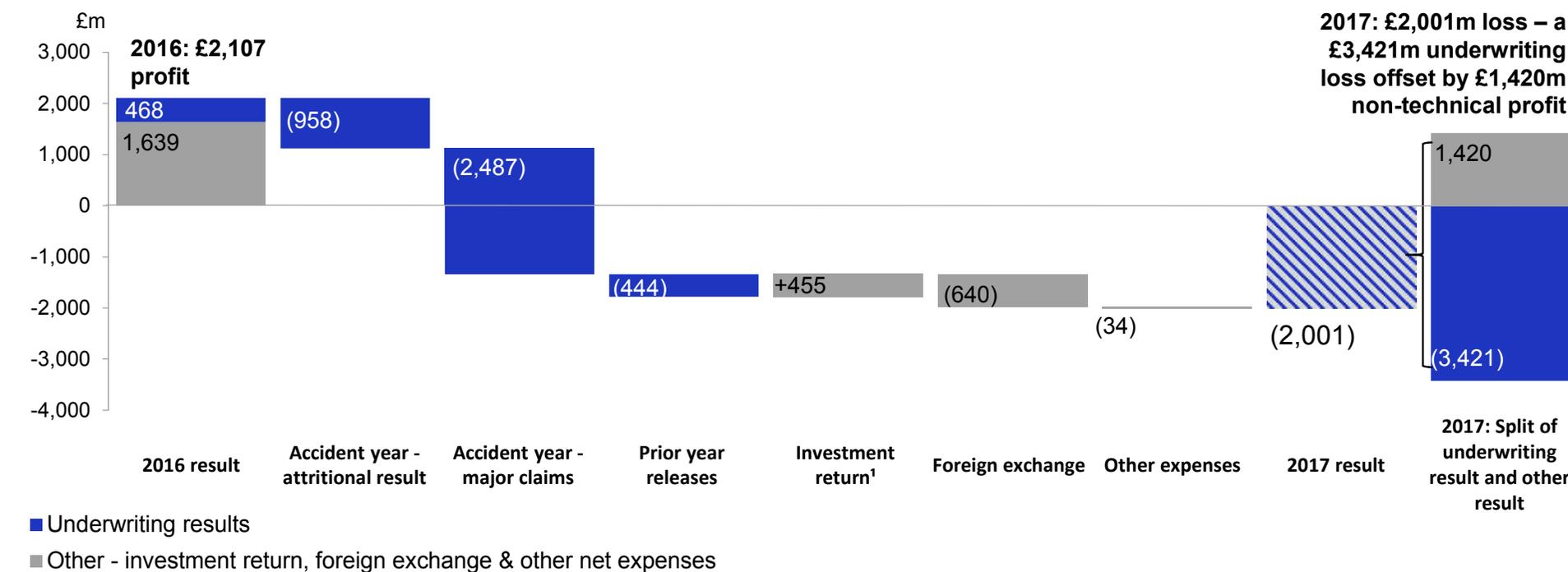
Combined ratio increase to 114% driven by major claims and declining price

Lloyd's aggregated results				
£m	Dec 2015	Dec 2016	Dec 2017	Change from 2016
Gross written premium	26,690	29,862	33,591	6% Growth + 6% FX
Net earned premium	20,565	22,660	24,498	+8%
Net incurred claims	(10,262)	(12,987)	(18,250)	+41%
Operating expenses ¹	(8,256)	(9,205)	(9,669)	+5%
Underwriting result	2,047	468	(3,421)	—
Net investment income ²	402	1,345	1,800	+34%
Foreign exchange gains/(losses)	(70)	578	(62)	—
Other expenses	(257)	(284)	(318)	+12%
Profit / (loss) before tax	2,122	2,107	(2,001)	—
Combined ratio	90.0%	97.9%	114.0%	—

Source: Lloyd's market results, 31 December 2017, ¹Technical account, ²Return on syndicates' assets, notional investment return on members' funds at Lloyd's and return on central assets,

Major claims drive underwriting loss in 2017; offset by reasonable investment return

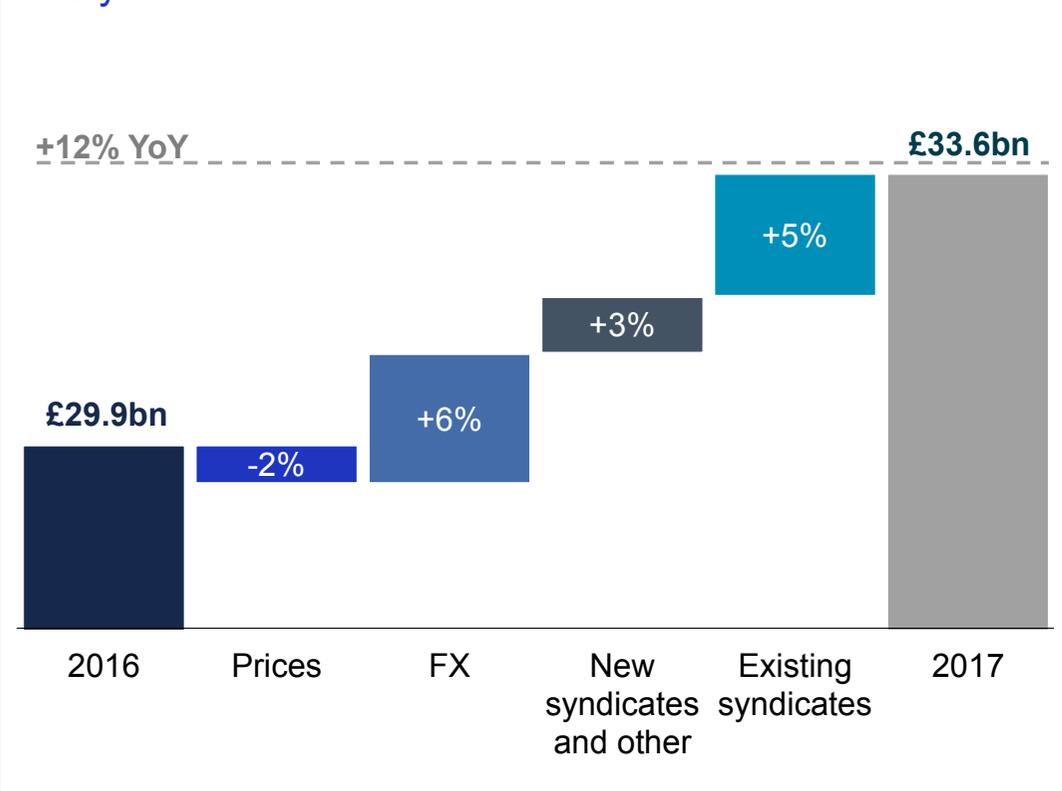
Drivers of market result – change from 2016 to 2017



Source: Lloyd's market results, 31 December 2017. ¹Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

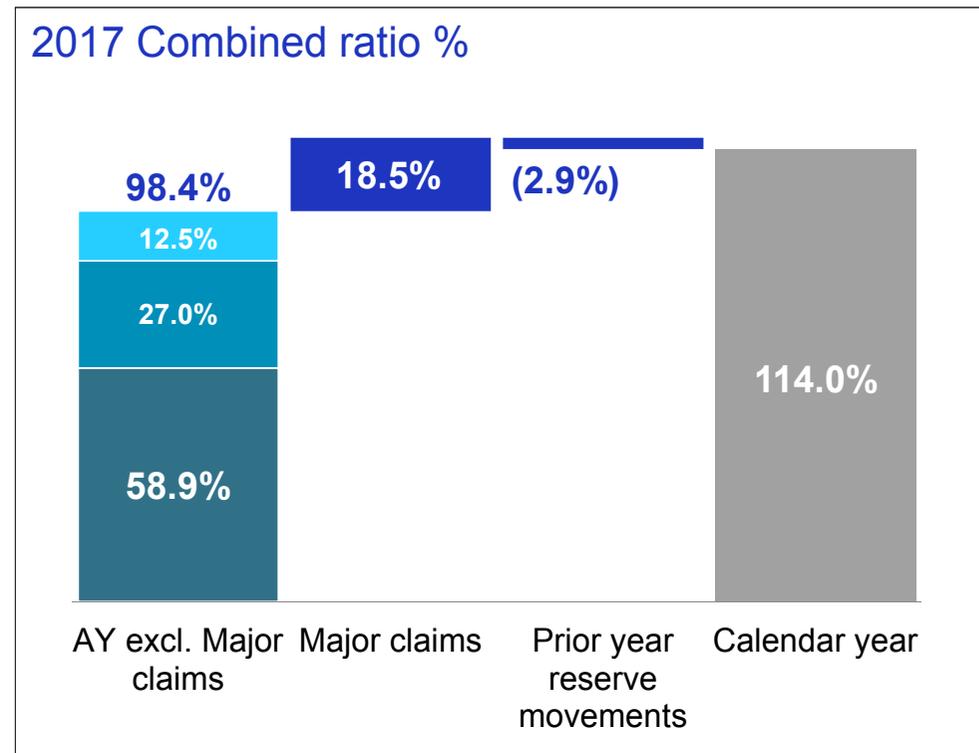
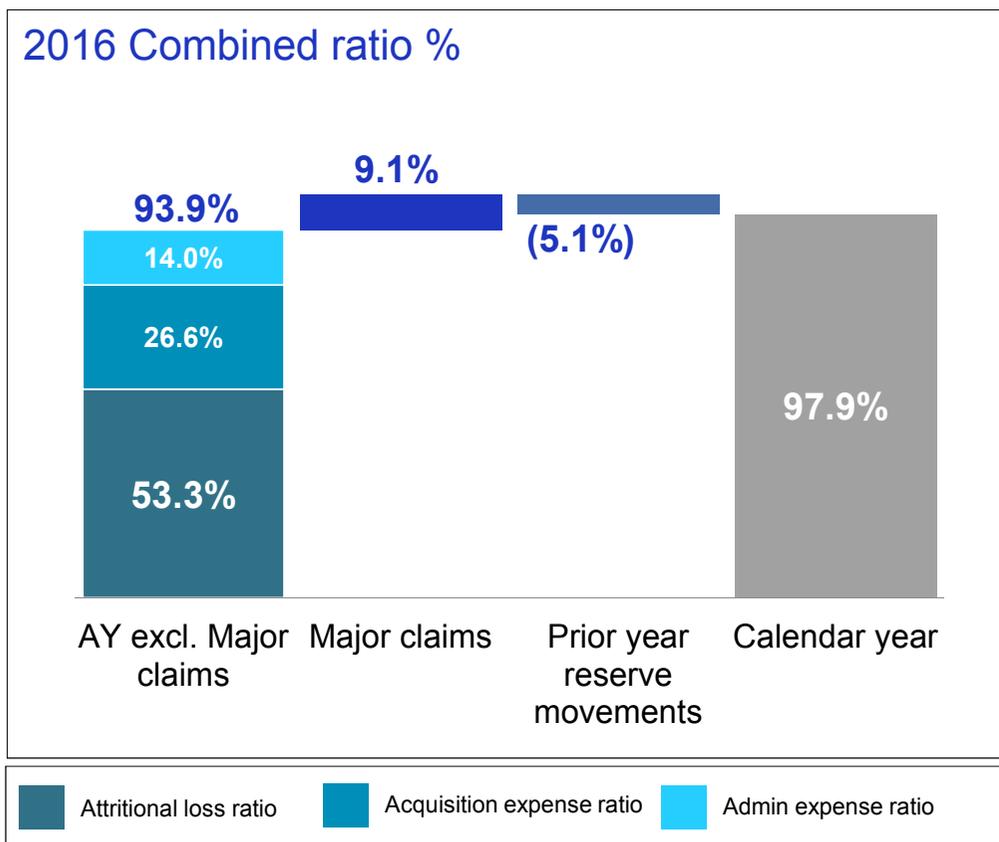
Premium growth from new and existing syndicates coupled with the effect of foreign exchange

Analysis of GWP YoY % movement



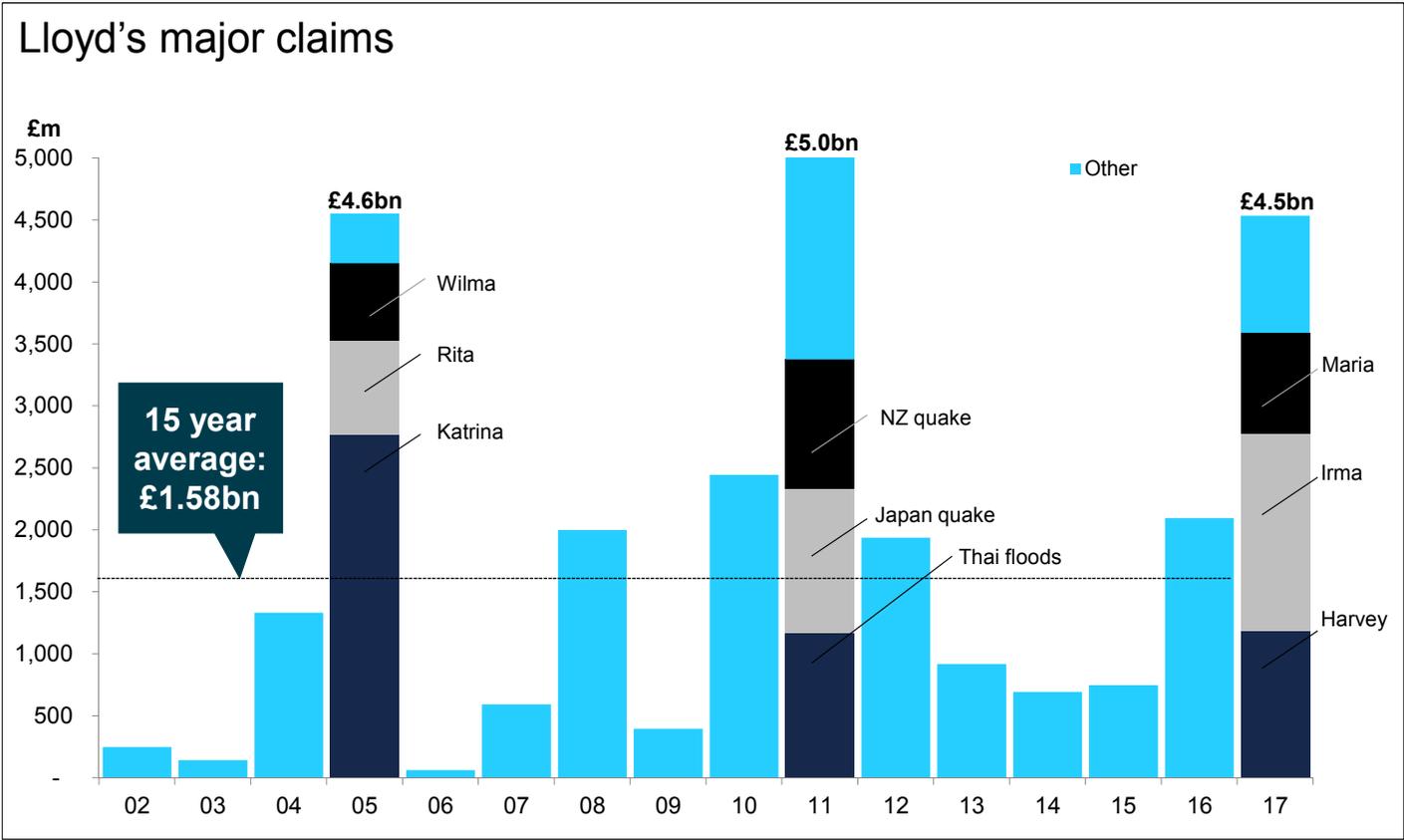
- **Prices:** reductions were seen across most lines on renewal business
- **FX:** sterling has remained weak against major currencies (particularly USD) following UK referendum result, although this showed signs of improving at the end of 2017
- **New syndicates:** 4 syndicates commenced trading in 2017
- **Other:** reinstatement premiums and Ogden
- **Existing syndicates:** growth within approved plans from new products (e.g. cyber, warranty and indemnity) and better performing lines.

Lower prior year reserve improvement and major claims contribute to combined ratio above 100%



Source: Lloyd's market results, 31 December 2017. From the 2017 financial year, major claims for the market results are defined as events which result in a net market-wide loss of £20m or more. Previous years' ratios have not been restated.

2017 one of the costliest for major claims in the past 15 years

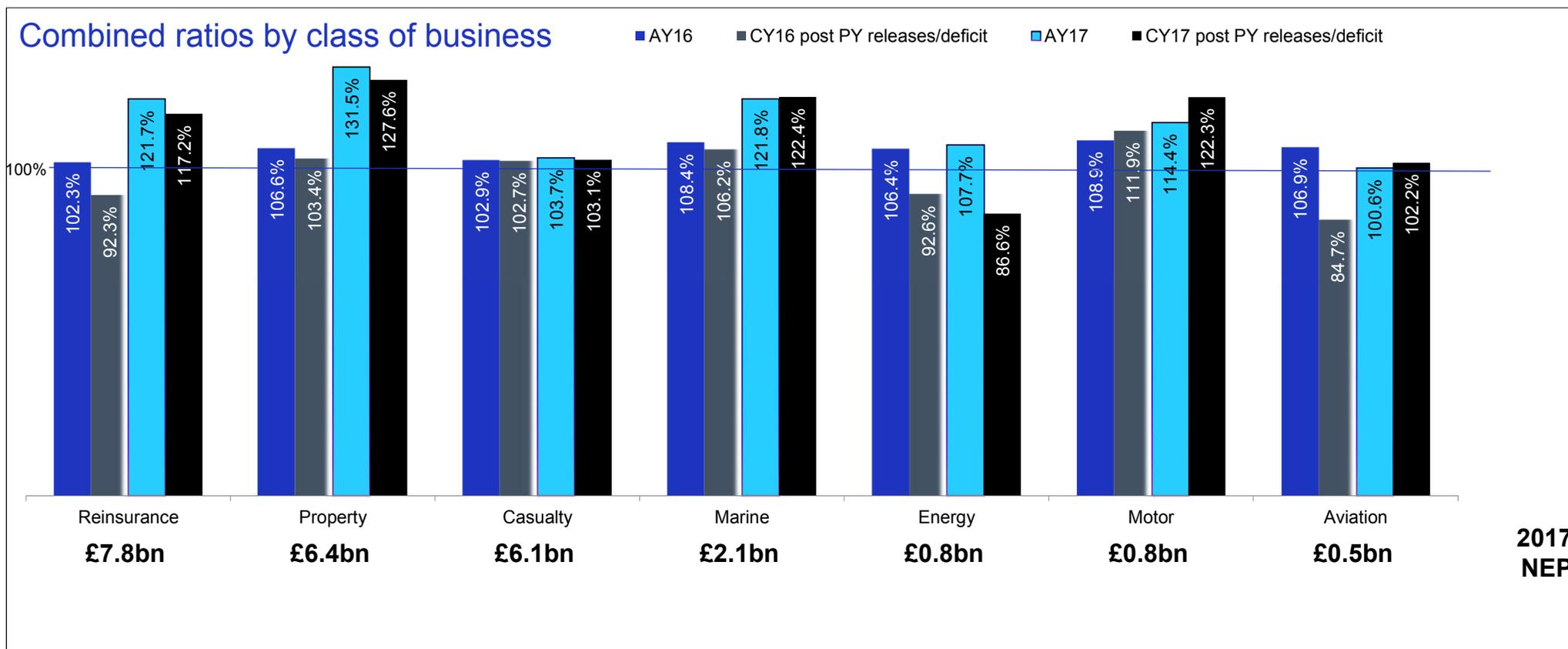


Largest major claims, net	2016	2017	2017
	£bn	£bn	\$bn
Hurricane Irma	-	1.6	2.1
Hurricane Harvey	-	1.2	1.6
Hurricane Maria	-	0.8	1.1
California wildfires	-	0.5	0.7
Mexico earthquakes	-	0.2	0.3
Cyclone Debbie (Australia)	-	0.1	0.1
Hurricane Matthew	0.5	-	-
Fort McMurray wildfires	0.4	-	-
All other	1.2	0.1	0.1
Total	2.1	4.5	6.0

Total HIM: £3.6bn (\$4.8bn)

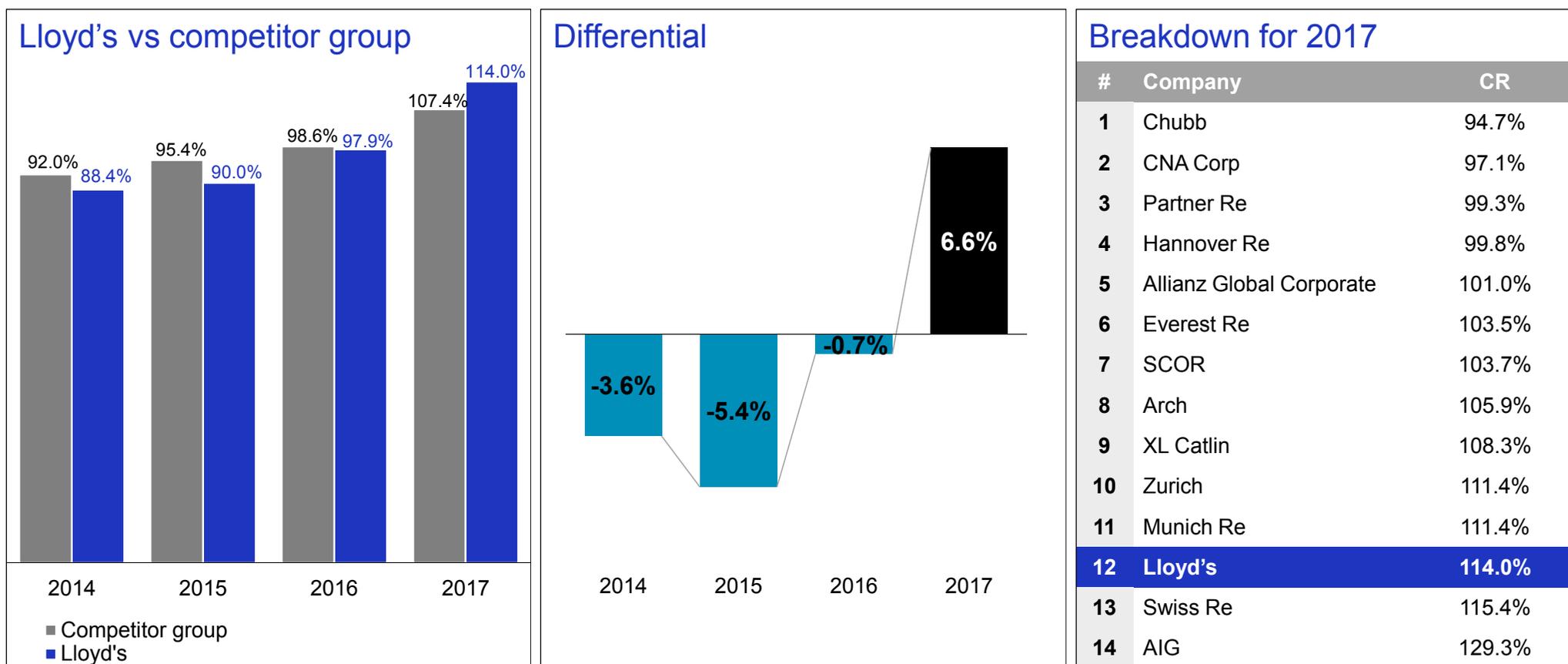
Source: Lloyd's market results, 31 December 2017 (previous losses indexed). Claims translated at rate of exchange prevailing at date of event.

All accident year ratios remain under pressure



Source: Lloyd's market results, 31 December 2017, NEP: net earned premium, AY: accident year, CY: calendar year.

Greater exposure to US catastrophe risk takes Lloyd's combined ratio above competitors

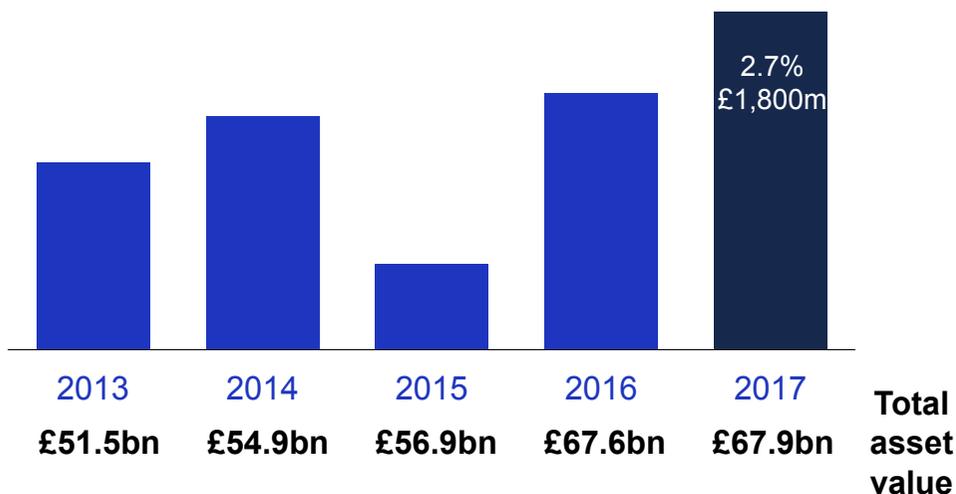


Source: Competitor financial statements and Lloyd's market results, 31 December 2017. The competitor group has been revised in 2017 and now comprises 13 companies operating in the US, European & Bermudan markets: AIG, Allianz, Arch, Chubb, CNA Corp, Everest Re, Hannover Re, Munich Re, Partner Re, SCOR, Swiss Re, XL Catlin and Zurich

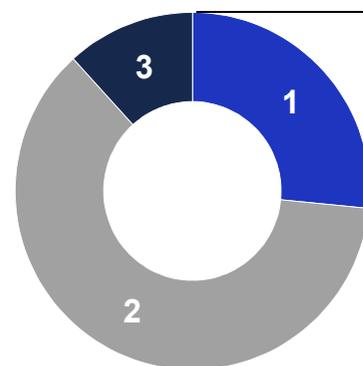
Strong performance from risk assets supported by positive return on high quality bonds

Investment return¹

Syndicates	£907m	2.2%
FAL	£722m	3.1%
Central assets	£171m	5.0%



Investment disposition



1	Cash & equivalent	22% (2016: 27%)
2	Investment grade bonds	64% (2016: 61%)
3	Equity & risk assets	14% (2016: 12%)

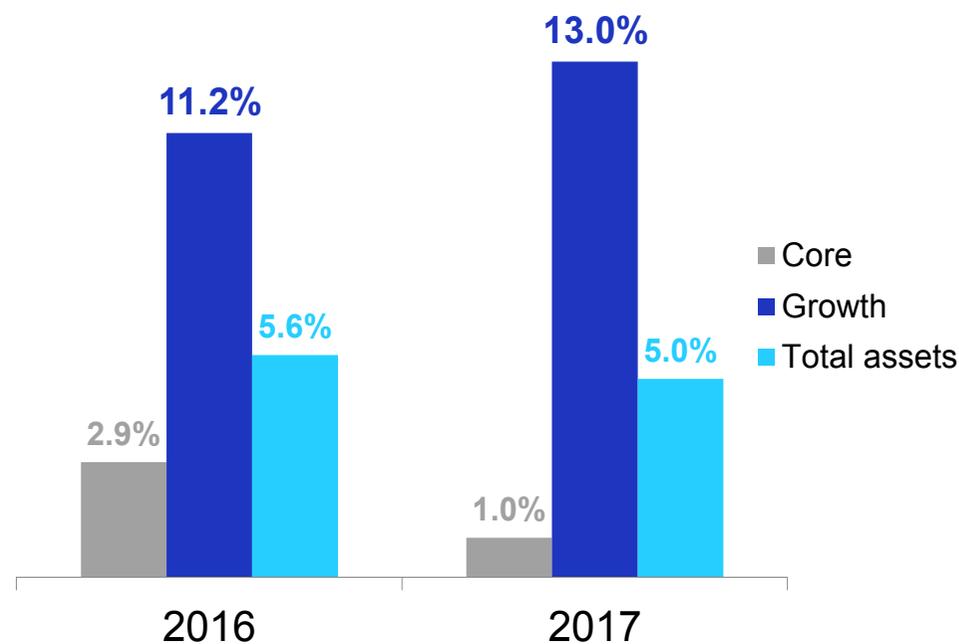
- **Cash & equivalent:** includes letters of credit;
- **Investment grade bonds:** includes debt issued by sovereign, supranational, agency and corporate entities rated BBB or better;
- **Equity & risk assets:** includes all other exposures

Source: Lloyd's market results, 31 December 2017, 'Return on syndicates' assets, notional return on members' funds at Lloyd's (FAL) and return on central assets. Central assets are the gross invested assets of the Society, stated on an IFRS (as adopted by the EU) basis.

Central Fund allocation to growth assets has benefited investment return

Central Fund investment disposition		Dec 17
Core 60%	1 Cash & equivalent	1%
	2 Government bonds	31%
	3 Investment grade corporate bonds	28%
Growth 40%	4 Equity	22%
	5 Emerging market & high yield bonds	6%
	6 Senior secured loans	4%
	7 Hedge funds	6%
	8 Commodities	2%

Central Fund Investment Return



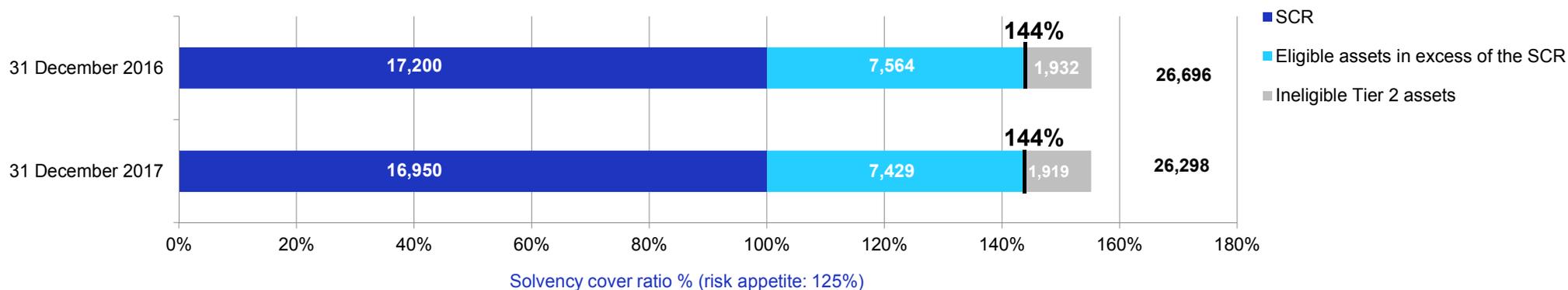
Healthy net resources post recapitalization; increase in surplus US Dollar assets dampened by strengthening Sterling

Balance sheet				
£m	Dec 2015	Dec 2016	Dec 2017	Change from 2016
Cash and investments	56,900	67,646	67,902	0%
Reinsurers' share of unearned premiums	2,368	3,110	3,372	+8%
Reinsurers' share of claims outstanding	8,610	11,310	16,811	+49%
Other assets	15,751	19,536	20,311	+4%
Total assets	83,629	101,602	108,396	+7%
Gross unearned premiums	(13,723)	(16,548)	(16,377)	(1%)
Gross claims outstanding	(38,833)	(47,747)	(54,893)	+15%
Other liabilities	(5,975)	(8,710)	(9,566)	+10%
Net resources	25,098	28,597	27,560	(4%)
Member assets	22,453	25,718	24,579	(4%)
Central assets ¹	2,645	2,879	2,981	+4%

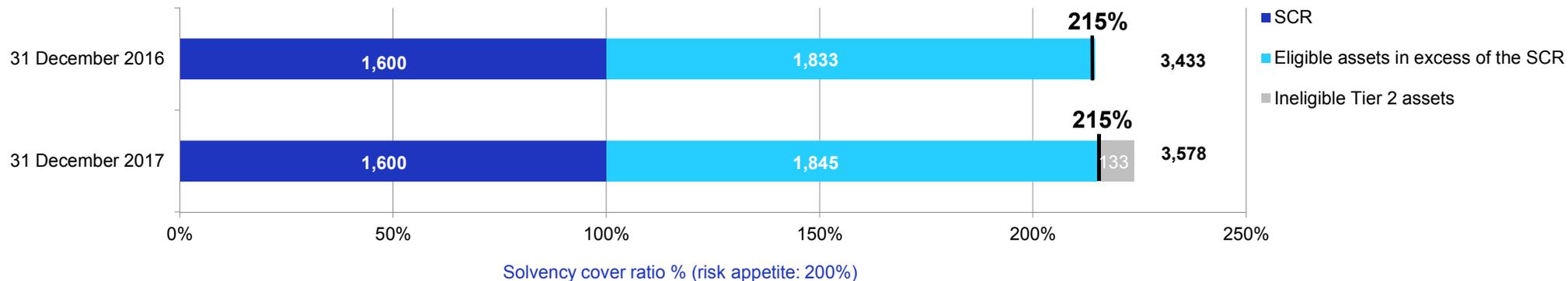
Source: Lloyd's market results, 31 December 2017. ¹Central assets are the net assets of the Society including the Central Fund, excluding subordinated debt liabilities and the callable layer.

Solvency coverage ratios stable and above risk appetite

Lloyd's MWSCR¹ (£m)



Lloyd's CSCR² (£m)



¹MWSCR: Market Wide SCR, calculated to cover all of the risks of 'the association of underwriters known as Lloyd's'; ²CSCR: Central SCR, calculated in respect only of the risks facing the Society and the Central Fund. After allowing for ring fenced funds and distributable profits. RFF: ring fenced funds AOF: ancillary own funds

Despite 2017 losses, return on capital has averaged 9% over the last 10 years

Return on capital					
	2013	2014	2015	2016	2017
Pre-tax result (£bn)	3.2	3.0	2.1	2.1	(2.0)
Combined ratio	86.8%	88.4%	90.0%	97.9%	114.0%
Investment return	1.6%	2.0%	0.7%	2.2%	2.7%
Gross written premiums (£bn)	25.6	25.3	26.7	29.9	33.6
Net resources ¹ (£bn)	21.1	23.4	25.1	28.6	27.6
Pre-tax ROC	16.2%	14.1%	9.1%	8.1%	(7.3%)
				5 year average	7.2%
				10 year average	9.2%

Source: Lloyd's market results, 31 December 2017, ¹Net resources: capital, reserves & subordinated loan notes and securities

Summary

Key messages

- Exceptionally difficult year in 2017
- Continue to fulfil promise to pay all valid claims
- Growth in premiums in line with focus on measured and sustainable growth and development of new products
- Speed up adoption of the market's modernisation programme
- Closing the Corporation's gender pay gap

Focus for 2018

Lloyd's enables human progress

Our vision is to be the market for specialist global insurance and reinsurance, where the world takes its risk

Strategic priorities

Market oversight

Customers & Distribution

Capital

Operations & Services

Talent

Brand

Q&A



Inga Beale
Chief Executive Officer



John Parry
Chief Financial Officer



Jon Hancock
Performance Management Director

LLOYD'S