
2018 Interim Results

Analyst Presentation

21 September 2018

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H1 2018 Financial highlights

Result before tax

£0.6bn

(H1 2017: £1.2bn)

Combined ratio

95.5%

(H1 2017: 96.9%)

Return on capital¹

4.3%

(H1 2017: 8.9%)

Investment return

0.3%

(H1 2017: 1.5%)

Net resources

£29.0bn

(FY 2017: £27.6bn)

(H1 2017: £28.0bn)

Gross written premium

£19.3bn

(H1 2017: £18.9bn)

2018 Key Priorities

The Corporation prioritised four areas to respond to immediate market challenges

Market Oversight

- Long-term unprofitable areas need to be addressed in order to close the performance gap.
- Action on all drivers of the combined ratio, which therefore includes attritional loss and expenses.

Customers and Distribution

- New insurance subsidiary in Brussels received regulatory approval by the National Bank of Belgium in May.
- Development of online platforms to make it easier to do business with Lloyd's.

Operations and Services

- Announced mandate for electronic placement of risks in March as part of the wider London Market Target Operating Model.
- Syndicates accepted 16.3% of in-scope risks through electronic placement, exceeding Q2 target of 10%.

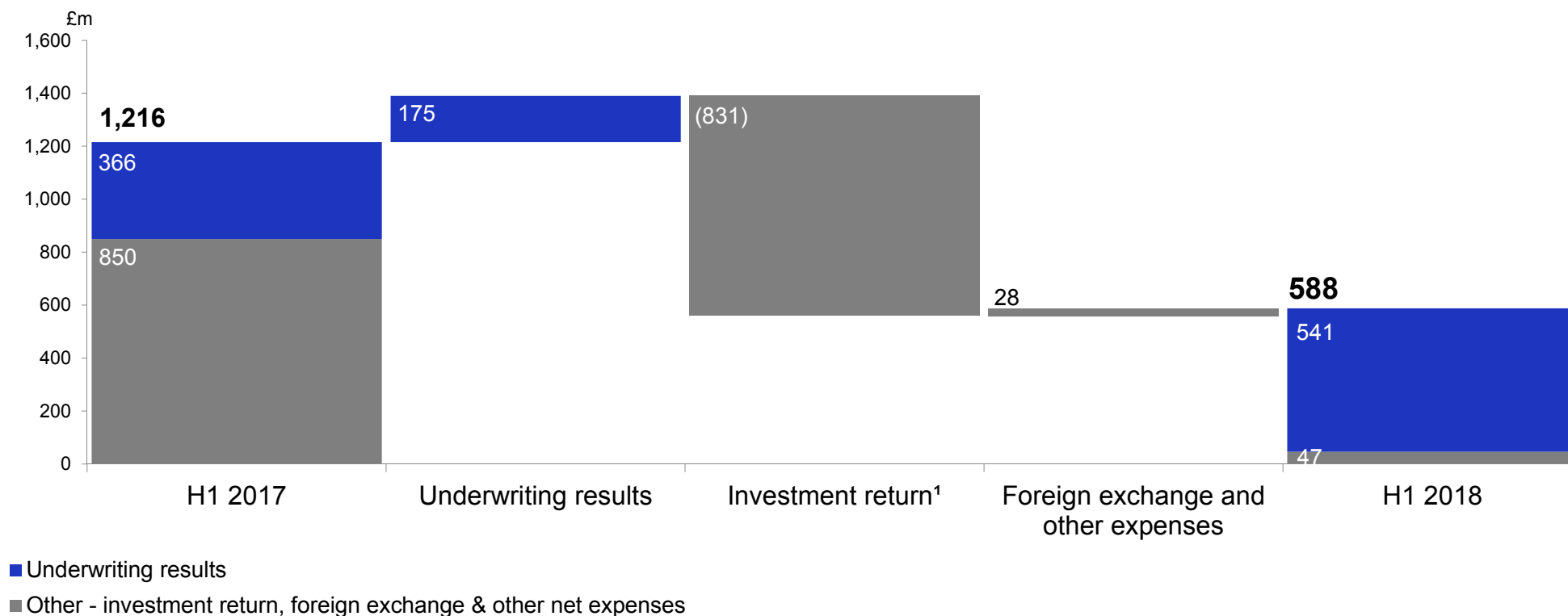
Capital

- Reaffirmation of all three Lloyd's financial strength ratings.
 - A.M. Best: A (Excellent)
 - Standard & Poor's: A+ (Strong)
 - Fitch Ratings: AA- (Very Strong)

Financials

Better underwriting result offset by lower investment return

Drivers of market result



Source: Lloyd's market results, 30 June 2018. ¹Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

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Improvement in combined ratio with firm action plans in place to deliver sustainable underwriting performance

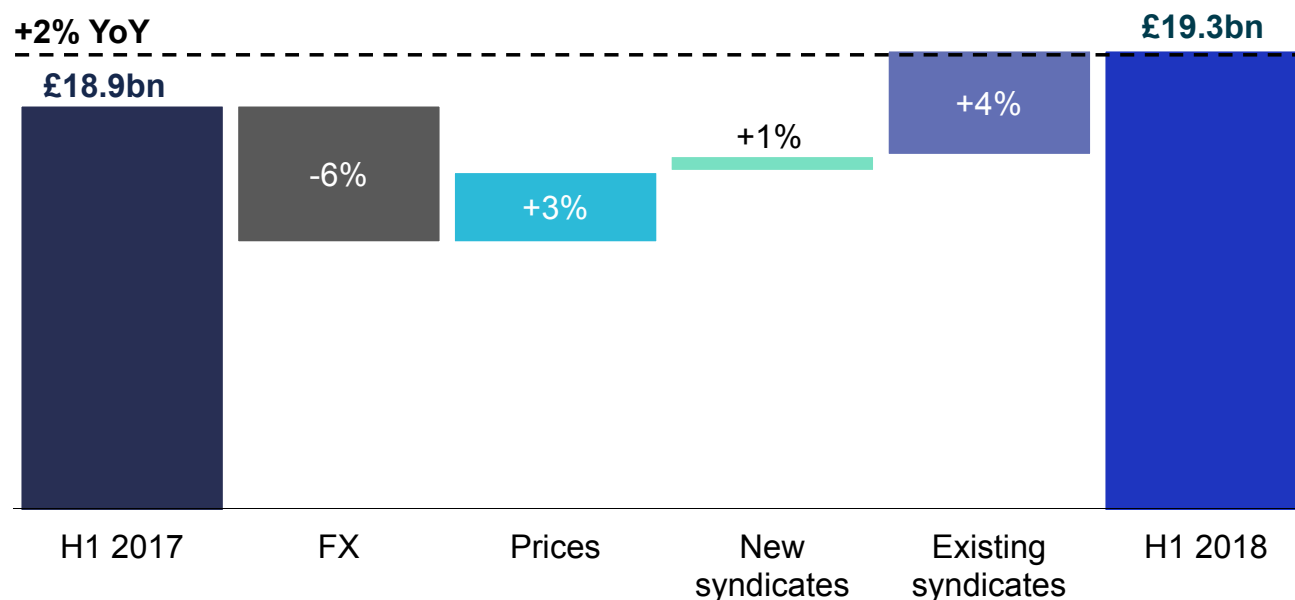
Lloyd's aggregated results				
	June 2016 £m	June 2017 £m	June 2018 £m	% change YoY
Gross written premium	16,307	18,881	19,338	2%
Net earned premium	10,533	11,981	11,986	0%
Net incurred claims	(6,048)	(6,910)	(6,738)	(2%)
Operating expenses ¹	(4,279)	(4,705)	(4,707)	0%
Underwriting result	206	366	541	48%
Net investment income ²	1,087	1,035	204	(80%)
Foreign exchange gains/(losses)	301	(28)	-	-
Other expenses	(133)	(157)	(157)	0%
Profit before tax	1,461	1,216	588	(52%)
Combined ratio	98.0%	96.9%	95.5%	

Source: Lloyd's market results, 30 June 2018. ¹Technical account, ²Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

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Modest growth supported by some pricing improvement

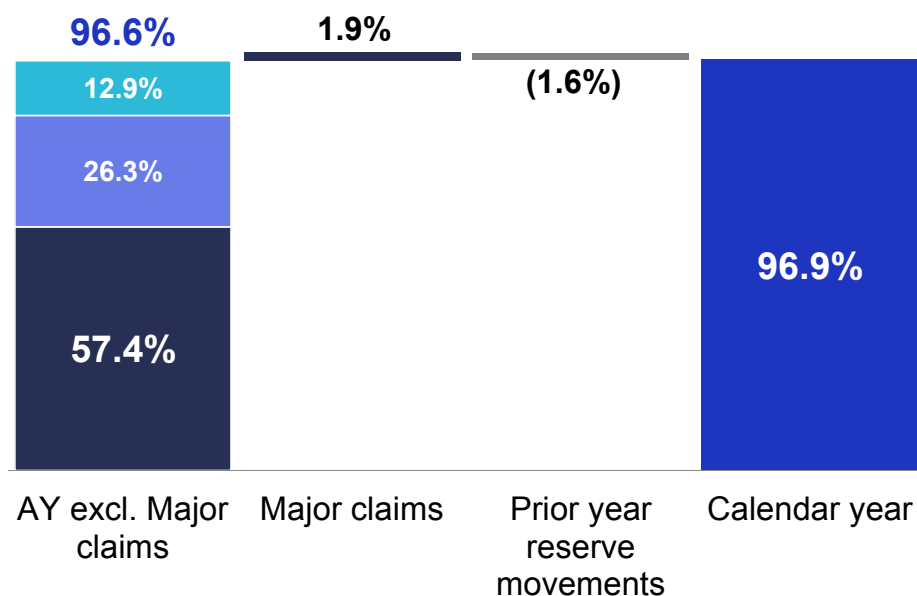
Analysis of GWP YoY % movement



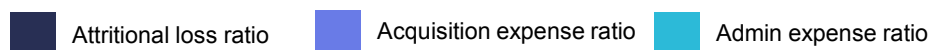
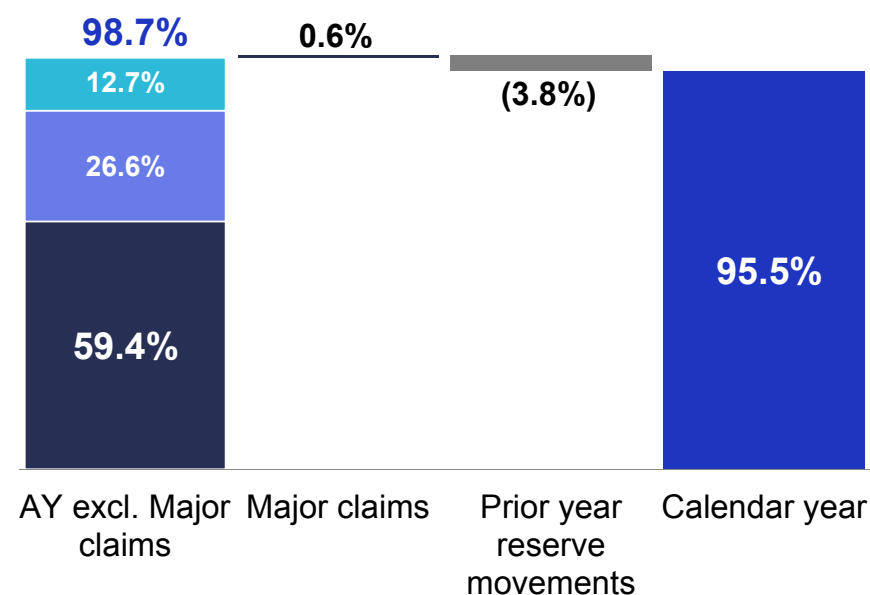
- **Prices:** increases experienced across most lines on renewal business
- **FX:** on average sterling was stronger than USD in comparison to the first six months of 2017
- **New syndicates:** 4 new (non SPA) syndicates commenced trading in 2018
- **Existing syndicates:** growth within approved plans

Lower level of major claims and increased prior year reserve releases drives improvement in combined ratio

Q2 2017 Combined ratio



Q2 2018 Combined ratio

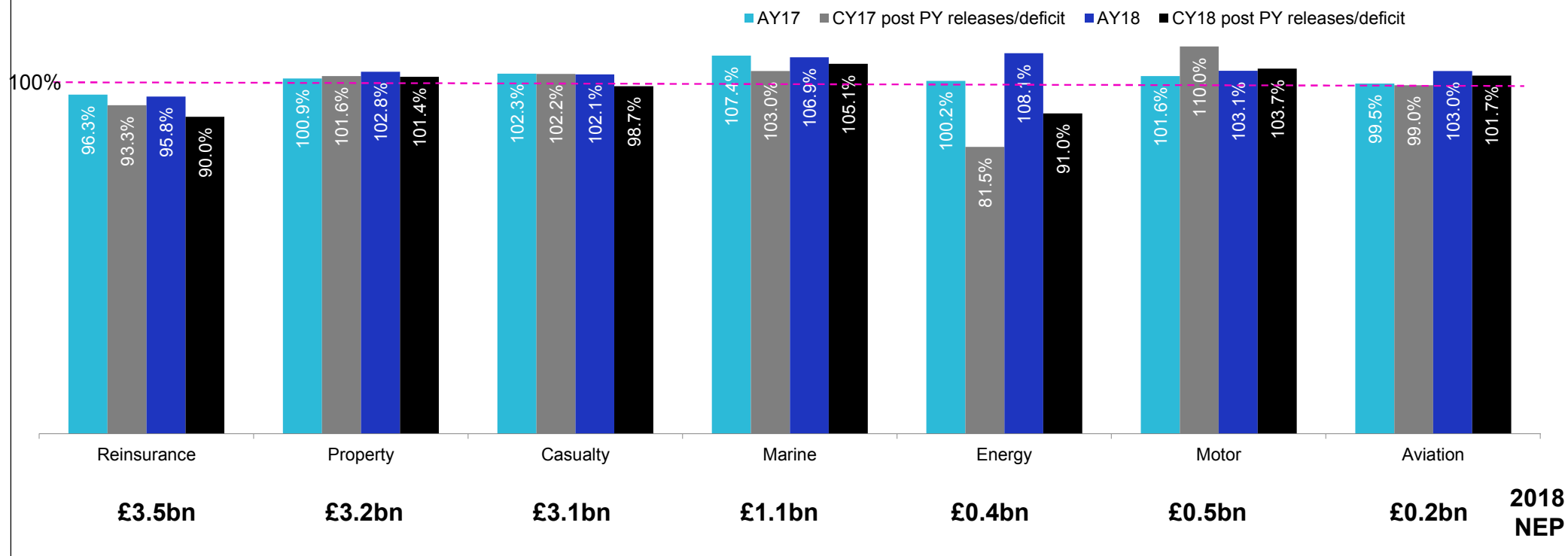


Source: Lloyd's market results, 30 June 2018. AY: Accident year. From Q4 2017, major claims for the market results are defined as events which result in a net market-wide loss of £20m or more. Previous years' ratios have not been restated. 9

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Accident year ratios under pressure but signs of improvement in certain lines of business

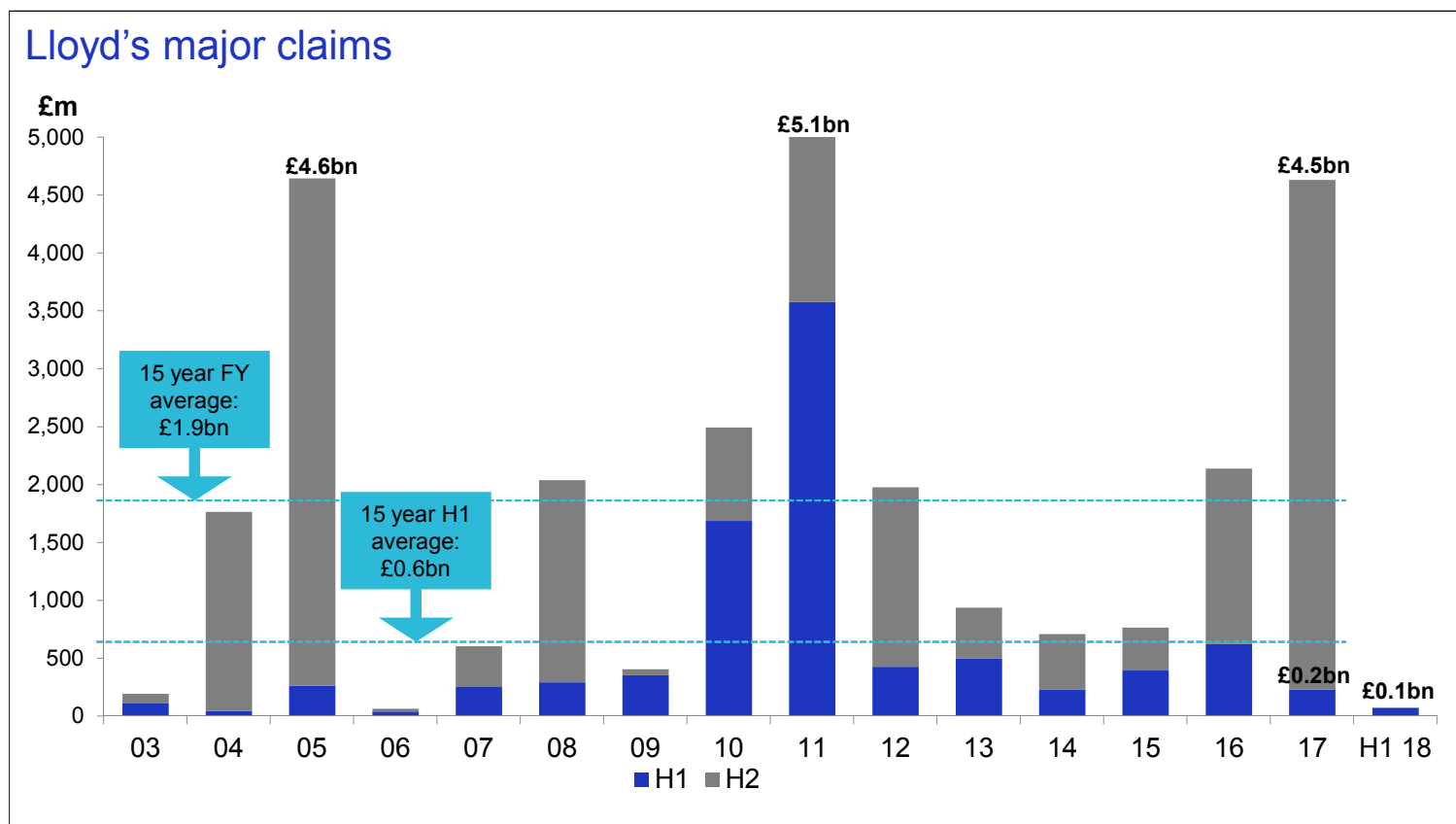
Combined ratios by line of business



Source: Lloyd's market results, 30 June 2018, NEP: net earned premium, AY: accident year, CY: calendar year. 2017 figures are June 2017.

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Low incidence of major claims in H1 2018



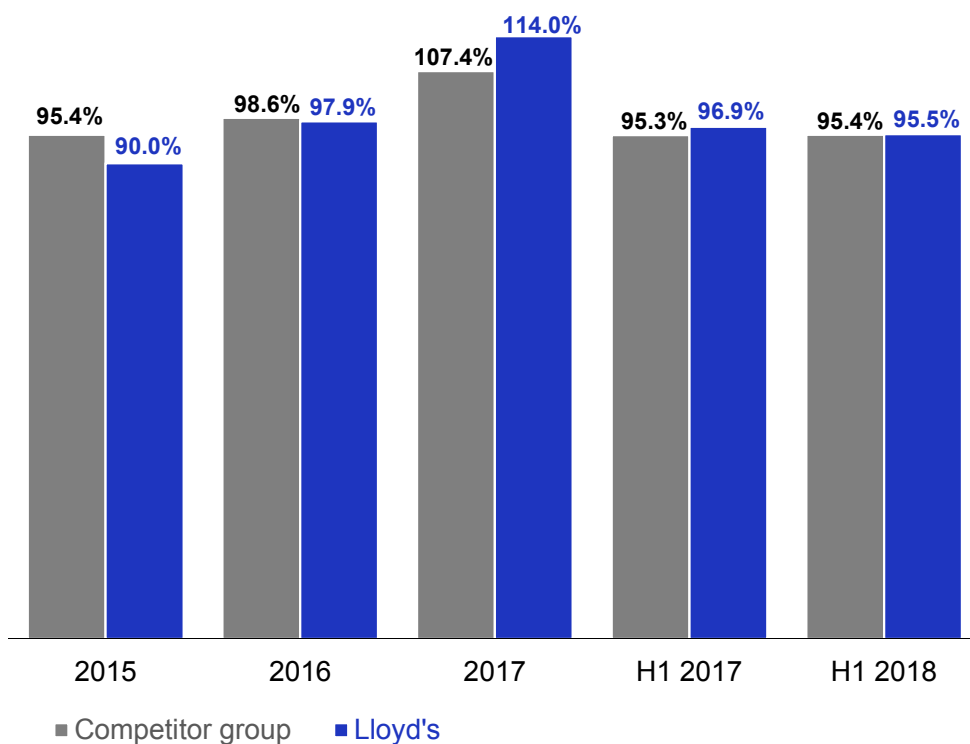
Largest major claims, net	2017 H1 £m	2018 H1 £m
Hawaii volcano	-	43
US winter storms	-	30
Cyclone Debbie	72	-
All other	153	-
Total	225	73

Source: Lloyd's market results, 30 June 2018 (previous losses indexed). Claims translated at rate of exchange prevailing at date of event.

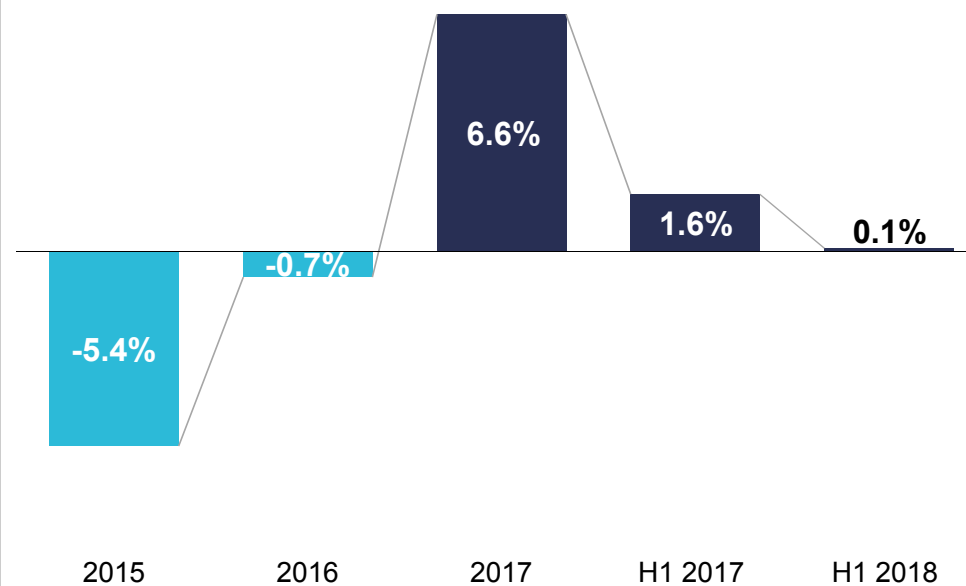
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Lloyd's combined ratio in line with competitors

Lloyd's vs competitor group



Differential

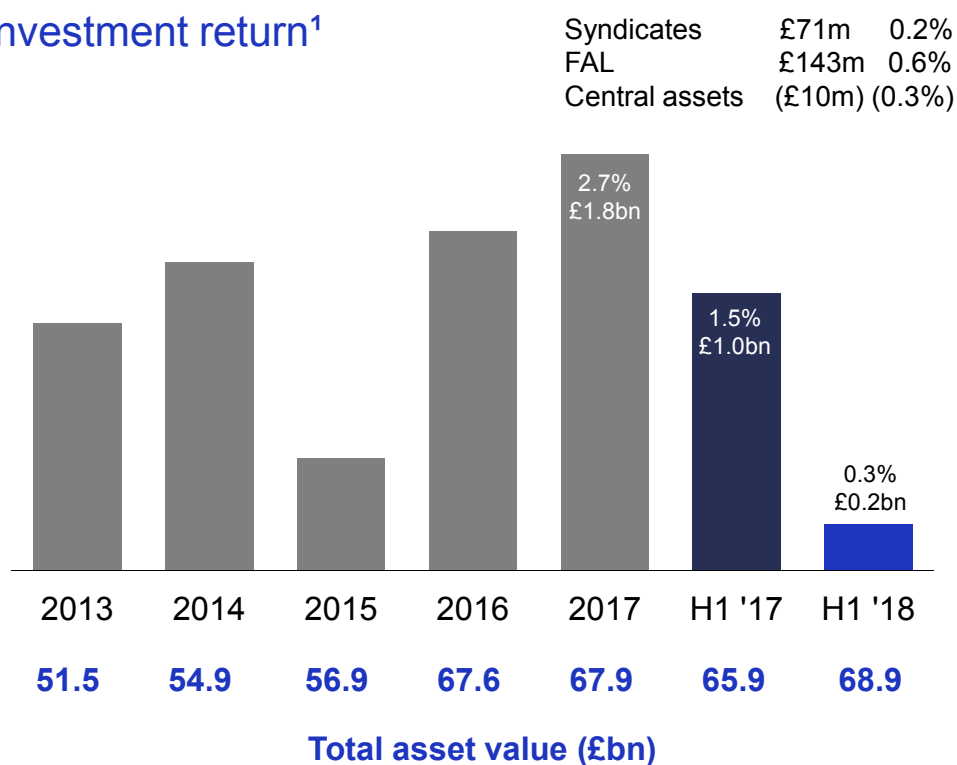


Source: Competitor financial information, 30 June 2018 and Lloyd's market results, 30 June 2018. Figures are based on companies' commercial non-life segments (i.e. excluding life business and personal lines business where possible). The competitor group represents 13 companies operating in the US, European & Bermudan markets: AIG, Allianz, Arch, Chubb, CNA Corp, Everest Re, Hannover Re, Munich Re, Partner Re, SCOR, Swiss Re, XL Catlin and Zurich.

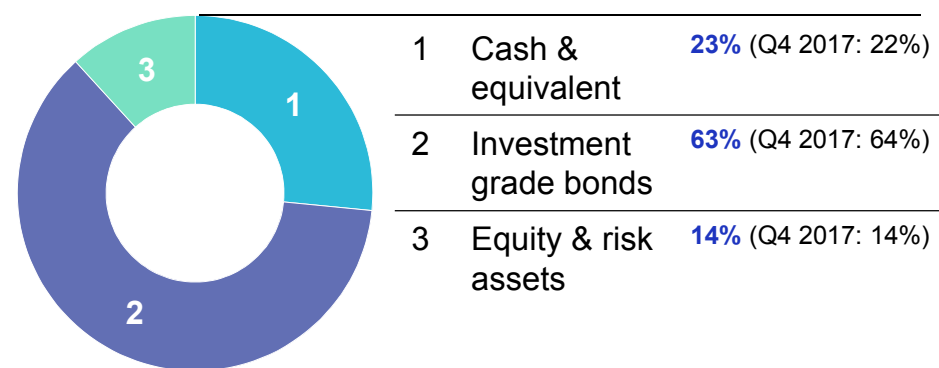
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Positive investment return despite upward shift in yields

Investment return¹



Investment disposition



- **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, 30 June 2018, ¹Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets, central assets are the gross invested assets of the Society, stated on IFRS basis.

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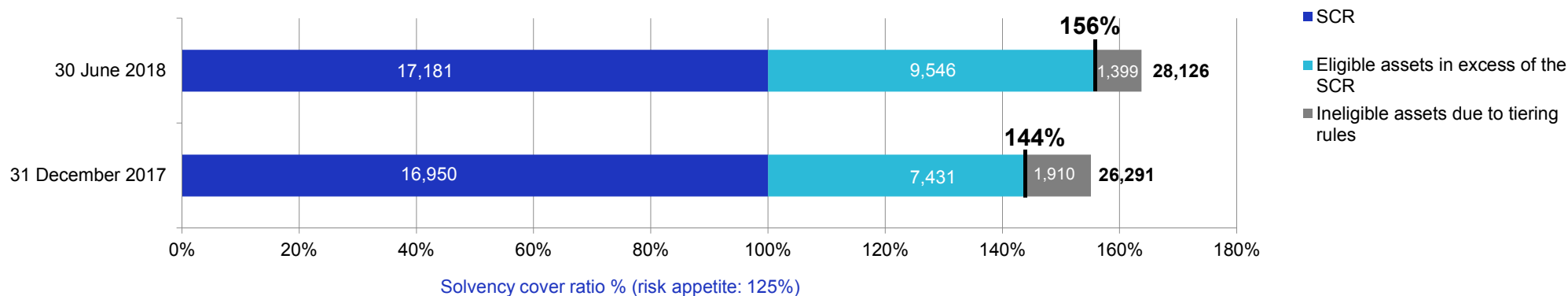
Strong balance sheet with over £29bn net resources

Balance sheet				
£m	June 2017	December 2017	June 2018	Change YTD
Cash and investments	65,941	67,902	68,925	2%
Reinsurers' share of unearned premiums	4,422	3,372	5,431	61%
Reinsurers' share of claims outstanding	11,963	16,811	16,526	(2%)
Other assets	23,122	20,311	24,832	22%
Total assets	105,448	108,396	115,714	7%
Gross unearned premiums	(19,212)	(16,377)	(19,869)	21%
Gross claims outstanding	(47,373)	(54,893)	(54,477)	(1%)
Other liabilities	(10,884)	(9,566)	(12,323)	29%
Net resources	27,979	27,560	29,045	5%
Member assets	25,074	24,579	25,930	5%
Central assets ¹	2,905	2,981	3,115	4%
Central SCR coverage ratio	211%	215%	218%	
Market-wide SCR coverage ratio	147%	144%	156%	

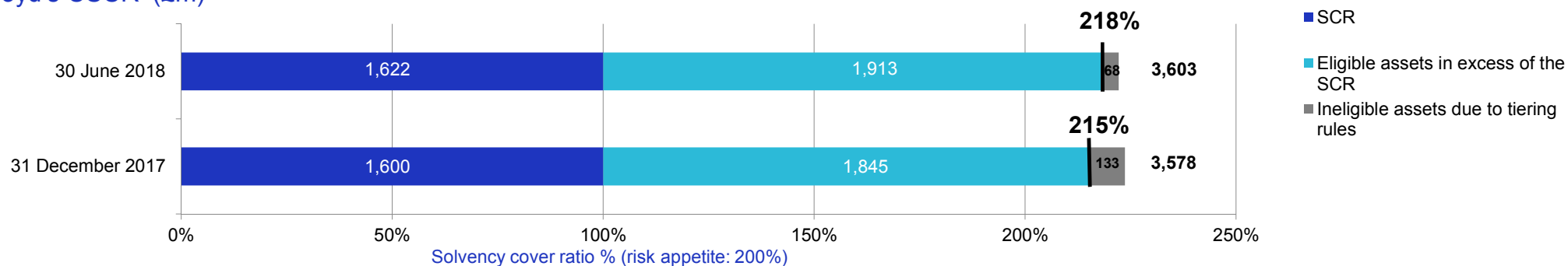
Source: Lloyd's market results, 30 June 2018. ¹Central assets are the net assets of the Society including the Central Fund, excluding subordinated debt liabilities and the callable layer.

Solvency ratios above risk appetite, a notable increase in market-wide coverage

Lloyd's MWSCR¹ (£m)



Lloyd's CSCR² (£m)



¹MWSCR: Market-wide SCR, calculated to cover risks of 'the association of underwriters known as Lloyd's'; ²CSCR: Central SCR, calculated to cover only the risks facing the Society and the Central Fund. After allowing for ring fenced funds and distributable profits.

Ten year average return on capital stands at over 8%

Return on capital						
	2014	2015	2016	2017	H1 2017	H1 2018
Pre-tax result (£bn)	3.0	2.1	2.1	(2.0)	1.2	0.6
Combined ratio	88.4%	90.0%	97.9%	114.0%	96.9%	95.5%
Investment return	2.0%	0.7%	2.2%	2.7%	1.5%	0.3%
Gross written premiums (£bn)	25.3	26.7	29.9	33.6	18.9	19.3
Net resources ¹ (£bn)	23.4	25.1	28.6	27.6	28.0	29.0
Pre-tax ROC	14.1%	9.1%	8.1%	(7.3%)	8.9%	4.3%
				5 year average ²		5.1%
				10 year average ²		8.3%

Source: Lloyd's market results, 30 June 2018, ¹Net resources: capital, reserves & subordinated loan notes and securities. ²Based on H1 2018 return annualised.

Classification: Unclassified

Summary

Next steps

Improving underwriting performance

Continue to focus on improving the Lloyd's market long-term performance

Taking positive action to address underperformance

Customers and Distribution

Lloyd's Bridge pilot
– an online portal for new binder or coverholder business

Lloyd's Workbench pilot
– a coverholder quote and bind system

Lloyd's Lab
– innovation accelerator

Enhancing access to Lloyd's through technology

Higher adoption rates for electronic placement of risks

New solution for gathering delegated authority data

Streamlining claims is the next focus

Lloyd's Brussels

Operational and ready to write business in the European Economic Area from 1 January 2019

Q&A



Inga Beale
Chief Executive Officer



John Parry
Chief Financial Officer



Jon Hancock
Performance Management Director

LLOYD'S