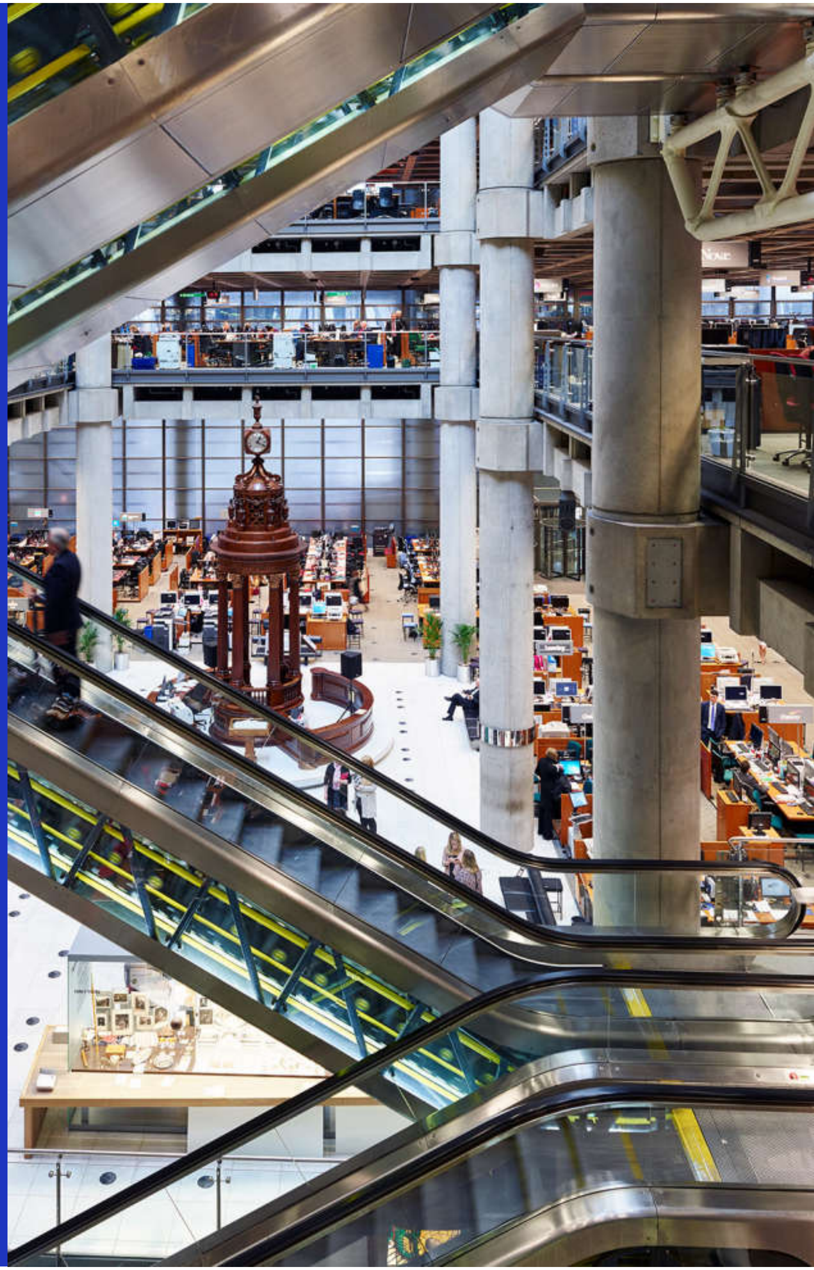
LLOYD'S

Lloyd's 2019 Half Year Results Analyst Presentation

18 September 2019

Overview

John Neal
Chief Executive Officer



2019 half year results show underlying improvements

Gross written premium
£19.7bn
HY 2018: £19.3bn

Rate increase
3.9%
HY 2018: 3.1%

Combined ratio
98.8%
HY 2018: 95.5%

Profit before tax
£2.3bn
HY 2018: £0.6bn

Investment income
£2.3bn
HY 2018: £0.2bn

Investment return
3.2%
HY 2018: 0.3%

Net resources
£32.4bn
FY 2018: £28.2bn

Central solvency
266%
FY 2018: 249%

Source: Lloyd’s market results, 30 June 2019.

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2019 half year results show underlying improvements

Commentary

- Profit before tax of £2.3bn underpinned by a combined ratio of 98.8%.
- Gross written premiums of £19.7bn represents a 1.8% increase over the same period in 2018.
- The elimination of foreign exchange rate movements and growth from new syndicates shows a like-for-like year-on-year reduction of 2.6%. The net impact of a 6.5% reduction in business volumes and an average risk adjusted rate increase on renewal business of 3.9%.
- These changes reflect the strengthened underwriting discipline being applied in 2019 post the underwriting performance seen in 2017 and 2018.
- The combined ratio of 98.8% is a 3.3% increase compared to June 2018 due to a combination of higher individual risk losses and lower prior year releases in the first half of 2019.
- The 2019 underwriting year shows a reduction in the attritional loss ratio when compared to the 2018 underwriting year.
- Investment income of £2.3bn boosted by unrealised gains from reducing US and UK bond yields as well as robust returns from equities in the first six months of 2019.
- The quality of our balance sheet remains strong with our overarching solvency coverage ratio increasing to 266%.

Source: Lloyd's market results, 30 June 2019.

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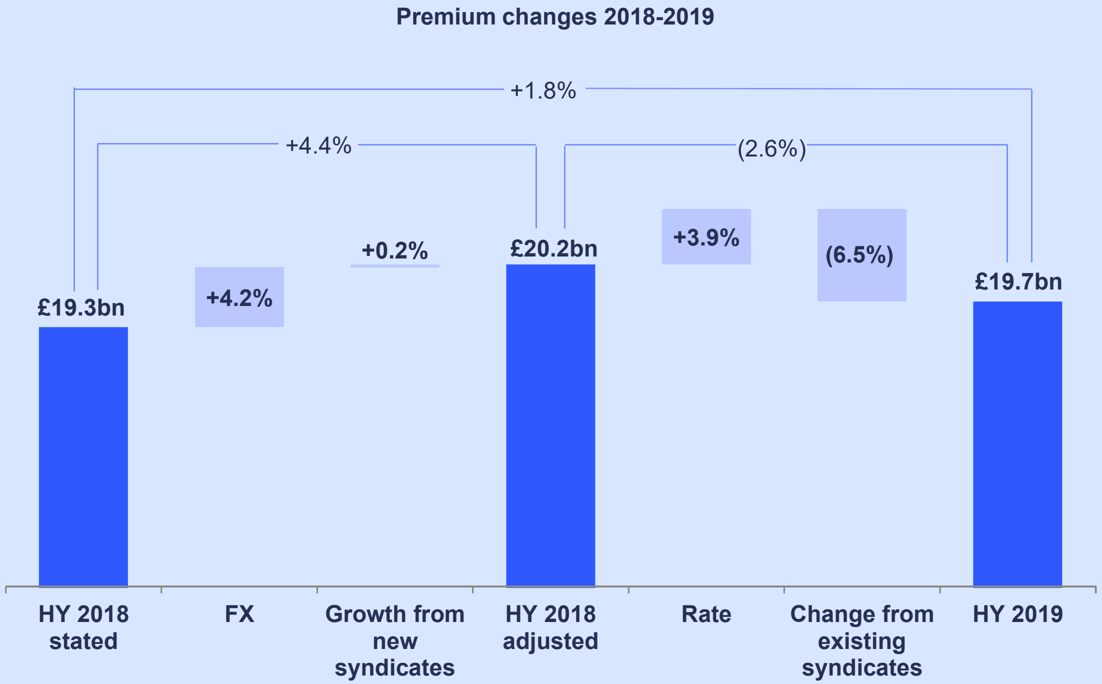
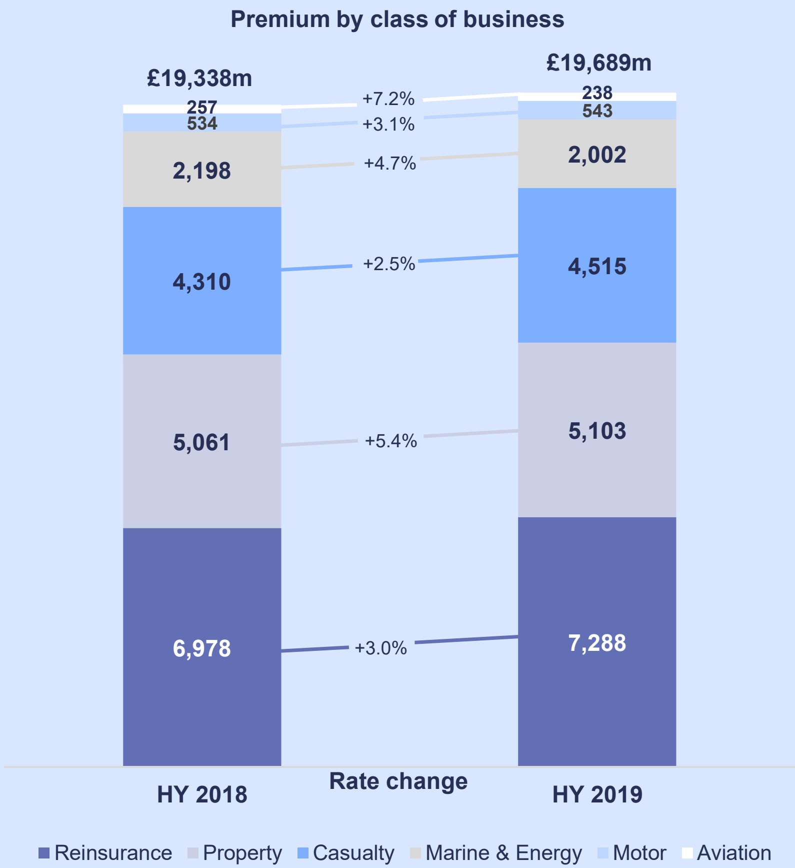
Improved underwriting discipline on the premium line





Source: Lloyd's market results, 30 June 2019.

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Improved underwriting discipline on the premium line

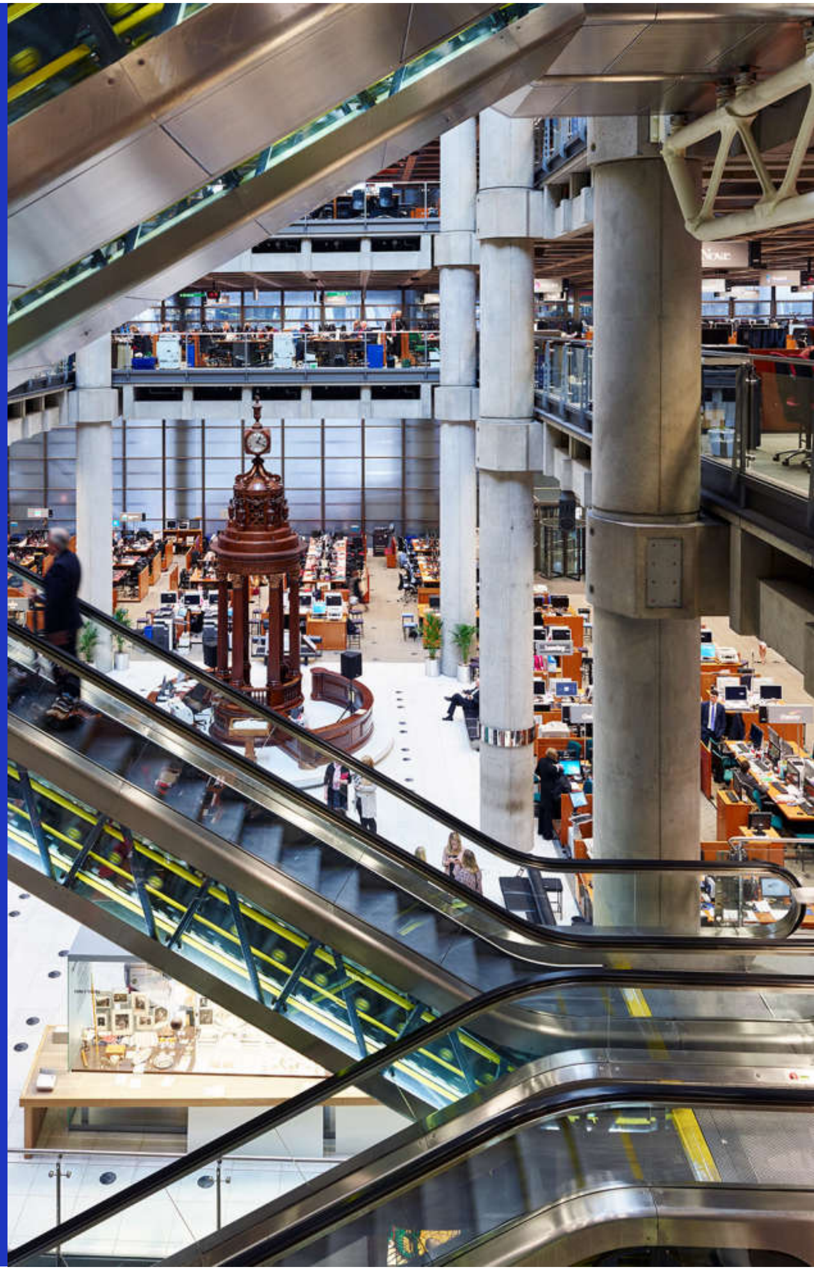
Commentary

- 2019 half year gross written premiums of £19.7bn represents a 1.8% increase over the same period in 2018.
- Foreign exchange movement driven by USD strengthening against GBP throughout the first half of 2019 led to a nominal growth of 4.2%.
- New syndicates represented 0.2% in premium growth.
- The elimination of foreign exchange rate movements and growth from new syndicates shows a like-for-like year-on-year reduction of 2.6%.
- While conditions in the market remain highly competitive, there have been risk adjusted rate increases across the majority of classes of business, most notably, property, marine and aviation.
- These changes reflect strengthened underwriting discipline being applied in 2019 post the underwriting performance seen in 2017 and 2018.
- Lloyd's remains focused on performance management to ensure the market maintains this momentum throughout the remainder of 2019 and beyond.

Source: Lloyd's market results, 30 June 2019.

Financials

Burkhard Keese
Chief Financial Officer



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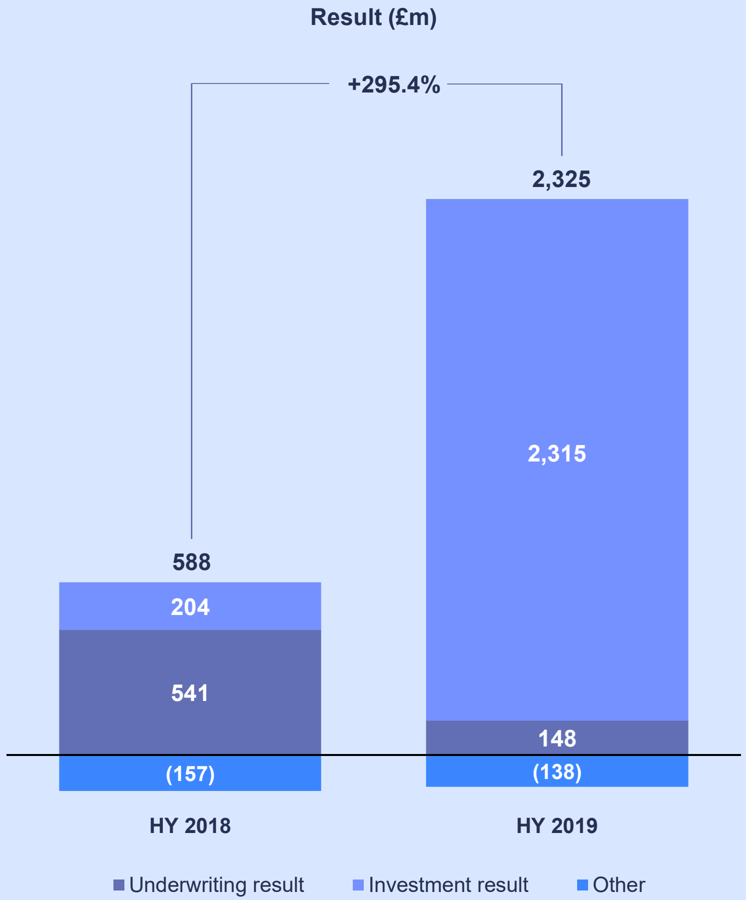
ProForma Profit and Loss Summary

£m / %	HY 2018	HY 2019	Change YoY
Gross written premium	19,338	19,689	1.8%
Net earned premium	11,986	12,685	5.8%
Loss ratio	56.2%	60.7%	4.5%
Expense ratio	39.3%	38.1%	(1.2%)
Acquisition cost ratio	26.6%	26.9%	0.3%
Admin expenses ratio	12.7%	11.2%	(1.5%)
Combined ratio	**95.5%**	**98.8%**	**3.3%**
Investment return	0.3%	3.2%	2.9%
Profit before tax	**588**	**2,325**	**295.4%**



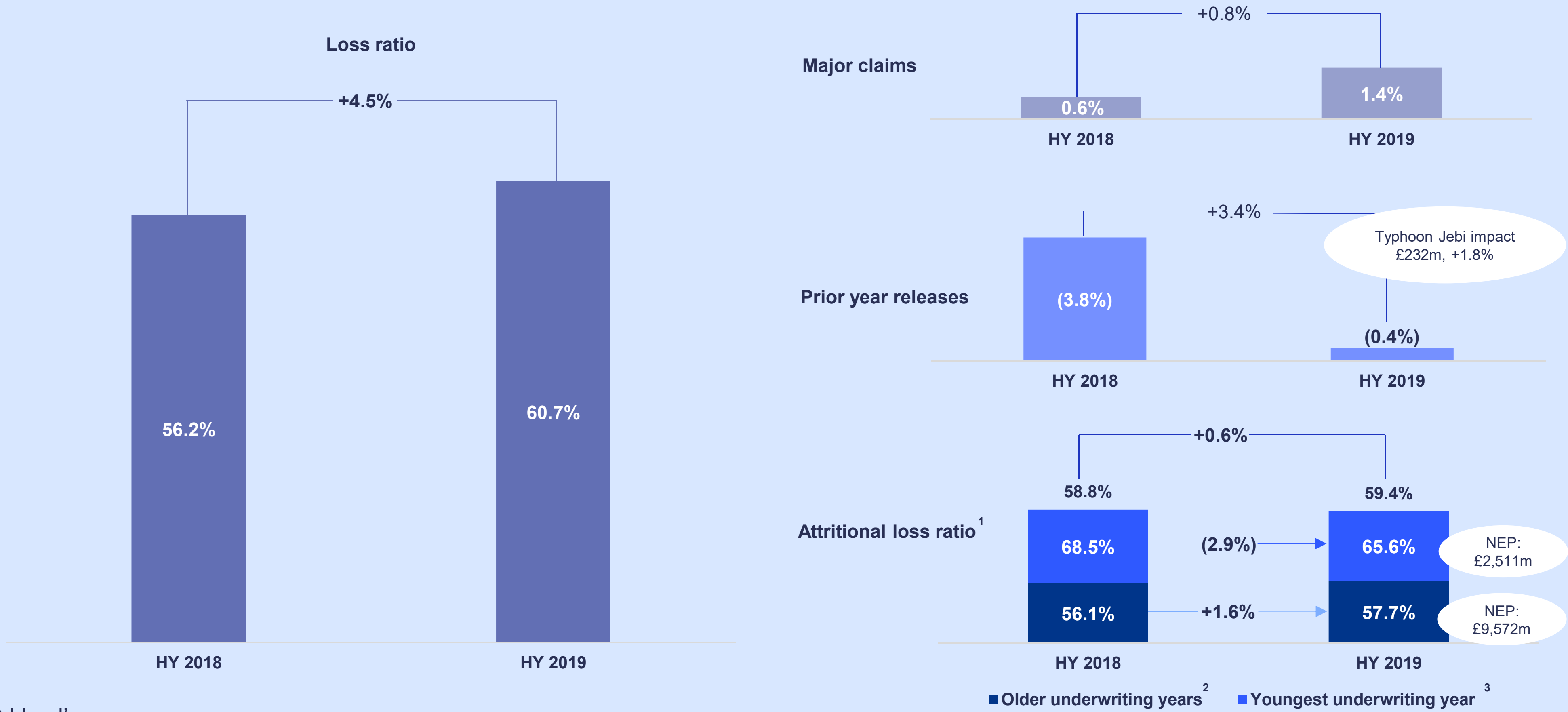
Source: Lloyd's market results, 30 June 2019.

ProForma Profit and Loss Summary

- We paid out £11.6bn to our customers and delivered on our promise to pay claims.
- Gross written premiums of £19.7bn represents a 1.8% increase over the same period in 2018.
- Overall, the operating expense ratio has reduced by 1.2% in the period, from 39.3% in 2018 to 38.1% in 2019.
- Lower administrative expenses, reflecting the continued effort by the market to manage its controllable costs, contributed a 1.5% reduction whilst there was a small increase, 0.3%, in the acquisition cost ratio from changes in the mix of business.
- Mark to market movements led to significant gains in fair value and investment income was strong at £2.3bn.

Source: Lloyd's market results, 30 June 2019.

Attritional loss ratio shows clear signs of improvement



1: Attritional loss ratio is presented for active syndicates only. Including all syndicates changes the totals to 59.4% for HY 2018 and 59.7% for HY 2019 (0.3% increase overall); 2: At HY 2019 the older underwriting years are 2018 and prior (HY 2018: 2017 and prior); 3: At HY 2019 the youngest underwriting year is 2019 (HY 2018: 2018).

Attritional loss ratio shows clear signs of improvement

- We paid out £11.6bn, a 17% increase on the previous year (June 2018: £9.9bn), to our customers and delivered on our promise to pay claims.
- Major claims contributed 1.4% (£176m) to the combined ratio, an increase of 0.8% (£103m) on the previous year (June 2018: 0.6%).

Largest major claims, net (£m)	HY 2019
Boeing 737 related losses	60
Grand Bahama Shipyard	38
Brumadinho Dam	33
Houston Fire	24
Star Centurion Sinking	21
Total	**176**

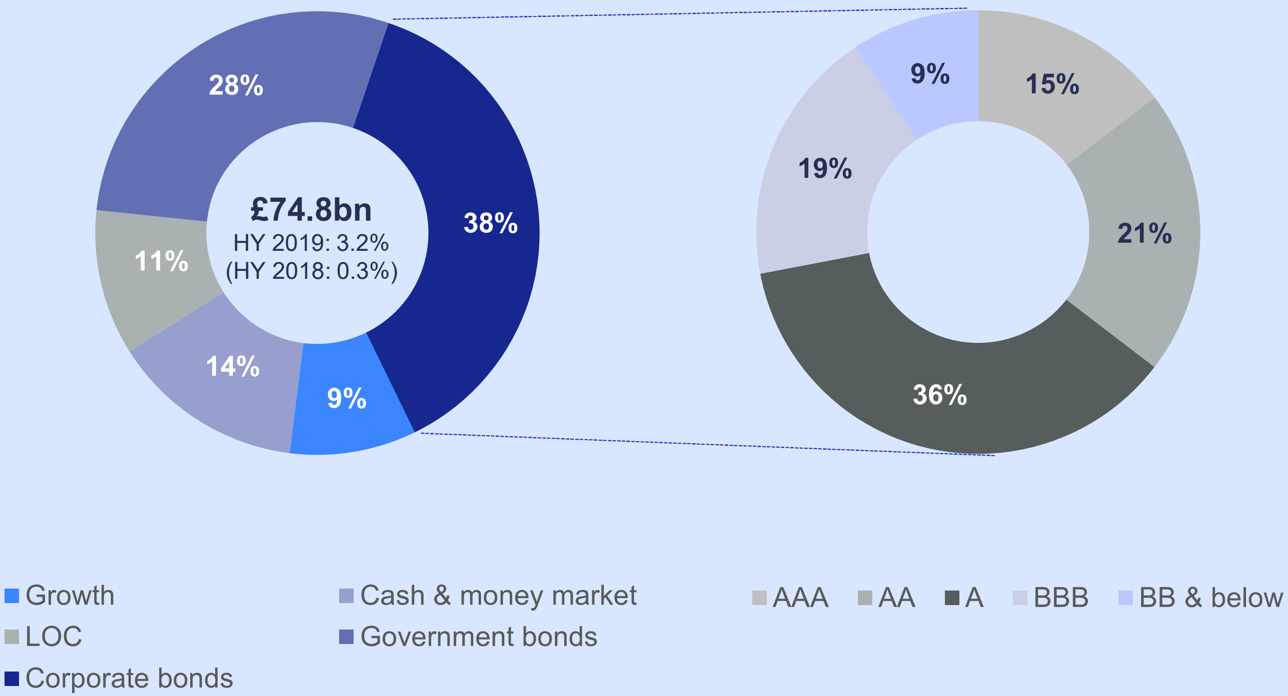
- Prior year reserve releases of £52m or 0.4% (June 2018: £451m or 3.8%) are below our 5-year average (at the half-year stage) of £434m, or 3.8%.
- Latent claim development in the 2017 and 2018 underwriting years, including Typhoon Jebi, have significantly deteriorated the half year 2019 loss ratio.
- The half year 2019 loss ratio was further deteriorated by additional reserve strengthening to offset attritional losses on older underwriting years, particularly on longer-tail lines of business such as casualty.
- The 2019 underwriting year shows a 2.9% reduction in the attritional loss ratio when compared to the 2018 underwriting year at the same point in time.

Source: Lloyd's market results, 30 June 2019.

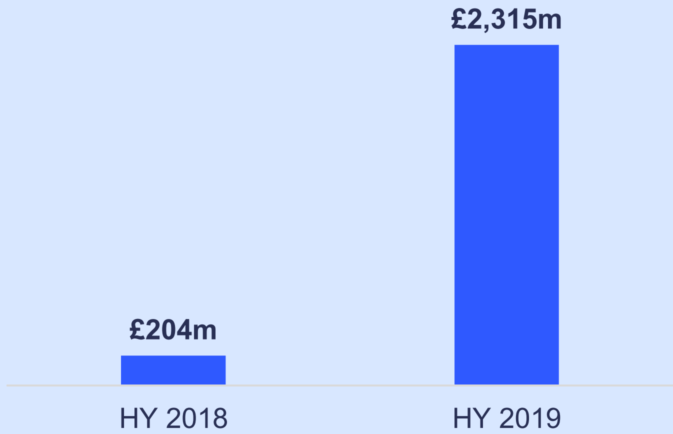
Market conditions drive improved investment result

Asset allocation as at 30 June 2019

Corporate bonds by credit rating



Investment income



Source: Lloyd's market results, 30 June 2019.

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Commentary

Market conditions drive improved investment result

- Equities rebounded from the lows of 2018 producing strong returns in H1 2019.
- Corporate bond spreads also narrowed reflecting a similar positive theme.
- Government bond yields fell as Central Banks shifted to a more supportive policy stance, particularly in the US.

- Mark to market movements led to significant gains in fair value and investment return was very strong at £2.3bn.
- Our asset allocation remains conservative and unchanged.
- Total investments and cash increased from £68.9bn to £74.8bn, largely resulting from fair value increases.

Source: Lloyd's market results, 30 June 2019.

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Consistently strong reserves

Syndicate level

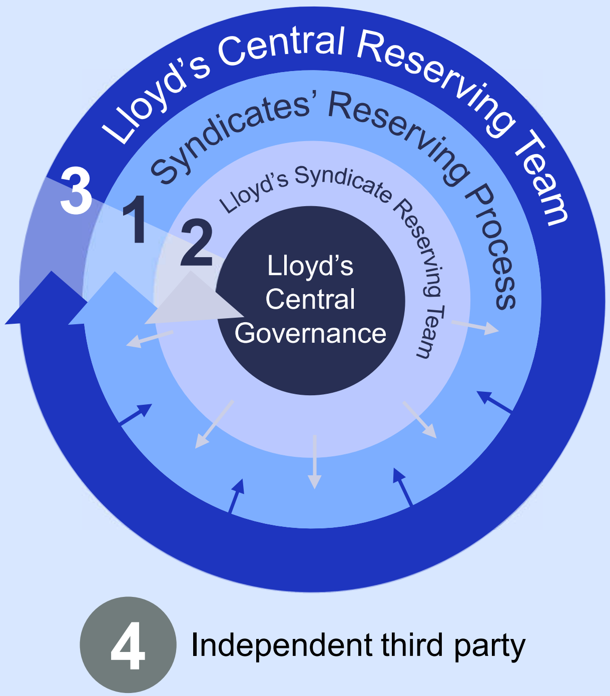
1 Syndicate view

- All syndicates hold reserves at a best estimate.
- 71% of all syndicates reserve higher than best estimate.

2 Signing actuary view

- Independent signing actuaries confirm significant surplus over all syndicates, exceeding the bottom up assessment of the syndicates.

Robust Reserving Oversight



Market aggregate level

3 Central Lloyd's view

- The central projection of reserves concludes that the overall market reserves are above the 75th percentile.

4 Independent view

- An independent reserve review confirms the reserve adequacy and the level of surplus estimated by the Corporation.

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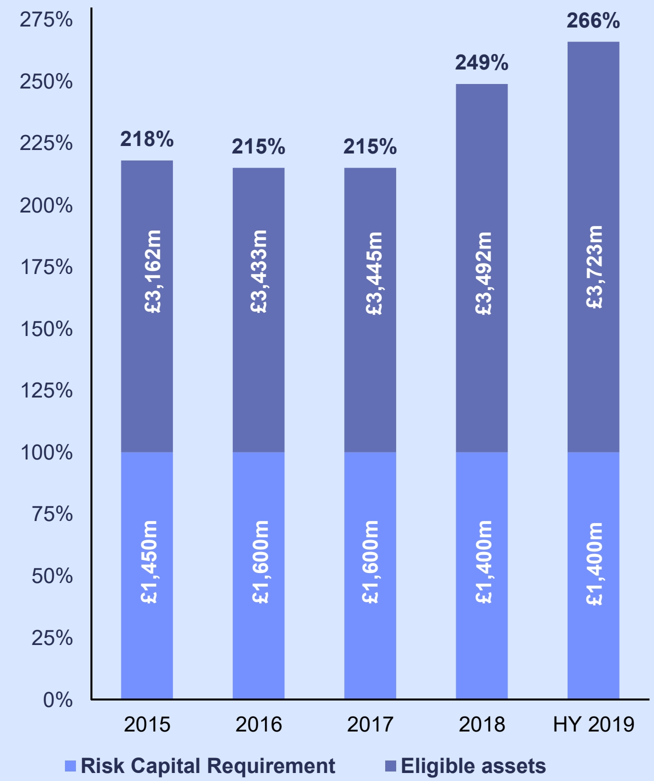
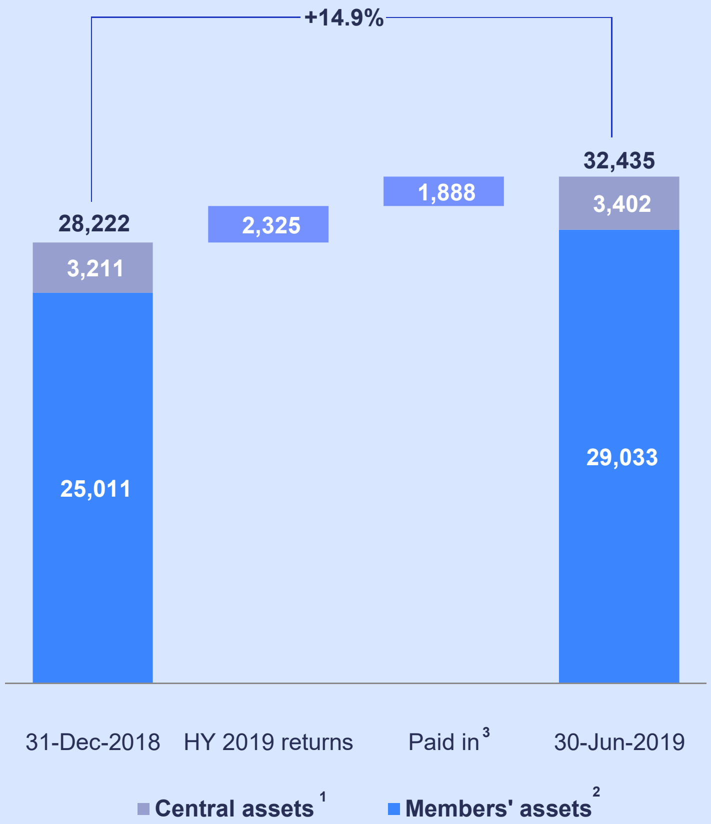
Superior capital position further strengthened

Lloyd's central solvency and coverage ratio



Movements in capital and reserves 31 December 2018 – 30 June 2019 (£m)



Lloyd's financial strength ratings affirmed May-July 2019

A+ (Strong)	Standard & Poor's
A (Excellent)	A.M. Best
AA- (Very Strong)	Fitch Ratings

Source: Lloyd's market results, 30 June 2019.

1 Central assets include subordinated debt. 2 Members' assets include syndicate members' balance. 3 Coming into line capital movements and other.

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Superior capital position further strengthened

Commentary

- Lloyd's central solvency coverage ratio increased to 266% (December 2018: 249%), demonstrating strength of the balance sheet.

- The market-wide solvency coverage ratio increased to 172% (December 2018: 148%), due to an increase in eligible capital which outweighs the increase in the market-wide SCR. However, we advise that the assets are not fungible.

Market-wide solvency coverage ratio (£m)	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**HY 2019**
Eligible assets	20,662	24,764	24,381	26,239	30,592
Risk capital requirement	14,150	17,200	16,950	17,750	17,750
Coverage ratio	**146%**	**144%**	**144%**	**148%**	**172%**

- Despite the poor performance of the 2017 and 2018 underwriting years, the market was able to grow its capital base by 14.9%.

- Strong movements in net resources of £1.9bn from member contributions and £2.3bn from half year 2019 earnings.

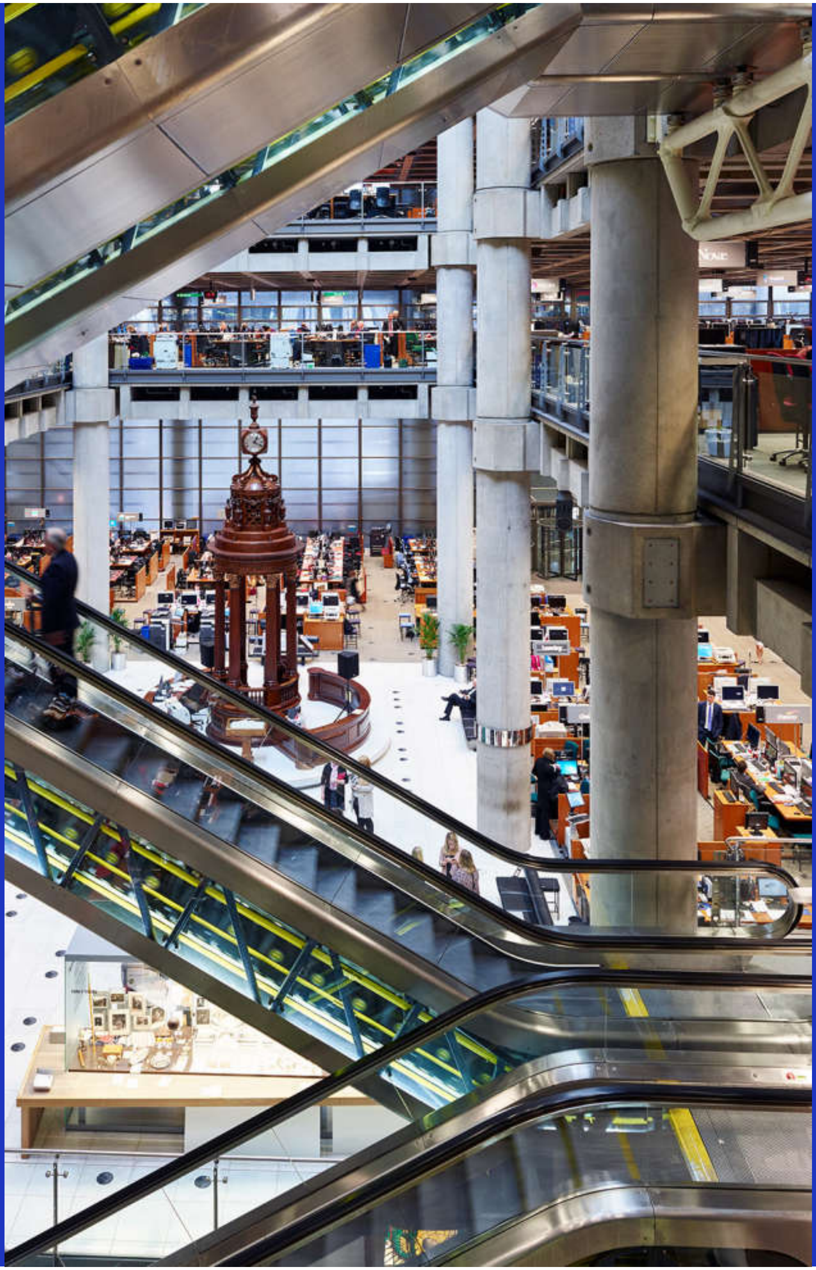
HY 2019 results split	**£m**
Syndicates	1,042
Society	232
Return on members' funds at Lloyd's	1,051
Total	**2,325**

- Lloyd's strong financial strength ratings reaffirmed at A (Excellent) by A.M. Best, AA- (Very Strong) by Fitch Ratings and A+ by Standard & Poor's. Standard & Poor's took the decision to revise its outlook from negative to stable based on Lloyd's level of capital exceeding 'AA' level.

Source: Lloyd's market results, 30 June 2019.

Our priorities

John Neal
Chief Executive Officer



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Our Priorities

Performance

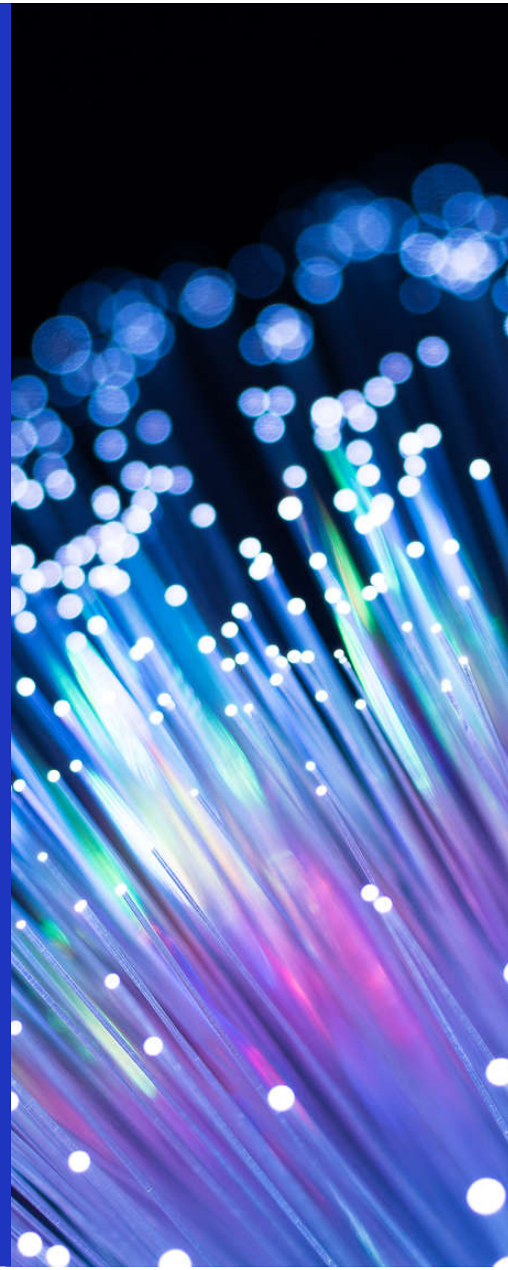
- Combined ratio below 100% in the medium term
- Strong underwriting discipline continues to be enforced

Strategy

- Future at Lloyd's – Blueprint One release on 30 September 2019
- Detailed planning to drive execution certainty

Culture

- Lloyd's market wide culture survey
- Action plan to transform good intentions into measurable progress



Sharing risk to create a braver world

Appendix

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Composition of the results

Component of result and KPI	HY 2015			HY 2016			HY 2017			HY 2018			HY 2019		
	£m	KPI	% of result	£m	KPI	% of result	£m	KPI	% of result	£m	KPI	% of result	£m	KPI	% of result
Investment result **Investment return %**	339	0.6%	28%	1,087	1.8%	74%	1,035	1.5%	85%	204	0.3%	35%	2,315	3.2%	100%
Net underwriting result **Combined ratio %**	1,053	89.5%	88%	206	98.0%	14%	366	96.9%	30%	541	95.5%	92%	148	98.8%	6%
Other expenses and FX	(198)	–	(16%)	168	–	12%	(185)	–	(15%)	(157)	–	(27%)	(138)	–	(6%)
Total profit	**1,194**	**–**	**100%**	**1,461**	**–**	**100%**	**1,216**	**–**	**100%**	**588**	**–**	**100%**	**2,325**	**–**	**100%**

Source: Lloyd's market results, 30 June 2019.

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ProForma Balance Sheet

£m	FY 2017	FY 2018	HY 2019	Change
Cash and investments	67,902	71,240	74,761	+5%
Reinsurers' share of unearned premiums	3,372	3,853	5,627	+46%
Reinsurers' share of claims outstanding	16,811	19,541	19,469	–
Other assets	20,311	23,374	26,810	+15%
Total assets	**108,396**	**118,008**	**126,667**	**+7%**
Gross unearned premiums	(16,377)	(17,868)	(20,483)	+15%
Gross claims outstanding	(54,893)	(60,450)	(59,668)	(1%)
Other liabilities	(9,566)	(11,468)	(14,081)	+23%
Net resources	**27,560**	**28,222**	**32,435**	**+15%**
Member assets	24,579	25,011	29,033	+16%
Central assets	2,981	3,211	3,402	+6%

Source: Lloyd's market results, 30 June 2019.

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