LLOYD'S

Full Year results

2023

Twelve months ended 31 Dec

Overview

John Neal, Chief Executive Officer

Sustainable performance backed by strategic execution

Sustaining our performance

- **Consistent financial performance**

  *Combined ratio excluding major claims comparable to 2022 at **80.5%***

- **Double digit premium growth**

  ***11.6%** increase with **4%** organic growth*

- **High quality balance sheet**

  *Improved central solvency ratio to **503%***

  *Reserve margin of **£4.6bn***

  *Financial strength ratings **improved***

Executing our strategy

- **Solid progress against our four strategic priorities**

  *Improving **performance***

  *Continued progress on **digitalisation***

  *Showing **purpose-driven** leadership*

  *Progress on our **culture** targets*

- **Embedding principles-based oversight and performance management framework**

  *Differentiated approach providing **focus** where improvement is needed and **freedom** where it is not*

  *Supporting **enterprise thinking** through data and innovation to reduce cost and create growth*

Profitable market delivering sustainable value for customers and capital partners

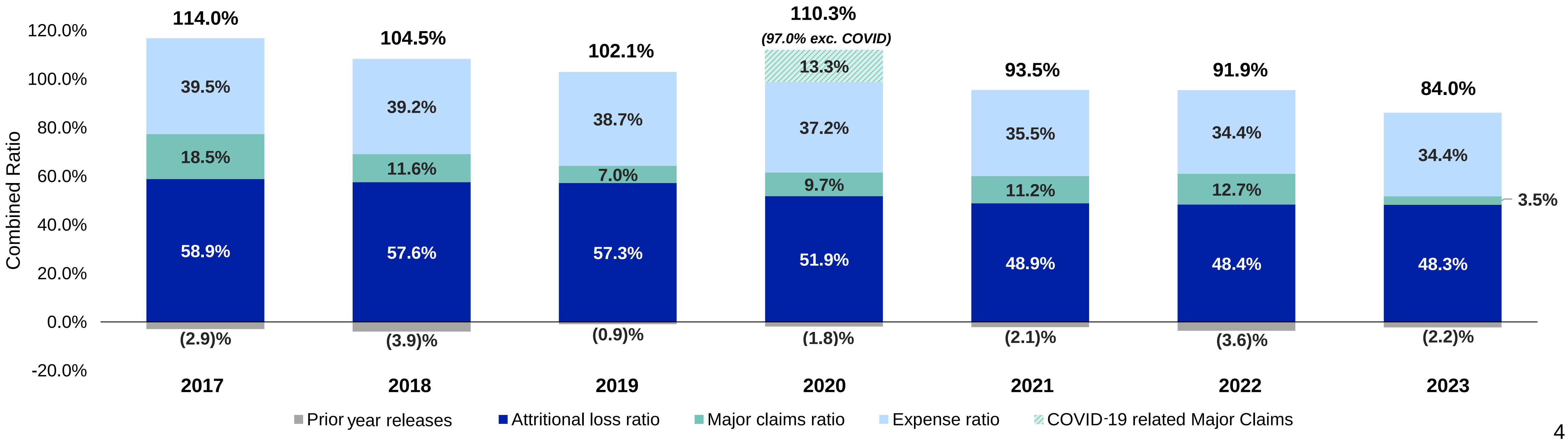
Sustainable, profitable performance and growth

£52.1bn
Gross written premium

84.0%
Combined ratio

£5.3bn
Investment result

£10.7bn
Profit before tax



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Executing our strategic priorities

Performance

- Outstanding underwriting with **combined ratio of 84%** in a low large loss year
- Consistent growth with **gross written premium** up 11.6% to **£52.1bn** (7% price, 4% growth)
- Exceptionally strong capital position with central solvency ratio of **503%**
- Return to investment yields generating total return of **£5.3bn**

Digitalisation

- Phase one **technology build will complete** in July 2024
- Cutover of **phase one moved to October 2024**, providing market participants with additional time to complete testing and assurance
- The new platform will **boost resilience** and **reduce friction** for market participants
- Once delivered Blueprint Two will offer greater access to **data and insights** for market participants

Purpose

- Working with market to agree a three-year roadmap for **'insuring the transition'**
- New partnership with **UN Capital Development Fund** to build disaster resilience in climate-vulnerable countries
- Working with **36 innovative charities** and **2,000 market volunteers** through the Lloyd's of London Foundation

Culture

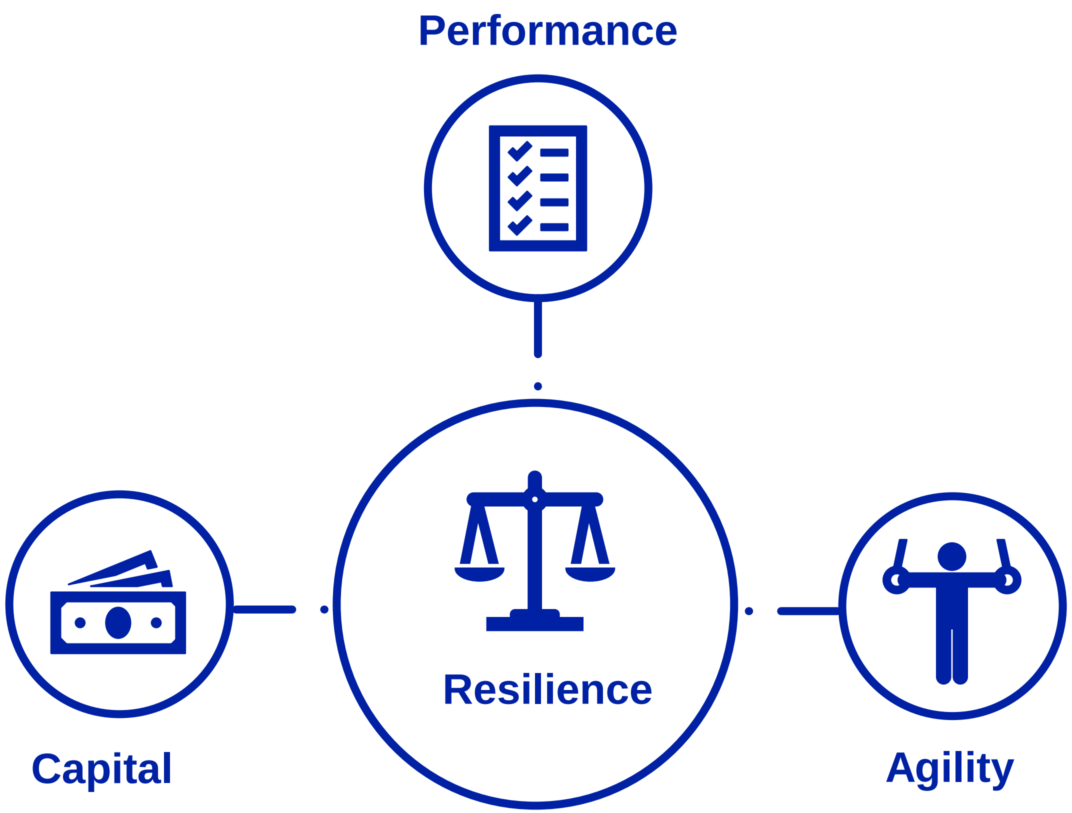
- Fifth Market Policies & Practices return shows **solid progress** towards a more diverse market
- Met **35% women in leadership target** with progress towards **one in three** ethnicity hiring ambition
- Launching **Inclusive Futures** to support Black and ethnically diverse talent from classroom to boardroom
- **Winning awards**[1] for programmes supporting ethnic diversity, future leaders and veterans among others

[1] See Culture slide in the Appendix

Financials

Burkhard Keese, Chief Financial Officer

In uncertain times, resilience is key



Outstanding 2023 to be maintained

FY 2023 Result		FY 2023 vs FY 2022
£52.1bn	Gross written premium	+£5.4bn
25.3%	Return on capital	+27.3%pts
84.0%	Combined ratio	(7.9)%pts
£10.7bn	Profit before tax	+£11.4bn

2023 Results Context

2023 Performance

84.0% COR, including 3.5% major losses

25.3% return on capital

10-year US treasury rate is ~4%

BUT

Multi-Year Perspective

Underlying COR (ex-large losses) on 2022 level

Between 2017 and 2023, £1.5bn profit and 3.6% return on capital

US CPI is 3.1%, real interest rate is 0.9%

Growth continues with price adequacy in most classes

£52.1bn

Gross written premium

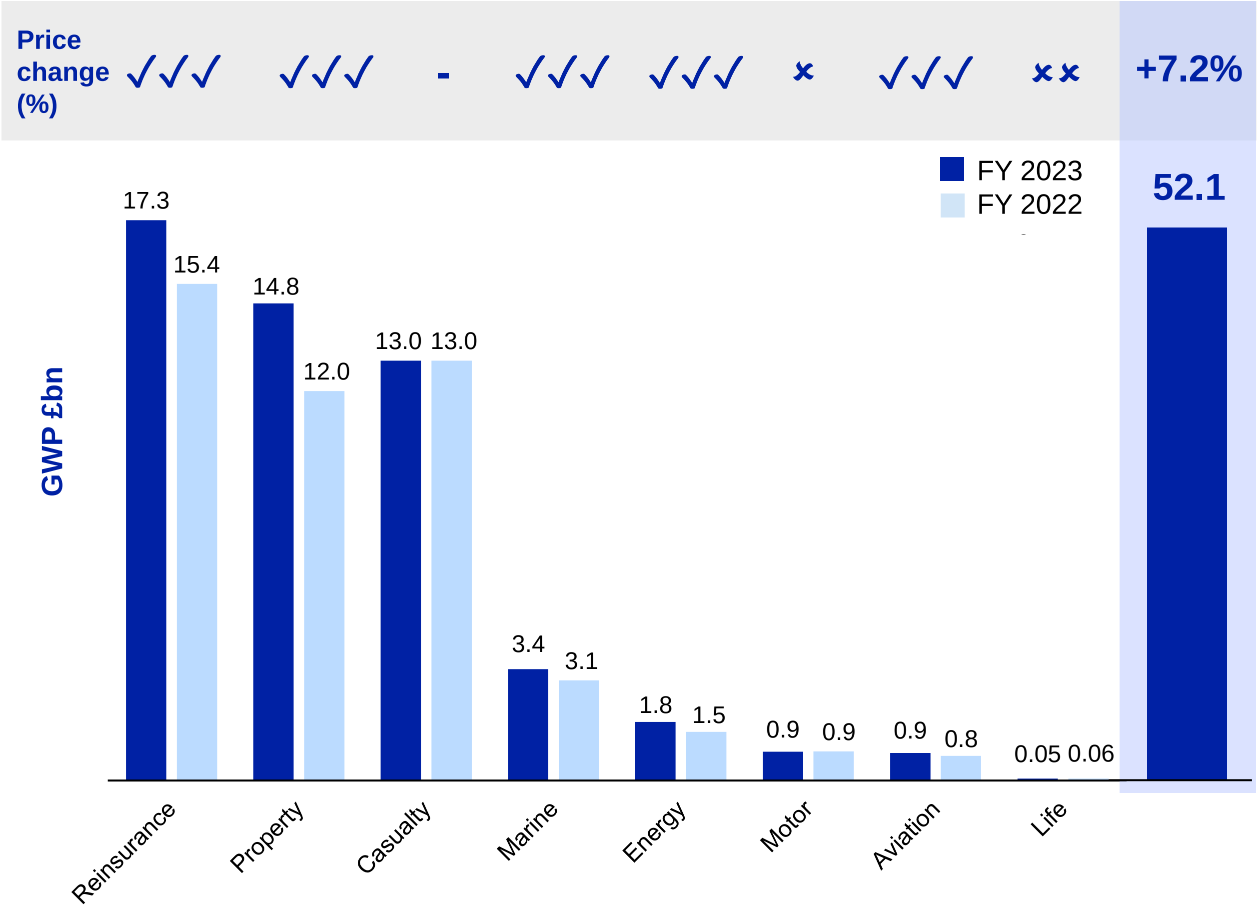
FY 2023

11.6%

Growth

FX	0.1%
Price	7.2%
Volume growth	4.3%

24 consecutive quarters of positive price improvement



✓ indicates 0%-5% price improvement
✓✓ indicates 5%-10% price improvement
✓✓✓ indicates 10%+ price improvement

× indicates 0%-5% price deterioration
× × indicates 5%-10% price deterioration
× × × indicates 10%+ price deterioration

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Revenue growth reflects balanced strategy

Price

7.2%

FY 2023

7.7%

FY 2022

- Strong price improvement has been experienced across all classes of business, in particular the Property and Reinsurance business lines offset by slightly less attractive conditions in Casualty

Volume growth

4.3%

FY 2023

Growth new syndicates	Growth existing syndicates
1.5%	**2.8%**

- New syndicates contributed 1.5% growth to premium income. The new syndicates comprise two traditional syndicates, two SIABs and one SIAB transitioning to a full syndicate during 2023
- Growth from existing syndicates contributed 2.8% to the premium increase for the period
- Volume in line with our strategy of balanced growth. Syndicates grow where conditions allow and forgive volume where conditions are unsatisfactory. Particularly in D&O and Cyber, where we grew less than expected because of unattractive conditions, together with the FX impact, explains our gap to our ambition of £56bn

Underlying combined ratio remains stable

	FY 2023 Result	FY 2023 vs FY 2022
Combined ratio	84.0%	(7.9)%pts
Underlying combined ratio[1]	80.5%	1.3%pts
Attritional loss ratio	48.3%	(0.1)%pts
Major claims	3.5%	(9.2)%pts
Prior Year Releases	(2.2)%	(1.4)%pts

[1] Underlying combined ratio calculation: combined ratio excluding Major Claims

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Key ratios remain stable

Major claims

1.3bn
FY 2023

4.1bn
FY 2022

Major claims (£bn)	2023
Cyclone Gabrielle	0.2
Middle East Earthquake	0.3
New Zealand Floods	0.1
Sudan Conflict	0.1
Hawaii Wildfires	0.4
Hurricane Idalia	0.2
TOTAL	**1.3**

Attritional loss ratio

48.3%
FY 2023

48.4%
FY 2022

- Attritional loss ratio is as expected on prior year levels

Expense ratio

34.4%
FY 2023

34.4%
FY 2022

- Acquisition cost ratio: 22.6% (-0.8%) Admin expense ratio:11.8% (+0.8%)

Prior Year releases

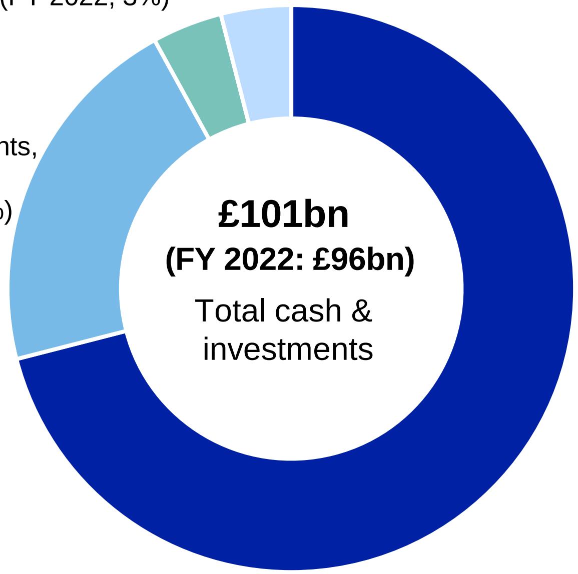
(2.2)%
FY 2023

(3.6)%
FY 2022

- Releases reported across all lines of business other than specialty reinsurance, casualty reinsurance
- Property releases were driven by favourable developments
- Casualty releases were driven by loss portfolio transfers
- The casualty releases follow strengthening of market reserves of almost £950m for the past four years

Strong investment return forecast to continue

Conservative asset allocation



FY 2022 Results	FY 2023 Results	2024 Forecast [2]
£1.7bn Investment income	**£3.9bn** Investment income	**c.£3bn** Investment income forecast
£(3.7)bn[1] Fixed income price variance	**£0.9bn**[1] Fixed income price variance	**c.£0.8bn**[1] Fixed income price and mark-to-market variance
£(3.1)bn Investment return	**£5.3bn** Investment return	**c.4%** Total investment performance

[1] Analytically derived
[2] Subject to financial markets, F/X, and unpredictable economic developments.
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Strong balance sheet recognised in S&P upgrade to AA-

FY 2023 Result	FY 2023 vs FY 2022
207% Market-wide solvency[1]	**+26%pts**
503% Central solvency[1]	**+91%pts**
£45.3bn Total capital	**+5.1bn**
£4.6bn Reserve margin	**+0.8bn**

Financial strength ratings and outlook

AA- Fitch Ratings	**Stable**
AA- KBRA	**Stable**
AA- S&P Global	**Stable**
A A.M. Best	**Positive**

[1] The 2019 tranche of syndicate loans will be repaid on the fifth anniversary of commencement, being 29 March 2024, reducing the CSCR by 7%, with no impact to the MWSCR. Further, the subordinated debt maturing in 2024 currently accounts for 1% of the MWSCR and 26% of the CSCR.

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Strong approach to major event reserving and capital setting

Proactive approach

- Early recognition of how much losses may ultimately cost limits surprises on the balance sheet
- Probability weighted exposure- based reserving based on full range of scenarios
- Ensure different outcomes are reflected at appropriate return periods for capital
- Independent reserve and capital oversight carried out by Lloyd's centrally in conjunction with independent actuarial reserve reviews and model validation

Ability to manage complex losses

- COVID-19 net ultimate stable at £3.2bn, including 21% IBNR (on a gross basis) after three years as at 2023YE
- £1.9bn net ultimate for Ukraine losses as at 2023YE, including 78% net IBNR
- Established process for getting a deep understanding of major events and uncertainties. We are well versed in dealing with complexity
- Central and Syndicate capital setting includes variety of event outcomes and oversight process ensures capitalisation is adequate

Reserve margins and capital to reflect uncertainty

- 2.2% prior year reserve release in 2023
- Margins are strong enough to digest unexpected claims movement such as inflation
- Track record of consistent prior year reserve releases over the last 5 years

London Bridge sees growth in investments

2023 debrief

By the end of 2023, London Bridge had raised over $750 million in capital to support underwriting at Lloyd's across 13 cells.

Solid progress on London Bridge's transactions and initiatives:

- LB2 successfully issued its first 144A cat bond, sponsored by Beazley
  - Using New York as the governing law for the principal transaction documentation, it provided protection for Beazley's Lloyd's syndicates, US E&S insurer, and Irish carrier
  - Positive media coverage highlighting the ease and efficiency of using the LB2 platform
  - Transaction provides valuable roadmap for other Market participants to follow
- Growth in existing investments:
  - Increased participation for Ariel Re
  - New cell supporting Nephila
  - Material distribution of profits from 2023 YoA (>$50mn)

Resilient profitability and Capital position

Strong overall profitability

Sustainable premium growth

Improving yield environment

High quality balance sheet

Resilient profitability and Capital position

Sustainable premium growth

11.6%
Premium growth

7.2%
Price

4.3%
Volume

Strong overall profitability

£5.9bn
Underwriting result

84.0%
Combined ratio

80.5%
Underlying combined ratio

£5.3bn
Investment return

£10.7bn
Profit before tax

Improving yield environment

£2.2bn
More investment income (dividends and coupons) than FY22

£8.4bn
More investment return than FY22

High quality balance sheet

Upgraded to AA-,
stable outlook by S&P

207%
Market-wide solvency

503%
Central solvency

£45.3bn
Total capital

Looking ahead

John Neal, Chief Executive Officer

Sustainable performance, growth and strategic progress

Reliable performance and resilient capital remain our overarching priorities

Commercial strategy to grow the market in both size and share of the global corporate and specialty book

Innovating and collaborating to show Lloyd's value in solving complex challenges

Digitalisation and data to make a resilient, data-led and future-proofed marketplace

Fit for purpose Corporation making it easier to do business with and in Lloyd's

Telling the Lloyd's story well to attract talent, capital and innovators

Outlook

2023 Results	2024 Outlook[1]
£52.1bn Gross written premium	**£57bn +/- 5%** Gross written premium
84% Combined ratio	**90-95%** Combined ratio
£5.3bn Investment result	**~4%** Investment return

[1] Subject to financial markets, F/X, unpredictable economic developments, and major losses within normal expected range.

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