
2017 Interim Results

Analyst Presentation

Disclaimer

This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. It is the responsibility of any person publishing, downloading or communicating the contents of this document or communication, or any part thereof, to ensure compliance with all applicable legal and regulatory requirements.

The content of this presentation does not represent a prospectus or invitation in connection with any solicitation of capital. Nor does it constitute an offer to sell securities or insurance, a solicitation or an offer to buy securities or insurance, or a distribution of securities in the United States or to a U.S. person, or in any other jurisdiction where it is contrary to local law. Such persons should inform themselves about and observe any applicable legal requirement.

Progress on the 2017 strategic priorities

Market Conditions

Focus on underwriting discipline to balance protection and growth

Brexit

Significant progress towards a fully operational subsidiary in Brussels in 2018

Solvency II & Capital

Enhanced risk assessment under the Lloyd's internal model
Highly successful Tier 2 subordinated bond issuance in January 2017

London Market Target Operating Model

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

Corporation Operating Model

Being rolled out with cost efficient streamlined services

H1 2017 Financial Highlights

Profit before tax

£1.2bn

(H1 2016: £1.5bn)

Profit excl. fx

£1.2bn

(H1 2016: £1.2bn)

Underwriting profit

£0.4bn

(H1 2016: £0.2bn)

Return on capital

8.9%

(H1 2016: 11.7%)

Combined ratio

96.9%

(H1 2016: 98.0%)

Investment return

1.5%

(H1 2016: 1.8%)

Net resources

£28.0bn

(H1 2016: £26.6bn)

Gross written premium

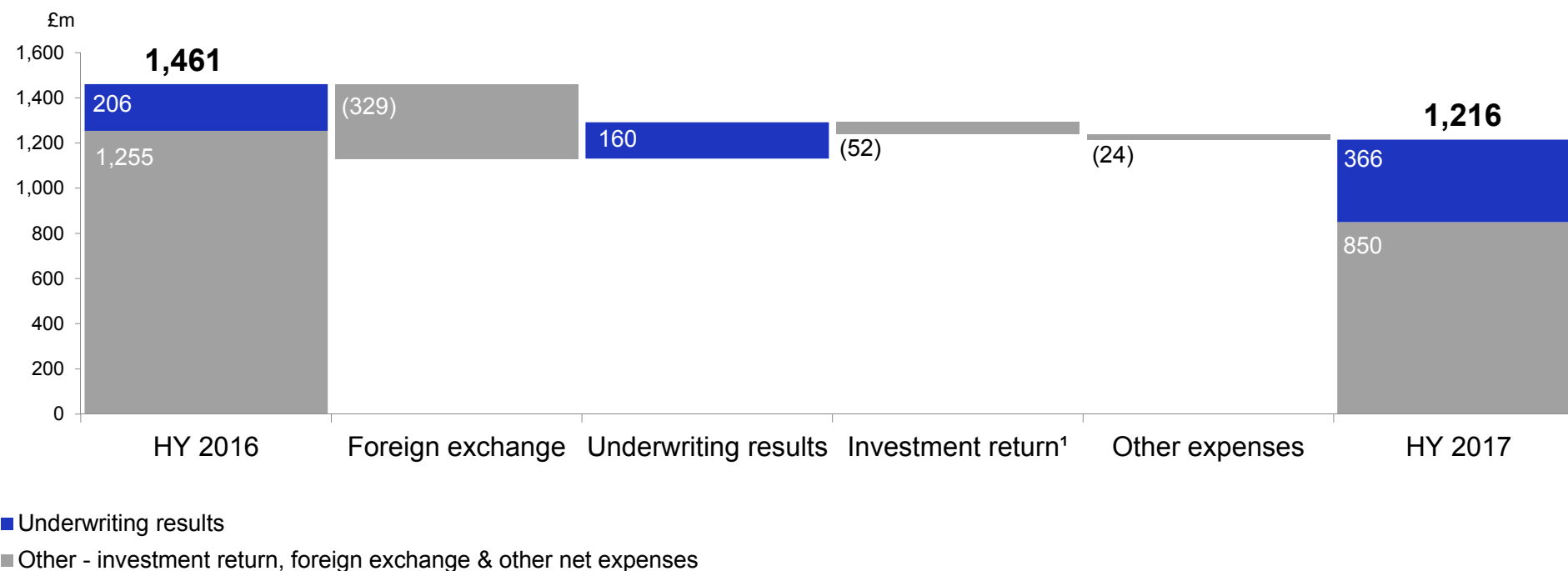
£18.9bn

(H1 2016: £16.3bn)

Financials

Underlying profitability maintained; 2016 results included material foreign exchange gains

Drivers of market result



Source: Lloyd's pro forma financial statements, 30 June 2017. ¹Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

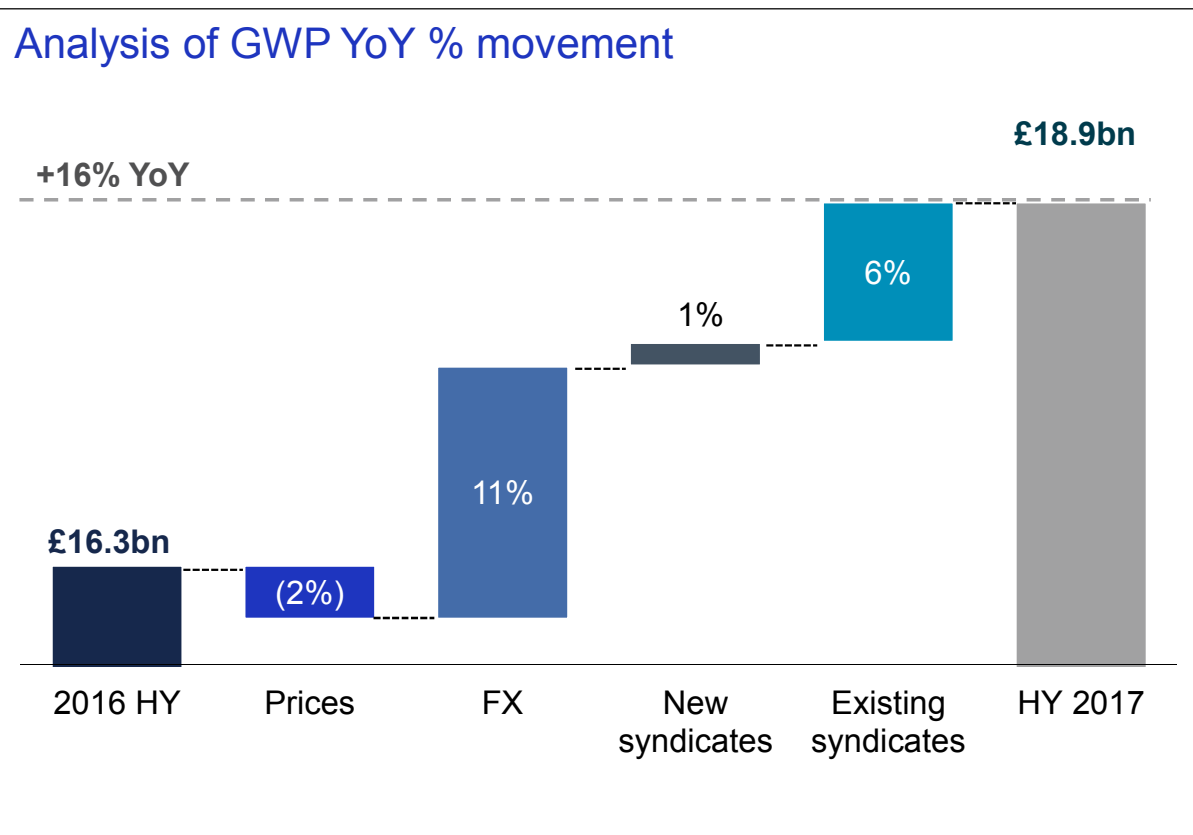
Improved underwriting result still reflects low margin in plans, offset by solid investment return

Lloyd's aggregated results				
£m	FY 2015	FY 2016	HY 2016	HY 2017
Gross written premium	26,690	29,862	16,307	18,881
Net earned premium	20,565	22,660	10,533	11,981
Net incurred claims	(10,262)	(12,987)	(6,048)	(6,910)
Operating expenses ¹	(8,256)	(9,205)	(4,279)	(4,705)
Underwriting result	2,047	468	206	366
Net investment income ²	402	1,345	1,087	1,035
Foreign exchange gains/(losses)	(70)	578	301	(28)
Other expenses	(257)	(284)	(133)	(157)
Profit before tax	2,122	2,107	1,461	1,216
Combined ratio	90.0%	97.9%	98.0%	96.9%

- › **Growth in premiums** inflated by foreign exchange movements
- › **Benign period of major losses** in first half; Q3 clearly impacted by natural catastrophes
- › Improvement in underwriting result in H1 2017 contributes to an improved combined ratio, however **price and trading competition remains intense**
- › Positive economic backdrop led to stability in financial markets and **reasonable investment performance** through H1 2017

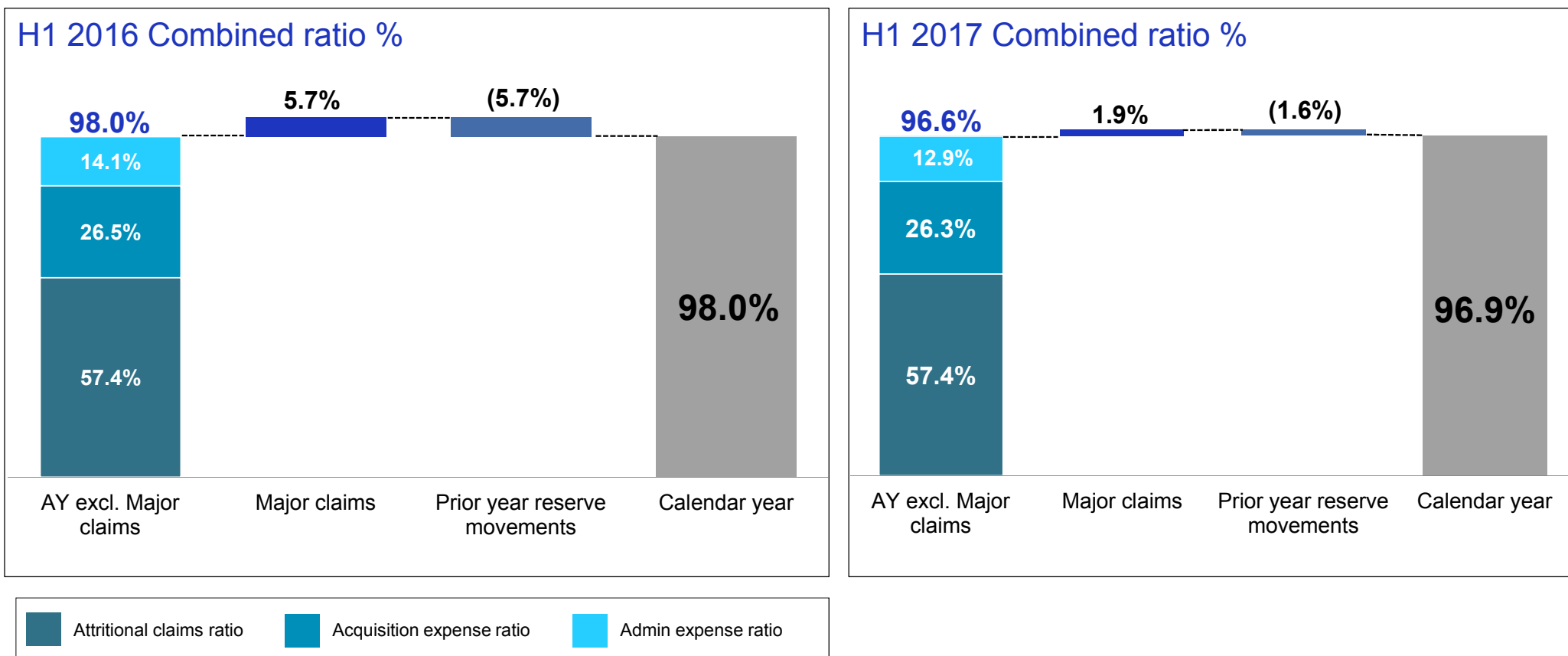
Source: Lloyd's pro forma financial statements, 30 June 2017, ¹Technical account, ²Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

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



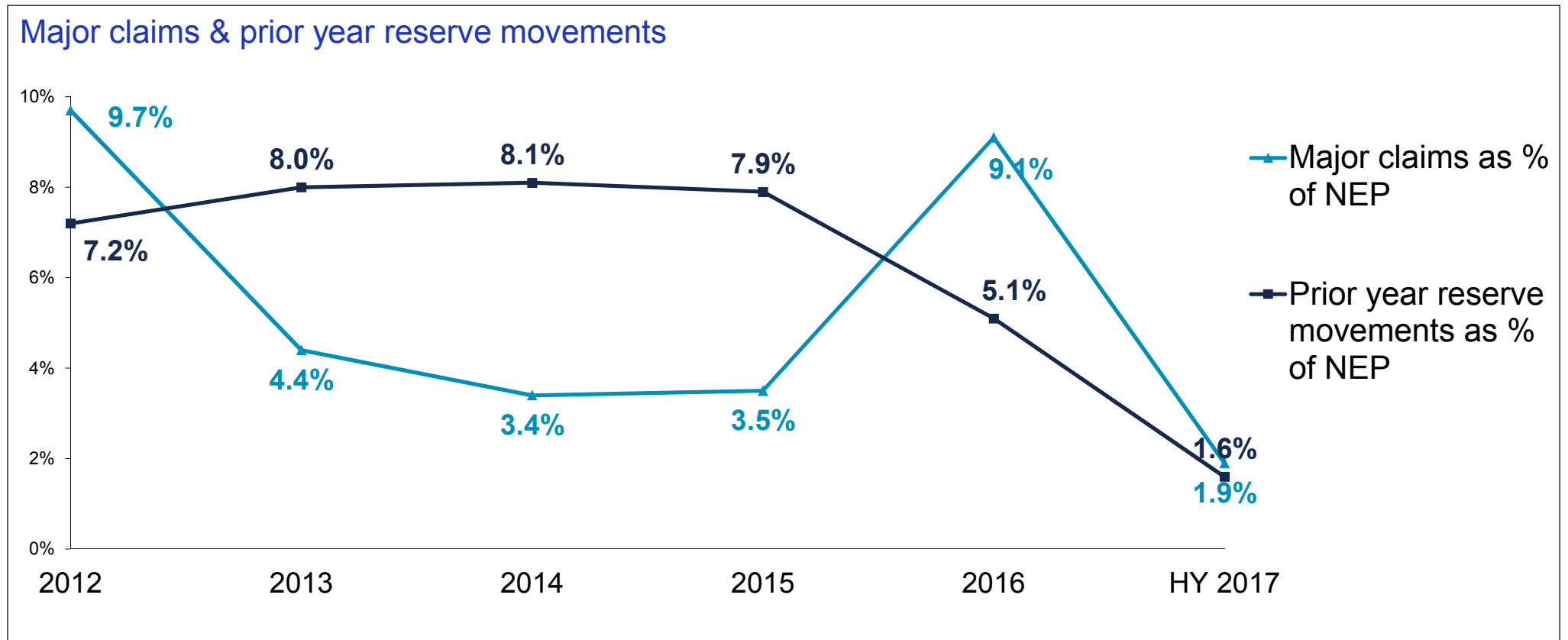
- › **Prices:** modest price reductions seen across most lines on renewal business
- › **FX:** sterling weakening against major currencies (particularly USD) following UK referendum result
- › **New syndicates:** 3 new syndicates commenced trading in 2017
- › **Existing syndicates:** continued growth in business volumes within plans that reflect opportunities

H1 result sees small reduction in combined ratio with lower major claims experience offset by smaller prior year releases



Source: Lloyd's pro forma financial basis, 30 June 2017.

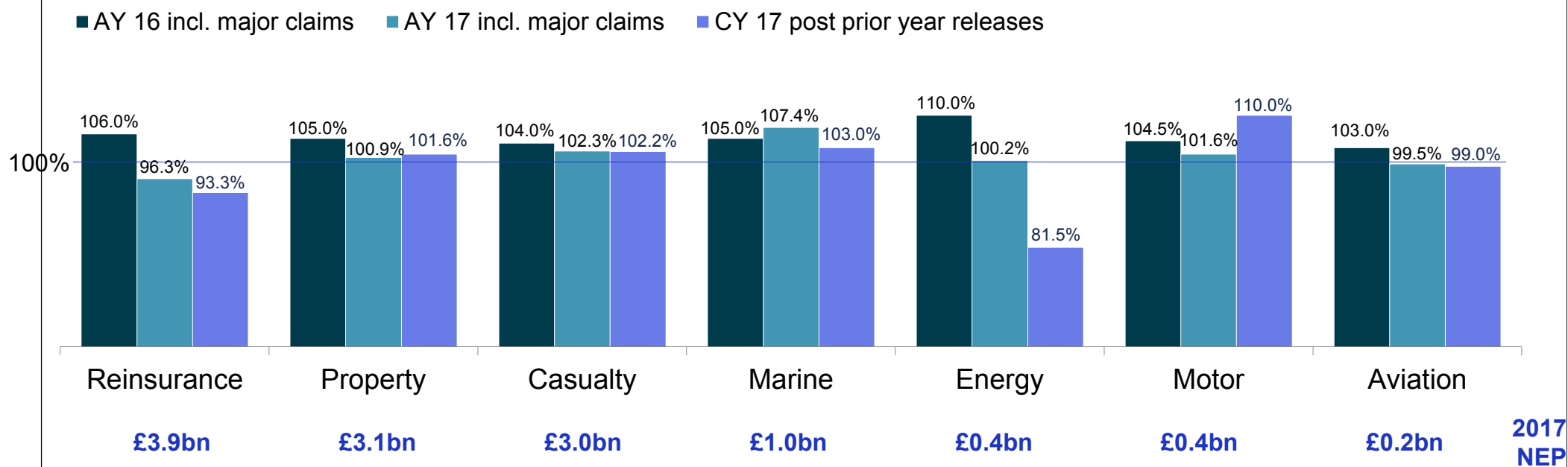
2017 has seen comparatively low major claims but prior year reserve releases have also reduced as anticipated



Source: Lloyd's pro forma financial statements, 30 June 2017. NEP: net earned premium.

Modest reduction in accident year ratio across most lines

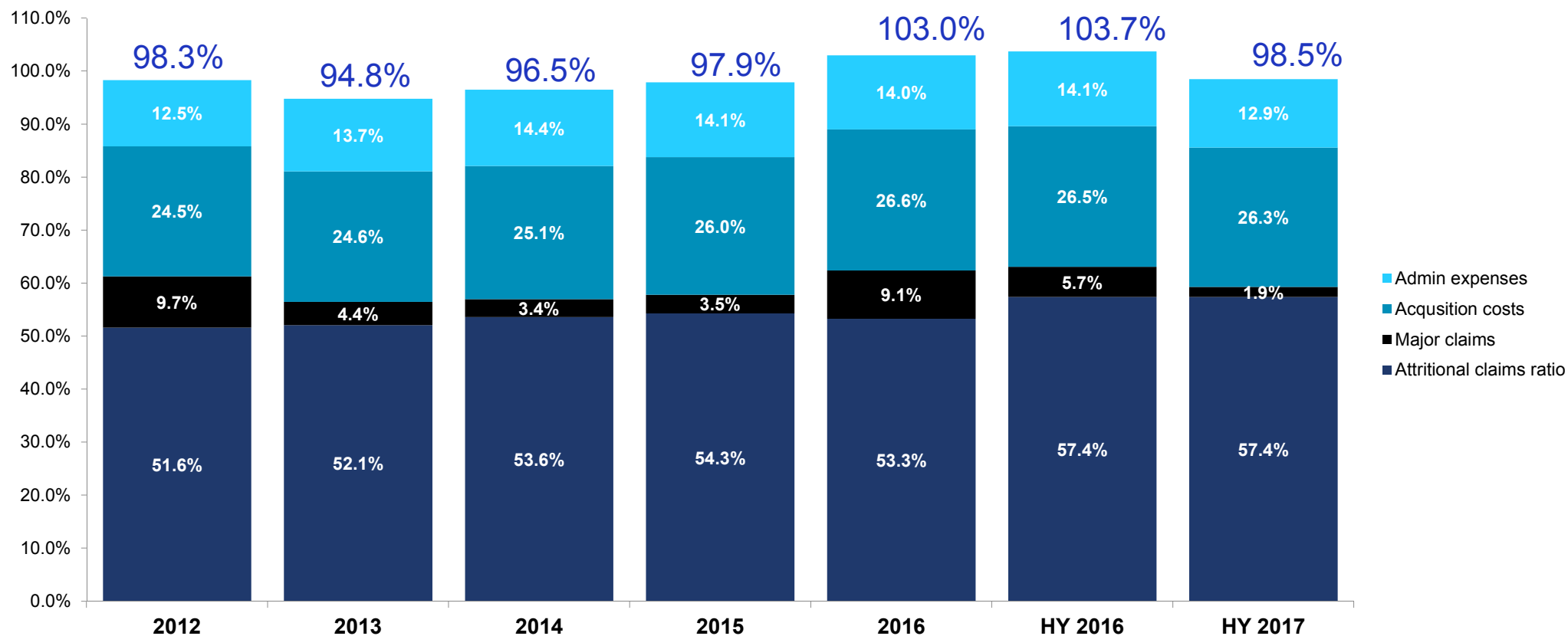
Combined and accident year ratios by line of business



Source: Lloyd's pro forma financial statements, 30 June 2017, NEP: net earned premium, AY: accident year., CY: calendar year. 2016 figures are June 2016.

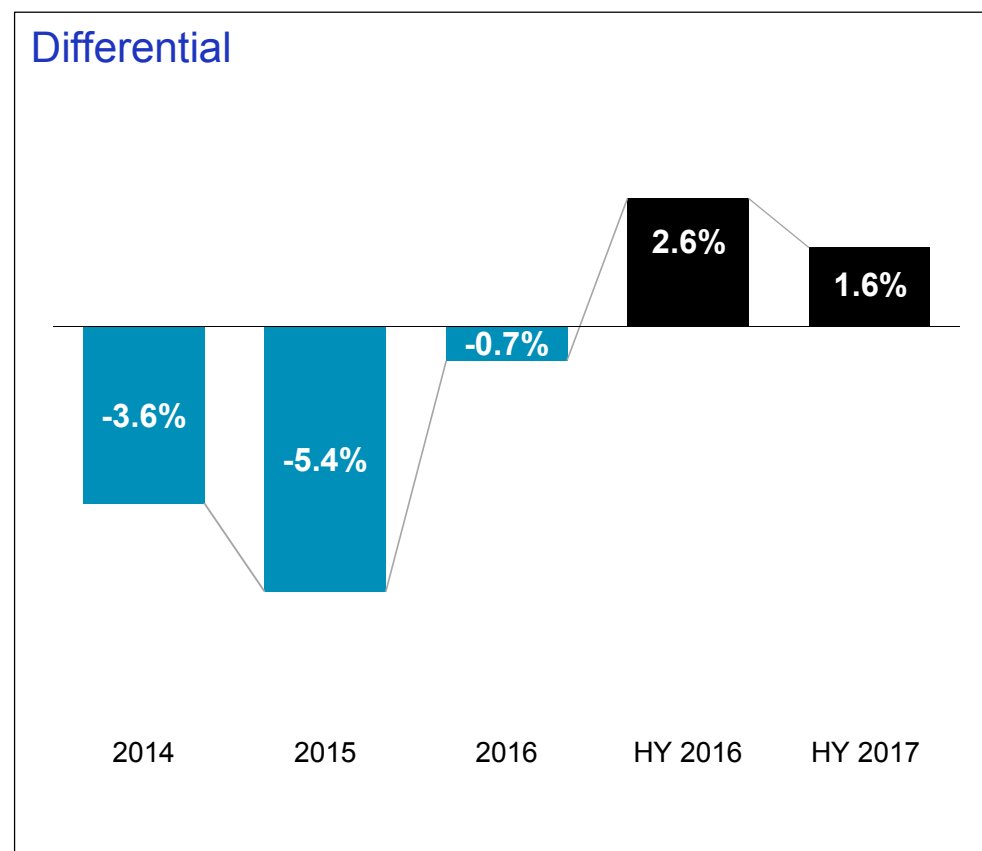
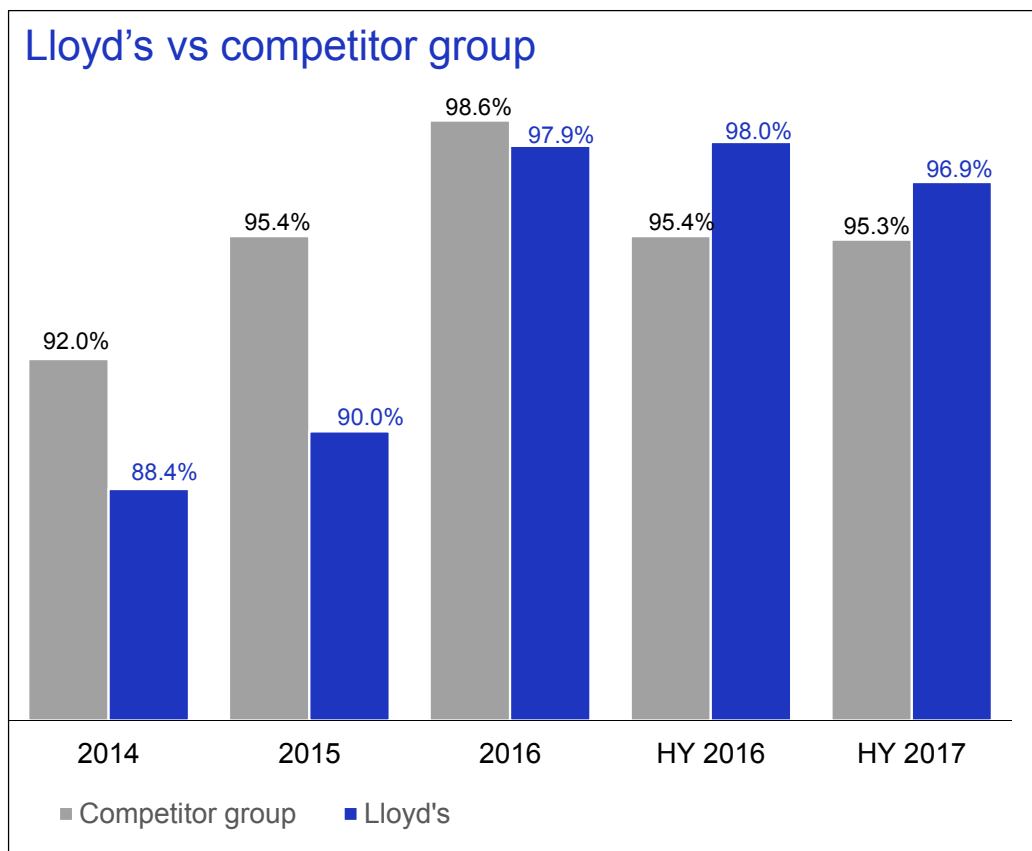
Accident year ratio below 100% in first half 2017

Accident Year Ratios – 2012-2017



Source: Lloyd's pro forma financial statements, 30 June 2017

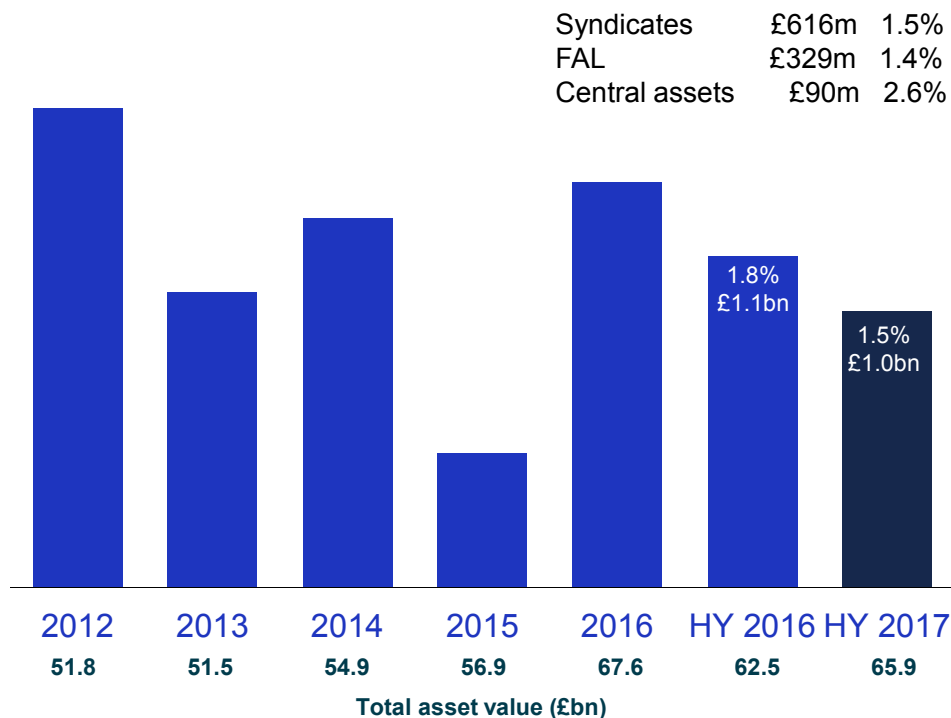
Lloyd's combined ratio slightly underperforms its competitors; expenses and loss ratio being rigorously challenged



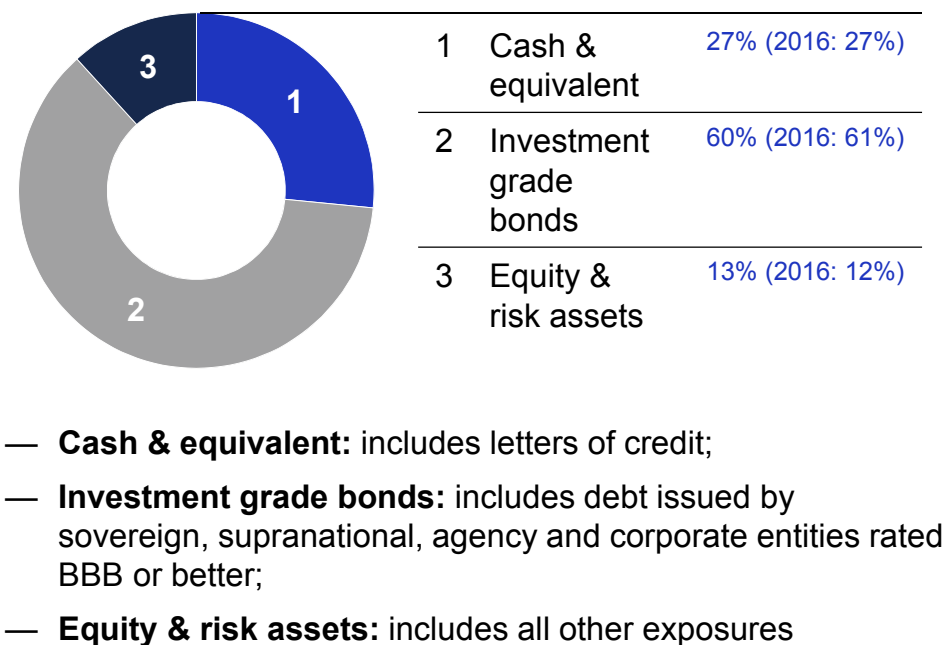
Source: Competitor financial statements, 30 June 2017 and Lloyd's pro forma financial statements, 30 June 2017. The competitor group has been revised and now comprises 13 companies operating in the US, European & Bermudan markets: AIG, Allianz, Arch, Chubb, CNA Corp, Everest Re, Hannover Re, Munich Re, Partner Re, SCOR, Swiss Re, XL Catlin and Zurich

Reasonable investment return achieved in a challenging environment

Investment return¹



Investment disposition



Source: Lloyd's pro forma financial statements, 30 June 2017, 'Return 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.

Continued strong balance sheet with stable net resources and solvency coverage

Balance sheet					
£m	June 2016	December 2016	June 2017	Change YTD	
Cash and investments	62,529	67,646	65,941	(3%)	
Reinsurers' share of unearned premiums	3,792	3,110	4,422	+42%	
Reinsurers' share of claims outstanding	10,413	11,310	11,963	+6%	
Other assets	20,931	19,536	23,122	+18%	
Total assets	97,665	101,602	105,448	+4%	
Gross unearned premiums	(17,957)	(16,548)	(19,212)	+16%	
Gross claims outstanding	(44,069)	(47,747)	(47,373)	(1%)	
Other liabilities	(9,022)	(8,710)	(10,884)	+25%	
Net resources	26,617	28,597	27,979	(2%)	
Member assets	23,872	25,718	25,074	(3%)	
Central assets ¹	2,745	2,879	2,905	+1%	
Central SCR coverage ratio	215%	215%	211%		
Market-wide SCR coverage ratio	146%	144%	147%		

Source: Lloyd's pro forma financial statements, 30 June 2017. ¹Central assets are the net assets of the Society including the Central Fund, excluding subordinated debt liabilities and the callable layer. 15

Five year average return on capital remains attractive

Return on capital						
	2013	2014 ²	2015	2016	HY 2016	HY 2017
Pre-tax result (£bn)	3.2	3.0	2.1	2.1	1.5	1.2
Combined ratio	86.8%	88.4%	90.0%	97.9%	98.0	96.9
Investment return	1.6%	2.0%	0.7%	2.2%	1.8%	1.5%
Gross written premiums (£bn)	25.6	25.3	26.7	29.9	16.3	18.9
Net resources ¹ (£bn)	21.1	23.4	25.1	28.6	26.6	28.0
Pre-tax ROC	16.2%	14.1%	9.1%	8.1%	11.7%	8.9%
					5 year average	11.7%
					10 year average	10.5%

Source: Lloyd's pro forma financial statements, 30 June 2017, ¹Net resources: capital, reserves & subordinated loan notes and securities, ²2014 results reflect new UK GAAP.

Summary

H1 Key messages and outlook

- › Solid set of results
- › We are facing a difficult second half of the year
- › Maintaining strong underwriting discipline
- › Development of new products in areas such as cyber
- › Adoption of the London Market Target Operating Model

Q&A



Inga Beale
Chief Executive Officer



John Parry
Chief Financial Officer



Jon Hancock
Performance Management Director

LLOYD'S