

LLOYD'S

2014 Annual Results

Financial highlights

- Strong results with a profit of £3.2bn (2013: £3.2bn) and a combined ratio of 88.1% (2013: 86.8%)
- Excellent Return on Capital of 14.7%¹ (2013: 16.2%)
- Robust capital and reserves which increased by 11.2% to £23.5bn (2013: £21.1bn)
- Strong and stable ratings with Fitch's upgrade to 'AA-' in June

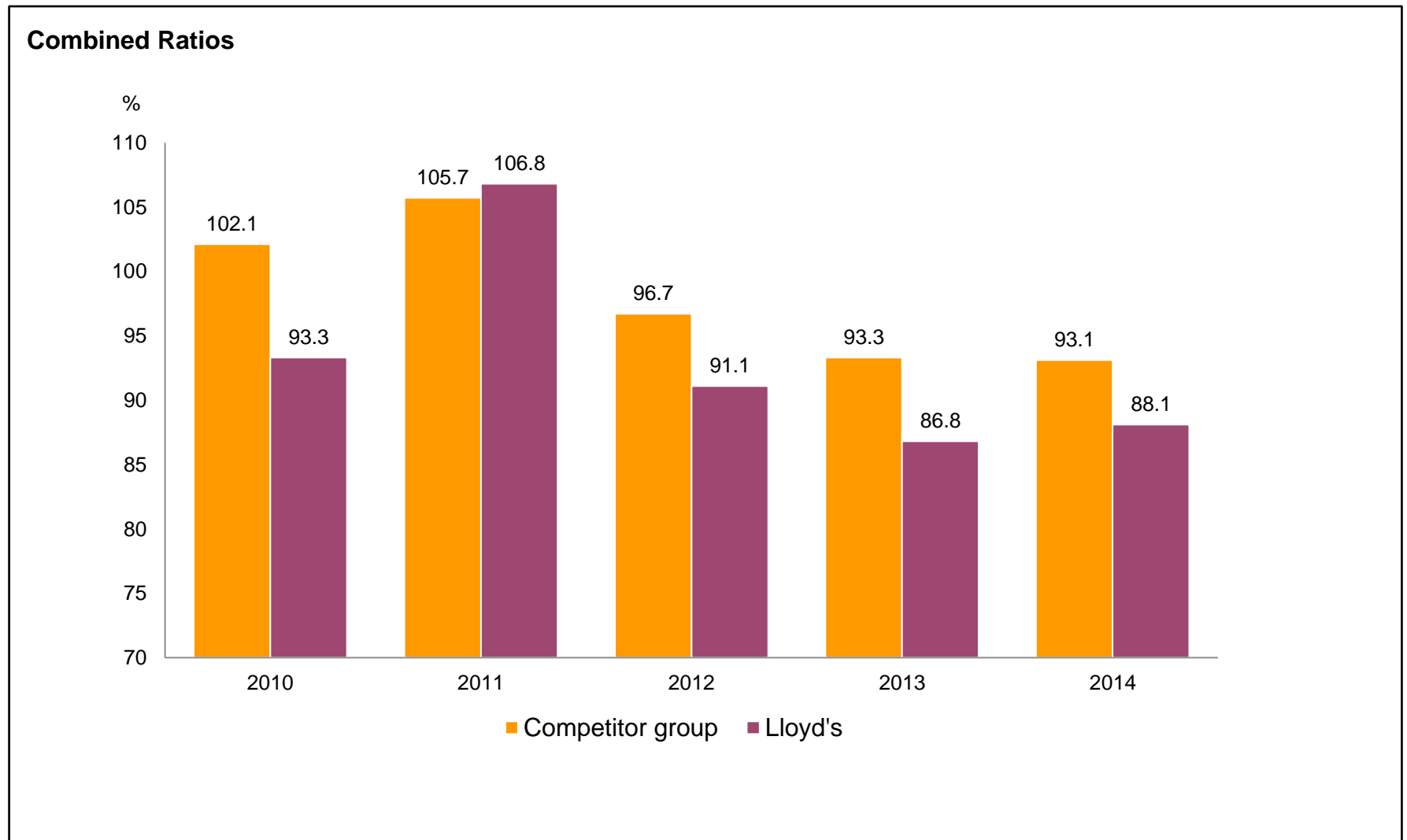
Market highlights

- M&A activity demonstrates attractiveness of Lloyd's
- Solvency II – working towards implementation in 2016
- Good progress on strategic priorities including
 - Global market access
 - Market oversight
 - Ease of doing business
 - Capital
- Turning challenges into opportunities by leveraging the London Market cluster

Results at a glance

	2013	2014
Gross written premiums £m	25,615	25,283
Combined ratio (%)	86.8	88.1
Investment return £m	839	1,045
Profit before tax £m	3,205	3,161
Return on Capital (pre-tax) (%)	16.2	14.7

Lloyd's outperforms competitor group



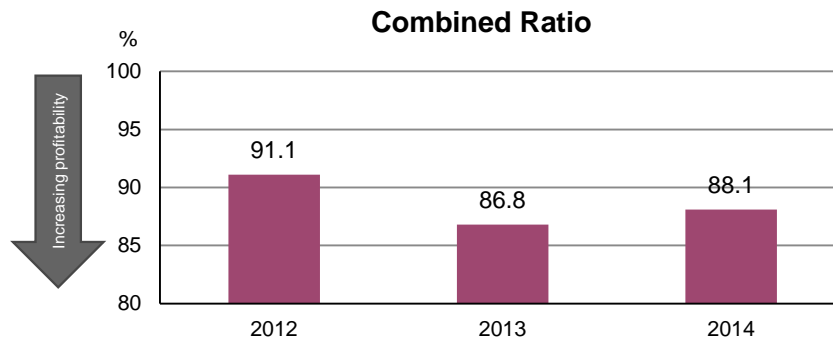
Financial Results

Strong underwriting result and improved investment return see profits over £3bn

£'m	2012	2013	2014	YoY % change
Gross written premium ¹	25,173	25,615	25,283	-1
Net earned premium	18,685	19,725	19,575	-1
Net earned claims	(10,098)	(9,581)	(9,590)	0
Net operating expenses ²	(6,926)	(7,539)	(7,656)	+2
Underwriting result	1,661	2,605	2,329	-11
Investment return ³	1,311	839	1,045	+25
Other income/expenses ⁴	(201)	(239)	(213)	-11
Profit before tax	2,771	3,205	3,161	-1

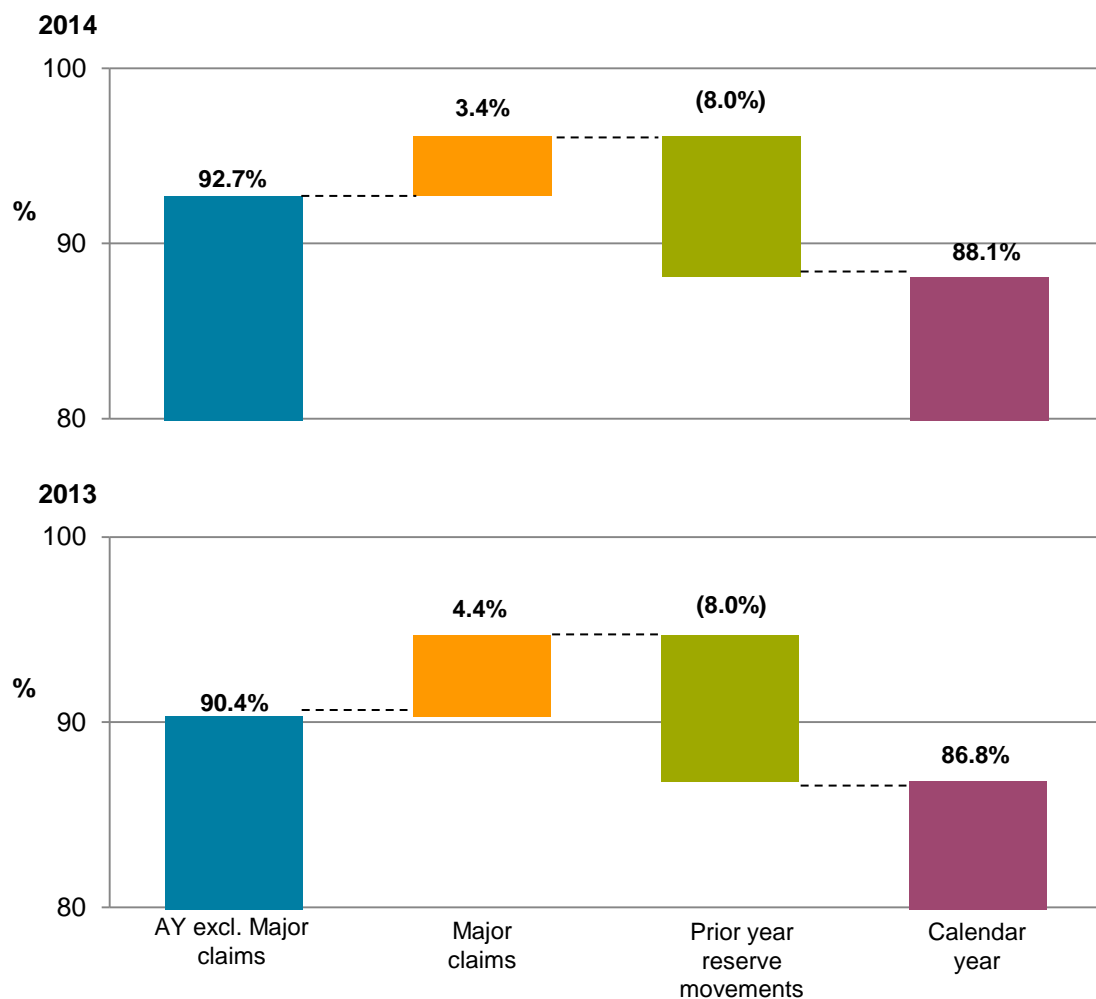
GWP	%
Prices ⁵	-3
Currency movements	-3
New syndicates ⁶	+1
Existing syndicates	+4
Total	-1

Investment return %		
2012	2013	2014
2.6	1.6	2.0



Underwriting profit driven by low level of major claims and reserve releases ...

Combined Ratios

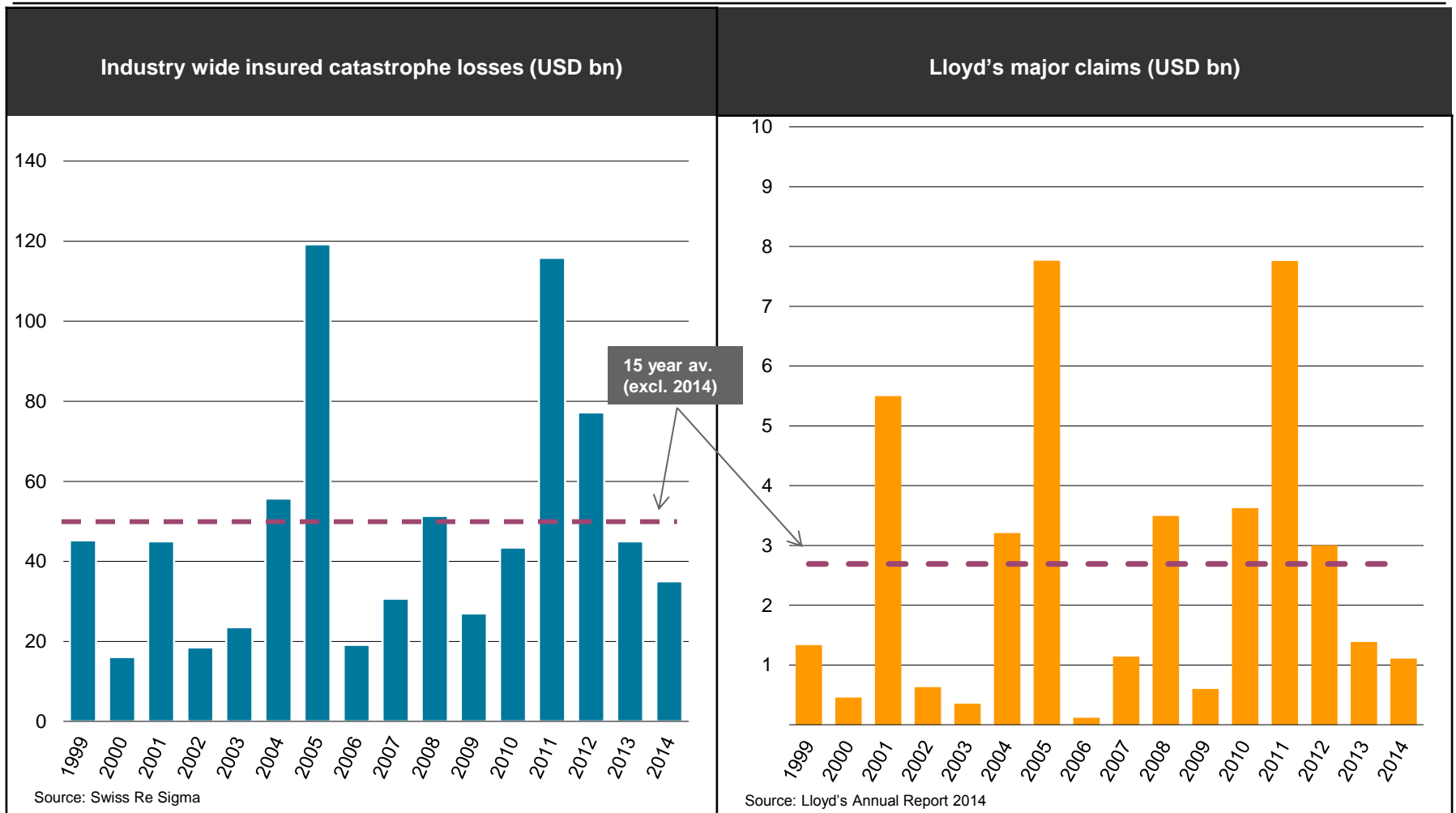


Analysis of accident year ratio excl major claims (%)		
	2013	2014
Loss ratio	52.9	54.0
Expense ratio	37.1	39.1
FX	0.4	(0.4)
Total	90.4	92.7

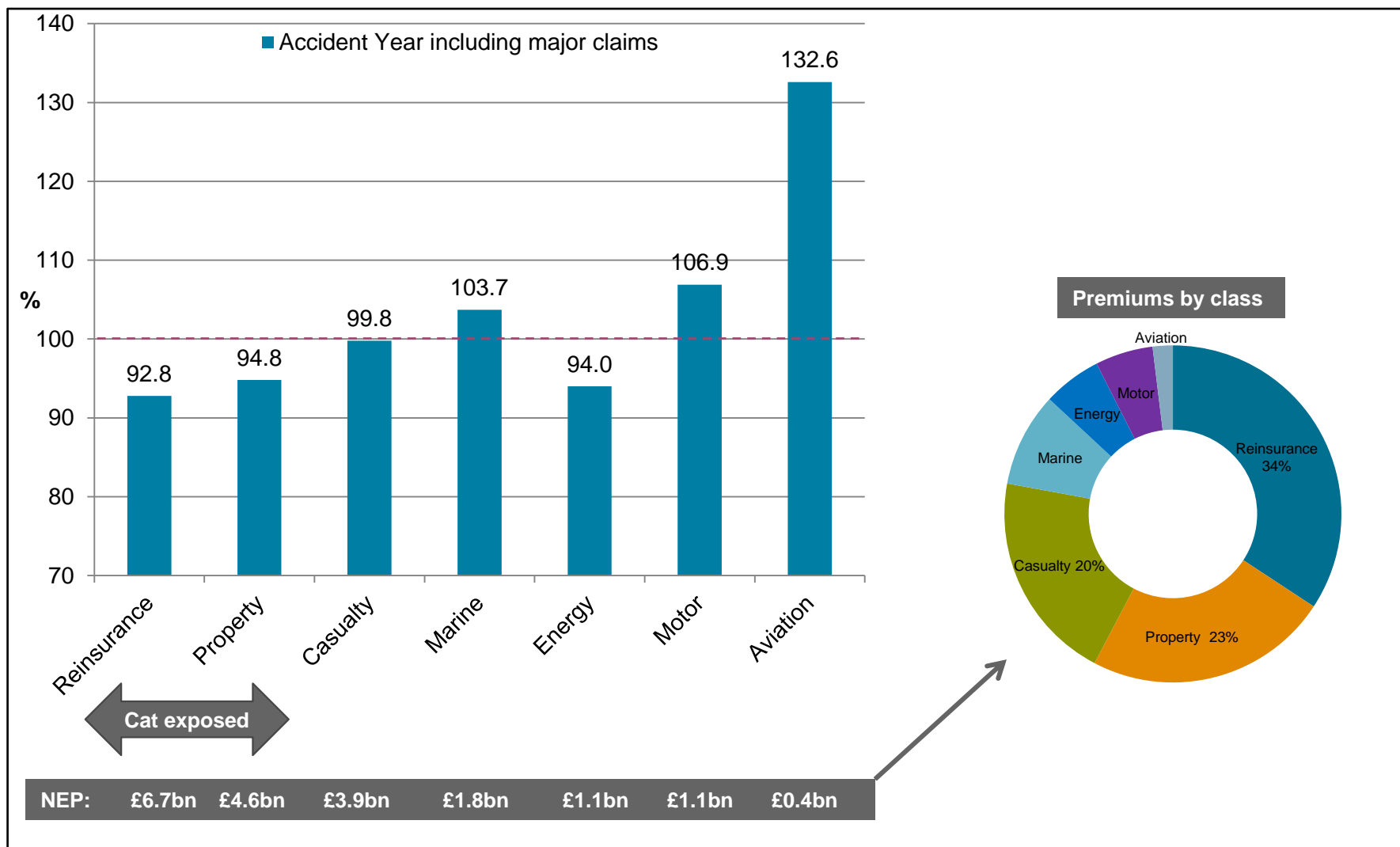
Major claims (£'m)		
	2013	2014
Hurricane Odile (California)	-	153
Tripoli airport attacks	-	153
Other (largest £79m; 2013 largest £120m)	873	364
Total	873	670

Reserve release (£'bn)		
	2013	2014
Net earned reserves b/fwd	29.5	28.4
Release	1.6	1.6
Release % of reserves	5.3	5.5

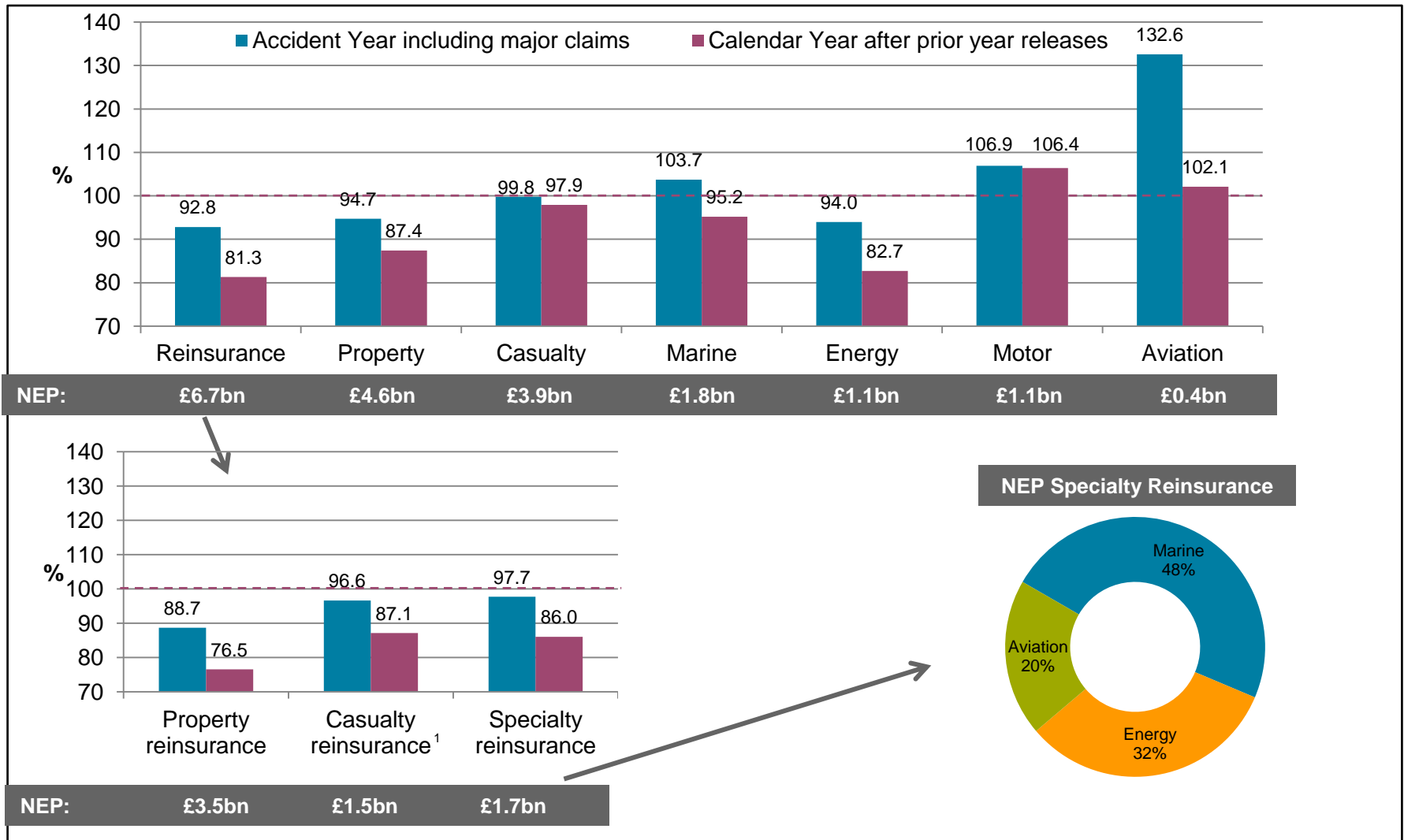
...with major claims below the long term average



Accident Year profits from catastrophe exposed classes ...

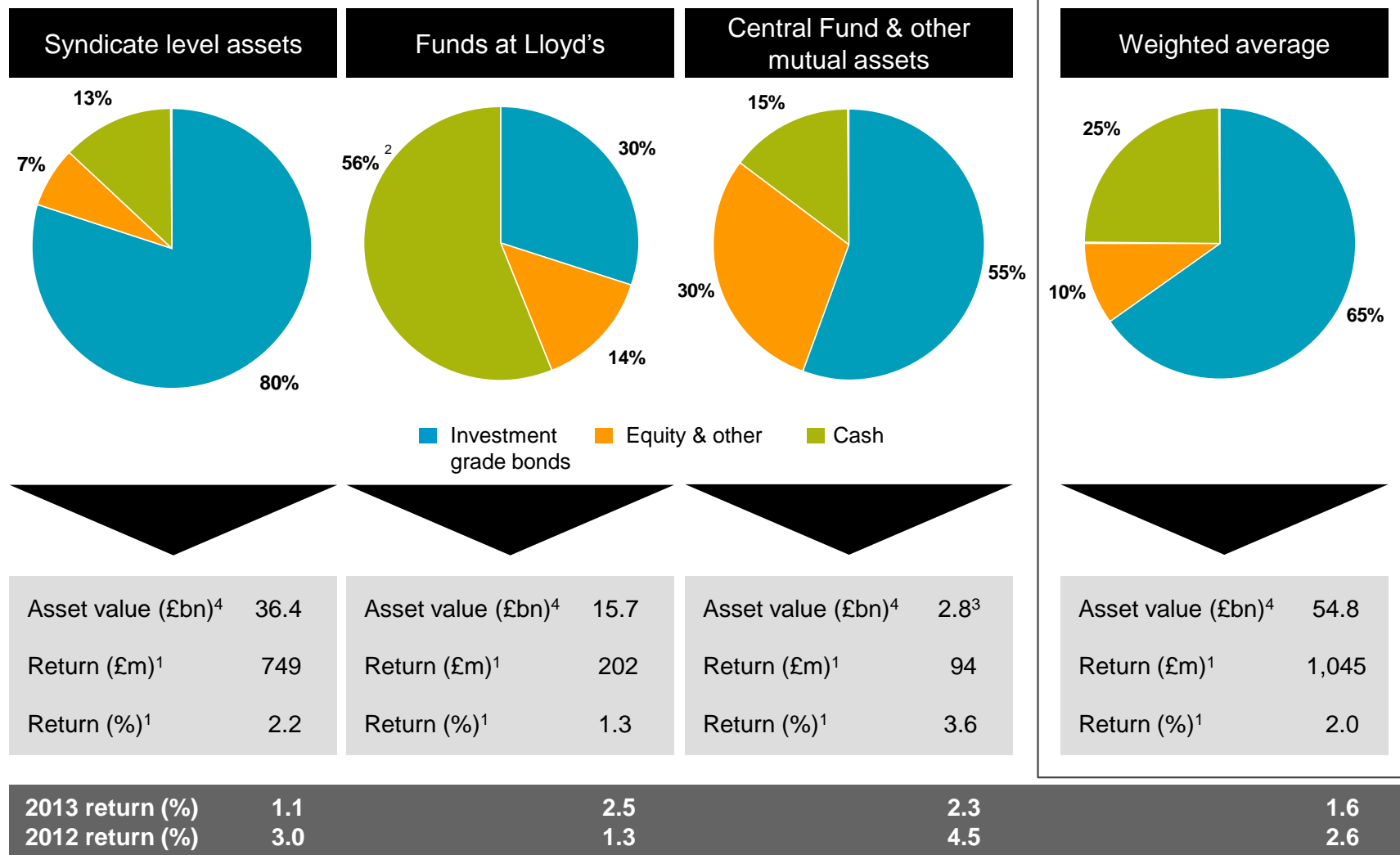


...with a surplus on prior years for all classes



Source: Lloyd's pro forma financial statements, Dec 2014; NEP: Net Earned Premium; ¹ Includes Motor

Investment returns reflect the conservative asset mix and low interest rate environment



Source:

Lloyd's pro forma financial statements, 31 Dec 2014;

¹ Actual returns for twelve months, ending 31 December 2014; ² Includes letters of credit in the amount of £7.8bn;

³ Gross invested central assets, stated on IFRS basis; ⁴ As at December 2014

Net resources increase to £23.5bn ...

£'m	2012	2013	2014	YoY % change
Cash and investments	51,767	51,494	54,860	+7
Reinsurers' share of unearned premiums	1,646	1,727	1,961	+14
Reinsurers' share of claims outstanding	10,333	9,195	8,785	-4
Other assets	13,459	12,996	14,058	+8
Total assets	77,205	75,412	79,664	+6
Gross unearned premiums	(11,201)	(11,656)	(12,562)	+8
Gross claims outstanding	(39,856)	(37,621)	(38,134)	+1
Other liabilities	(5,955)	(5,028)	(5,497)	+9
Net resources	20,193	21,107	23,471	+11
<i>Represented by:</i>				
Members' assets	17,708	18,723	20,893	+12
Central assets	2,485	2,384	2,578	+8
TOTAL	20,193	21,107	23,471	+11

Central assets	2014
b/fwd	2,384
Movement in sub debt	164
Profit after tax	91
Pension actuarial loss	(40)
Other movement	(21)
TOTAL	2,578

...with solvency surplus improving to £3.2bn



Events

- Lloyd's made a profit of £2.2bn despite the earthquakes in Chile and New Zealand as well as the loss of the Deepwater Horizon oil rig in the Gulf of Mexico.
- Shanghai licence for direct business
- Lloyd's central assets for solvency top £3bn for the first time
- Second costliest year on record for natural catastrophes ²
- For the first time in 6 years, Lloyd's posted a loss (£516m) driven by net claims of almost £13bn
- Launch of Vision 2025
- Strong results including reserves releases of £1.4bn
- Major claims significantly below long-term average
- Buy back of £180m principal tier 2 notes
- Lloyd's celebrated its 325 year of anniversary
- Capital setting in line with Solvency II principles
- Release from reserves of £1.6bn
- Successful issue of £500m tier 2 notes, redemption of 2004 Euro notes and tender offer for 2004 Sterling notes
- Licence granted to underwrite insurance business in Beijing
- Commercial licence and certificate of incorporation granted to Lloyd's Limited Dubai

Return on Capital of 11% over five years

	2010	2011	2012	2013	2014
Pre-tax result £bn ¹	2.2	(0.5)	2.8	3.2	3.2
Combined ratio (%)	93.3	106.8	91.1	86.8	88.1
Investment return (%)	2.6	1.9	2.6	1.6	2.0
Gross written premiums £bn	22.4	23.3	25.2	25.6	25.3
Net resources ¹ £bn	19.1	19.1	20.2	21.1	23.5
Pre-tax ROC (%)	12.1	(2.8)	14.8	16.2	14.7
Pre-tax ROC 5 and 10 year averages (%)					5 year 11.1 10 year 14.7

Summary

A strong set of results

To recap

- Result driven by a low level of major claims
- Profit of £3.2bn with ROC of 14.7%
- Net resources of £23.5bn

Looking ahead

- Continued challenging pricing environment
- Underwriting discipline remains vital
- Continued focus on Lloyd's strategic goals

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Thank you

