
2016 Annual Results

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Vision 2025: To be the global centre for specialist insurance and reinsurance

Lloyd's eight strategic priorities are aligned with the Corporation's three main responsibilities

Protect

Market oversight

Lloyd's market oversight will be supportive of sustainable profitable growth and will be valued by all stakeholders.

Capital

Lloyd's optimal capital strength and attractiveness will be designed and demonstrated.

Provide

Ease of doing business

Lloyd's will have a leading industry service proposition, built on excellence in processes, technology and data.

Talent

The Lloyd's market and Corporation will continue to attract and retain the best talent through a high performance culture, best practices and inspirational leadership.

Promote

Global market access

Lloyd's international growth will be enabled by offering optimal trading rights and effective operational infrastructure.

Innovation

Lloyd's will build on its leading edge capability and reputation for innovation in the global insurance industry.

Brand

The Lloyd's brand will remain admired and attractive to customers and market participants.

Global Corporate Social Responsibility

Lloyd's will remain a responsible global corporate citizen through its ethical principles and practices, and sharing of knowledge and expertise.

Good progress on delivery against our strategic priorities in 2016

Market Oversight

- Greater focus on poor performing classes and underperforming syndicates
- Strengthened oversight planning and progress tracking
- Enhanced the capital and planning process

Capital

- Solvency II activities consolidated and embedded into our processes
- Continued growth and diversity of our capital base
- Strong five and ten year average return on capital

Global market access

- Further expansion of our licence network
- Brexit: planning to maintain our access to EU markets
- Continued to increase our distribution network

Ease of doing business

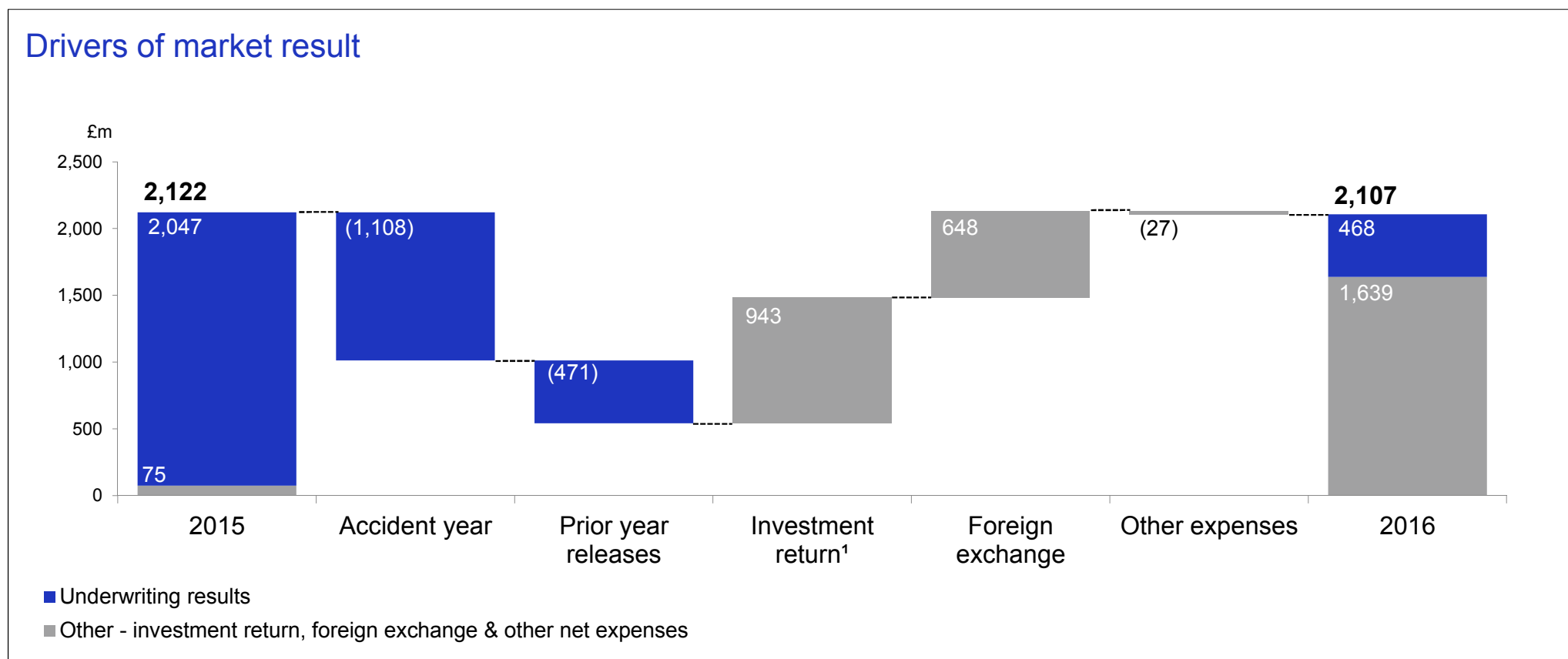
- Considerable progress on the modernisation agenda
- Electronic placing platform went live and first phase of Central Services Refresh Programme implemented
- Corporation Operating Model (COM) underway

2016 Financial highlights

- Profit of £2.1bn (2015: £2.1bn) with a return on capital of 8.1% (2015: 9.1%)
- Combined ratio of 97.9% (2015: 90.0%)
- Investment return of 2.2% (2015: 0.7%)
- Net resources of £28.6bn (2015: £25.1bn)
- Central solvency coverage ratio of 217% (1 Jan 2016: 218%)

Financials

Profit unchanged but drivers very different



Source: Lloyd's pro forma financial statements, 31 December 2016. ¹Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

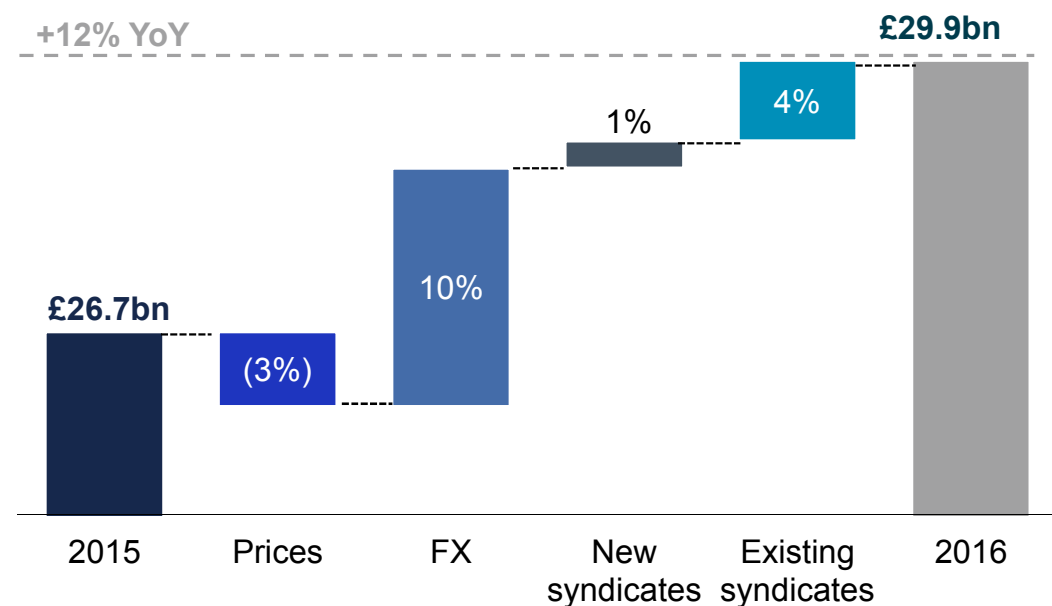
Pricing and major claims influence underwriting result, offset by improved investment return and FX gains

Lloyd's aggregated results				
£m	Dec 2014	Dec 2015	Dec 2016	Change
Gross written premium	25,259	26,690	29,862	+12%
Net earned premium	19,499	20,565	22,660	+10%
Net incurred claims	(9,590)	(10,262)	(12,987)	+27%
Operating expenses ¹	(7,656)	(8,256)	(9,205)	+11%
Underwriting result	2,253	2,047	468	(77)%
Net investment income ²	1,038	402	1,345	235%
Foreign exchange gains/(losses)	(62)	(70)	578	
Other expenses	(213)	(257)	(284)	+11%
Profit before tax	3,016	2,122	2,107	(1)%
Combined ratio	88.4%	90.0%	97.9%	

Source: Lloyd's pro forma financial statements, 31 December 2016, ¹Technical account, ²Return on syndicates' assets, notional investment return on members' funds at Lloyd's and central assets.

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

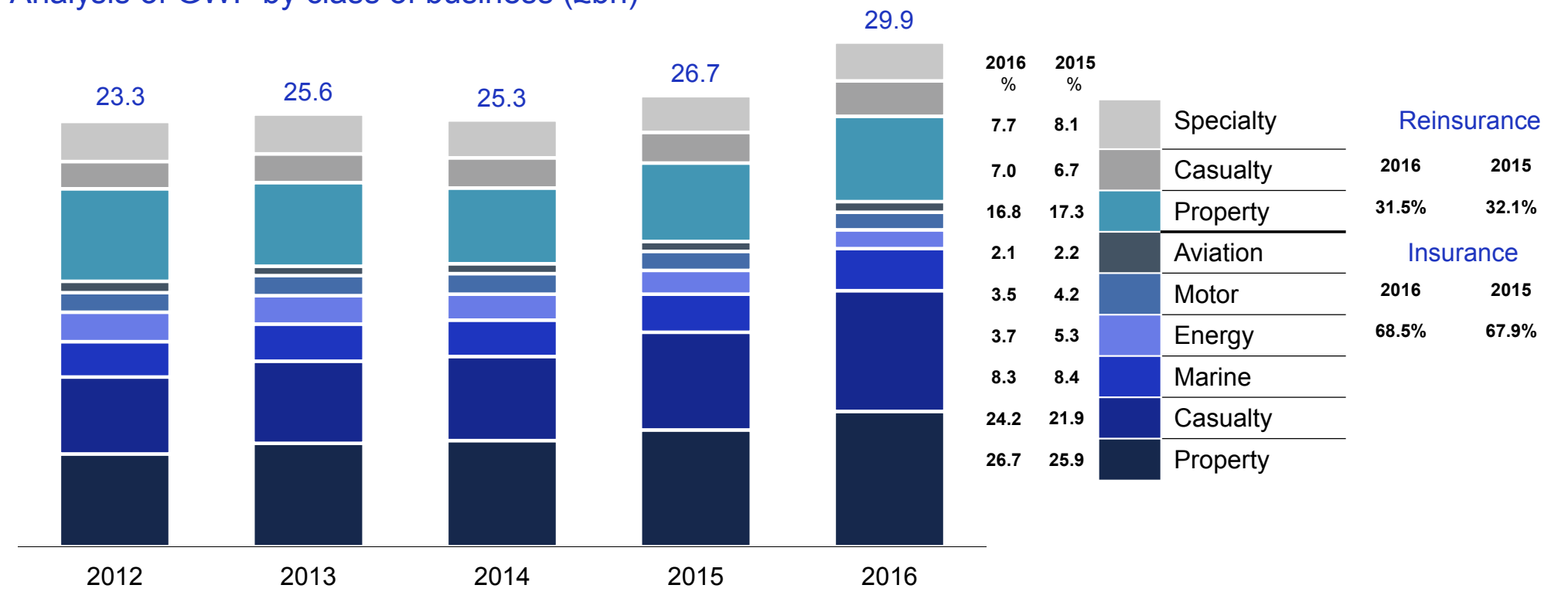
Analysis of GWP YoY % movement



- **Prices:** rate reductions seen across most classes on renewal business
- **FX:** sterling weakening against major currencies (particularly USD) following UK referendum result
- **New syndicates:** 7 syndicates commenced trading in 2014-16
- **Existing syndicates:** premiums written are lower than agreed business plans

Premium composition reflects Lloyd's diversified business mix

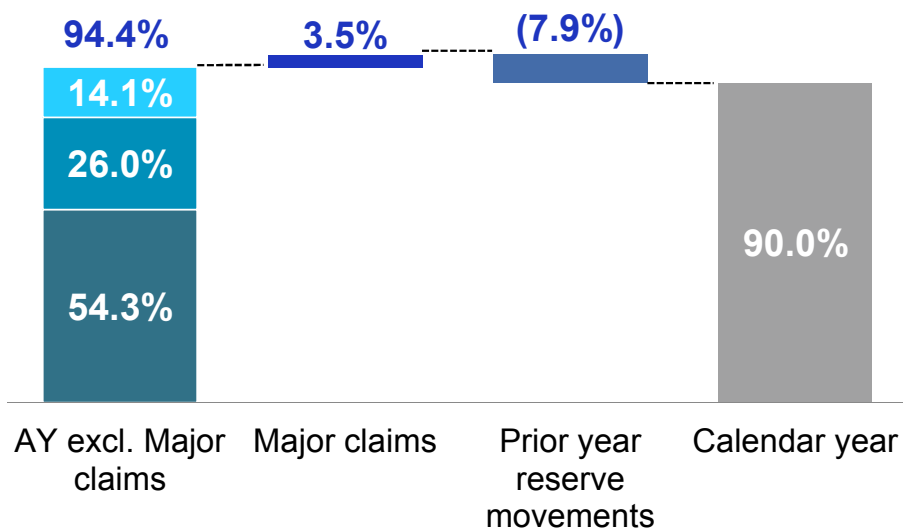
Analysis of GWP by class of business (£bn)



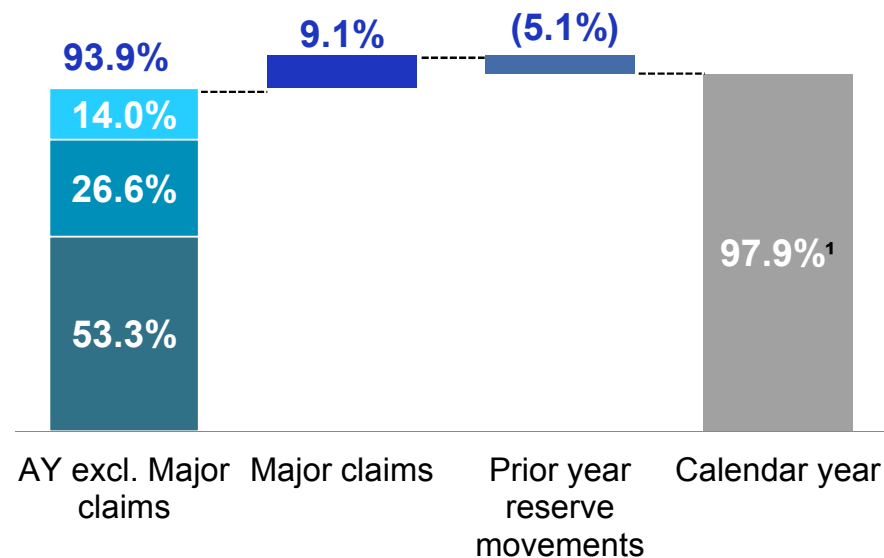
Source: Lloyd's pro forma financial statements, 31 December 2016. GWP: Gross written premium. Specialty Reinsurance includes aviation, energy & marine.

Rise in combined ratio with major claims costs exceeding prior year releases...

2015 Combined ratio %



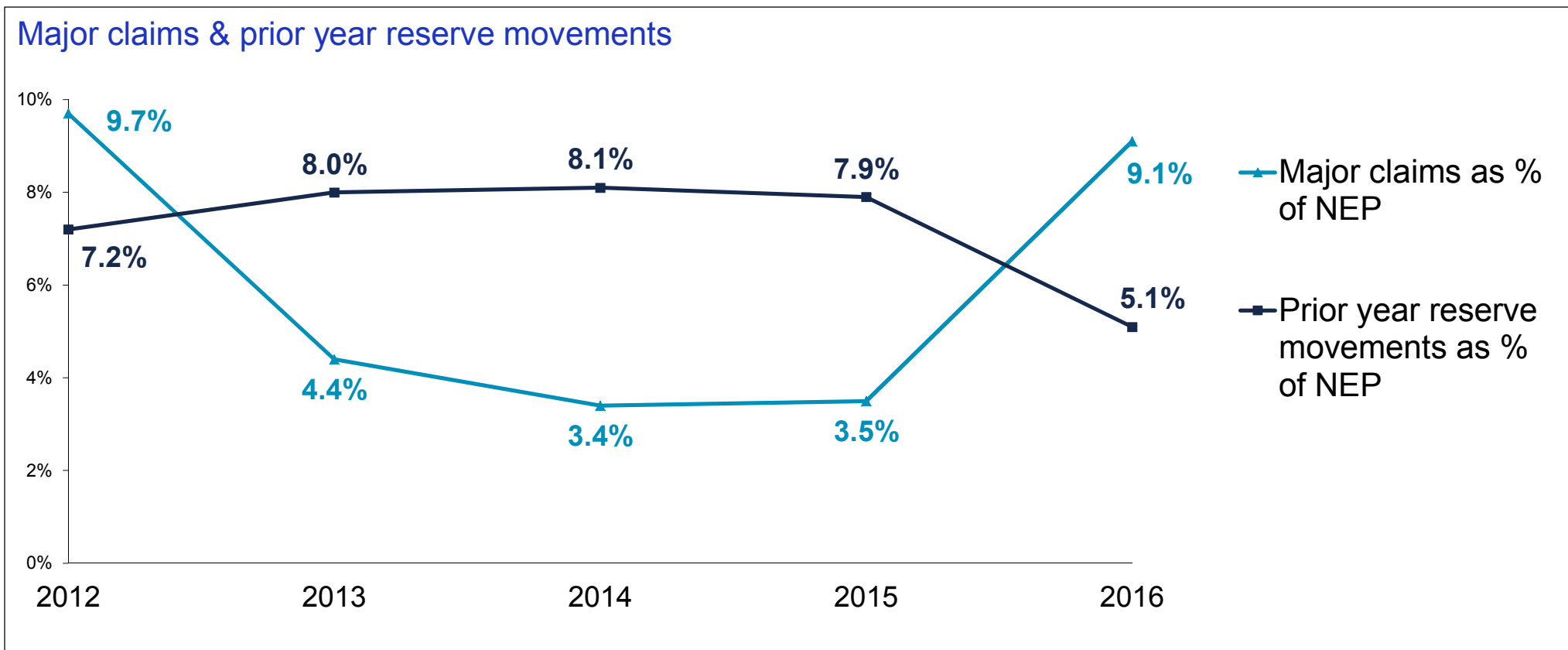
2016 Combined ratio %



Attritional loss ratio
 Acquisition expense ratio
 Admin expense ratio

Source: Lloyd's pro forma financial statements, 31 December 2016. AY: accident year. ¹The result and combined ratio has been impacted by the change in the Ogden discount rate in February 2017.

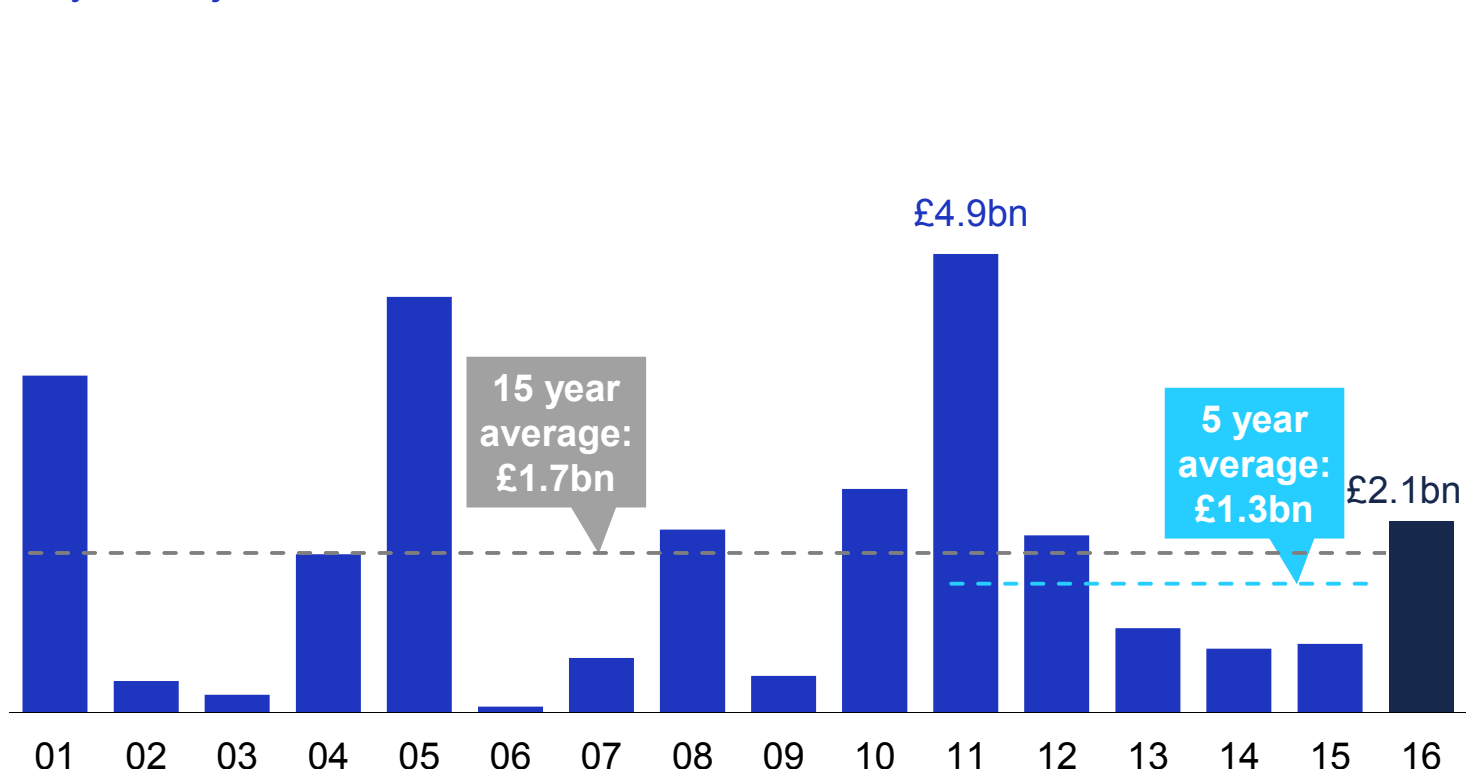
...for the first time since 2012



Source: Lloyd's pro forma financial statements, 31 December 2016. NEP: net earned premium.

2016 major claims above the long term average

Lloyd's major claims

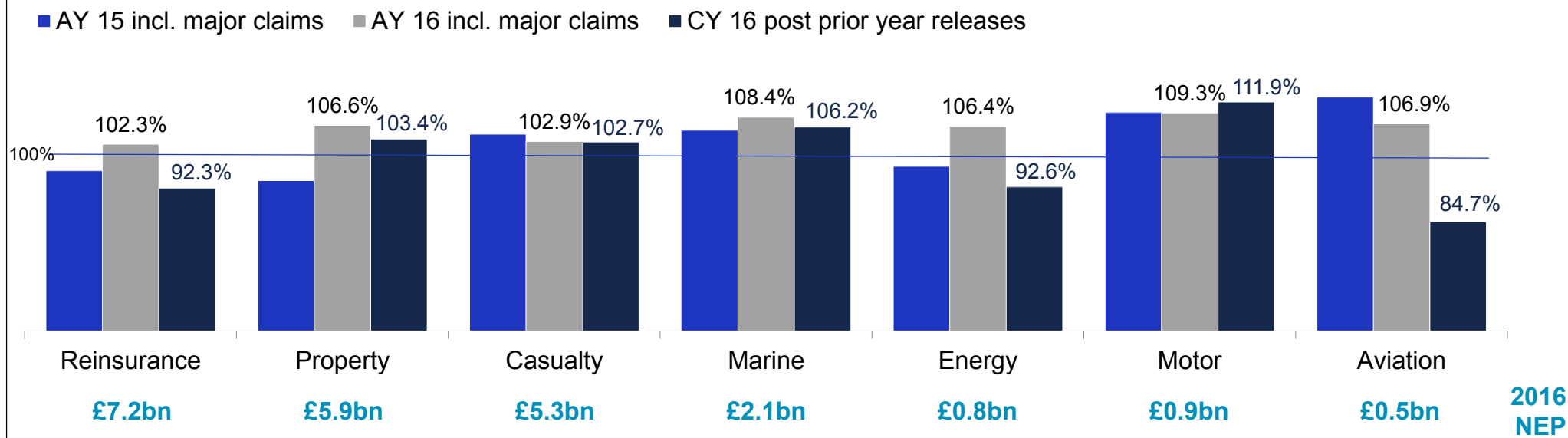


Largest major claims, net	2016 (£m)	2015 (£m)
Hurricane Matthew	536	-
Fort McMurray wildfires	388	-
Tianjin warehouse explosion	-	210
Fire at Pemex Abkatun	-	158
All other	1,128	356
Total	2,052	724

Source: Lloyd's pro forma financial statements, 31 December 2016. Indexed to December 2016. Claims in other currencies translated at the exchange rate prevailing at the date of loss.

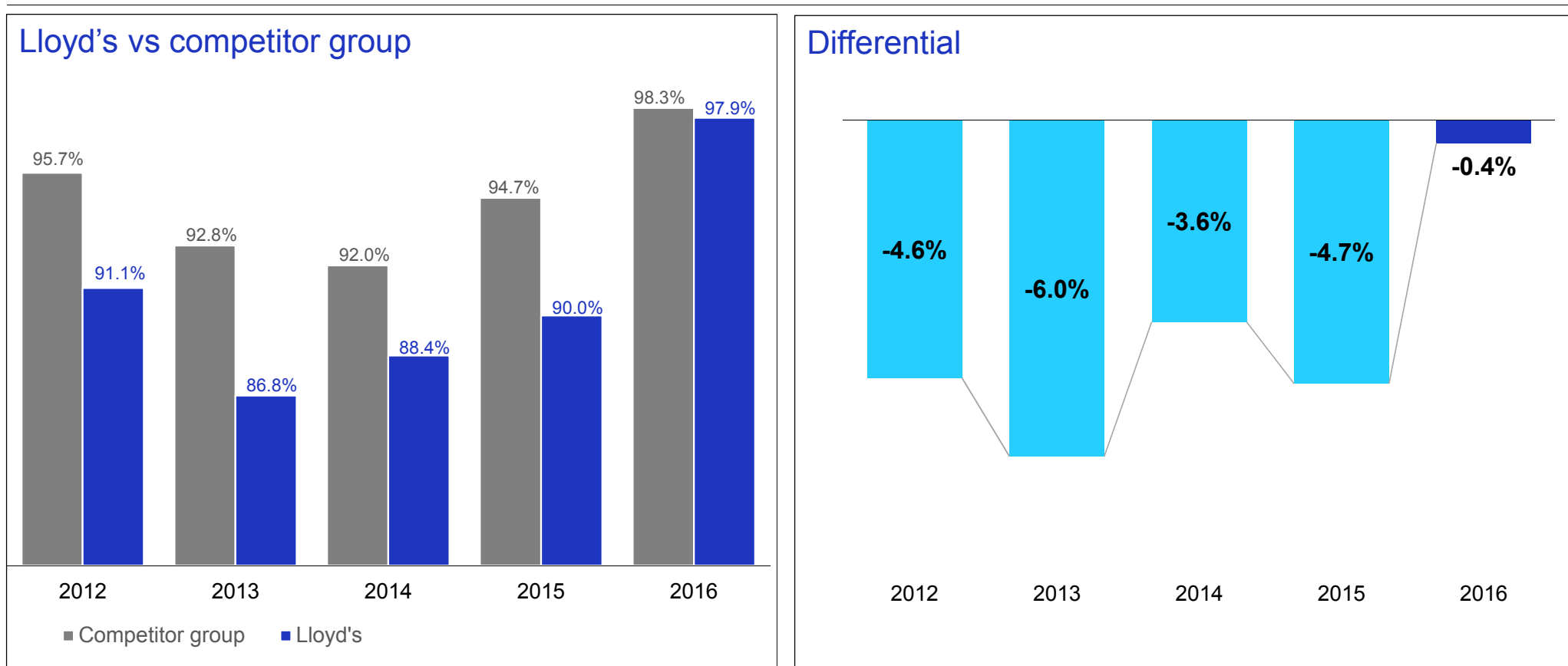
All accident year ratios remain under pressure

Combined ratios by class of business



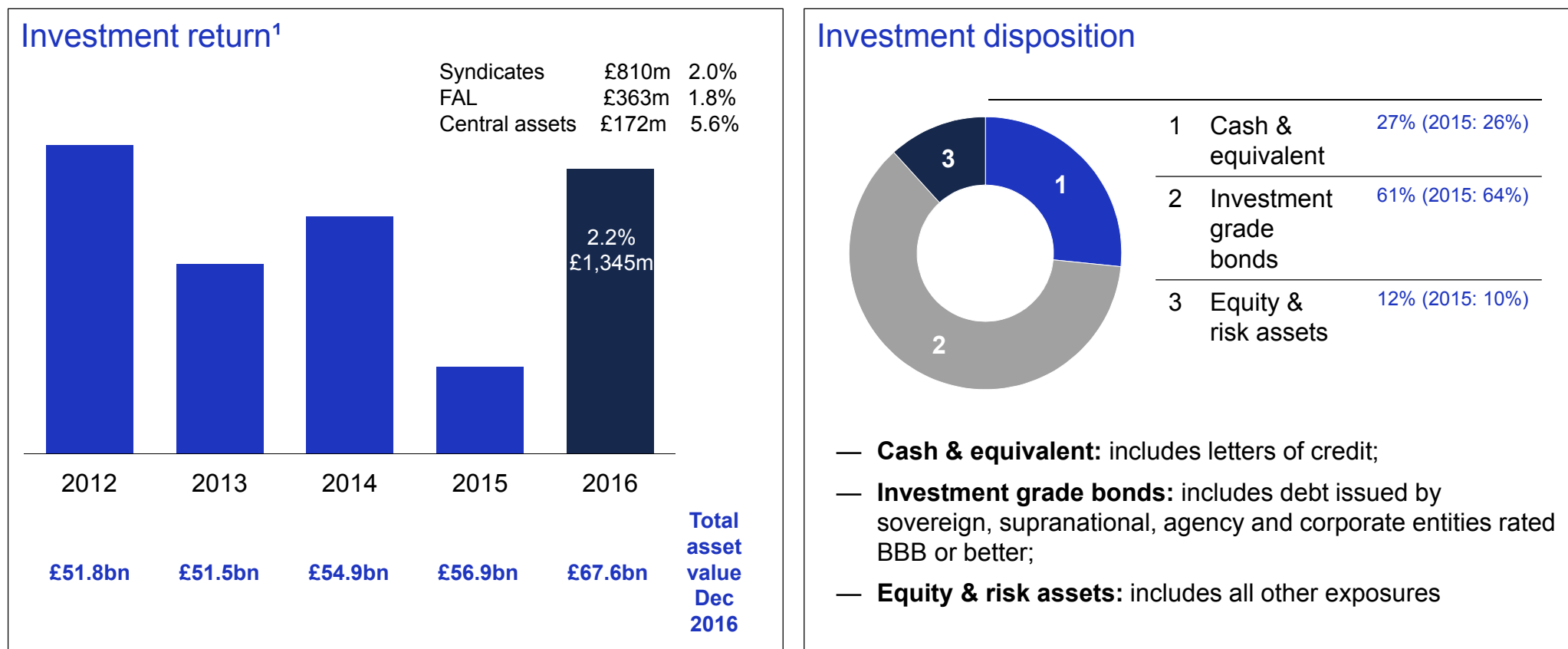
Source: Lloyd's pro forma financial statements, 31 December 2016. NEP: net earned premium. AY: accident year. CY: calendar year.

Lloyd's combined ratio is slightly better than its competitors



Source: Competitor financial statements, 31 December 2016 and Lloyd's pro forma financial statements, 31 December 2016. Competitor group comprises of 11 companies operating in US, European & Bermudan markets: AIG, Arch, Chubb, Everest Re, Hannover Re, Mapfre, Munich Re, Partner Re, SCOR, Swiss Re & XL Catlin

Fall in yields on high quality bonds drive increased returns



Source: Lloyd's pro forma financial statements, 31 December 2016. ¹Return on syndicates' assets, notional investment return on members' funds at Lloyd's (FAL) and return on central assets. Central assets are the gross invested assets of the Society, stated on IFRS basis. 16

Net resources increase to near £29bn (\$36bn) to match US\$ exposures...

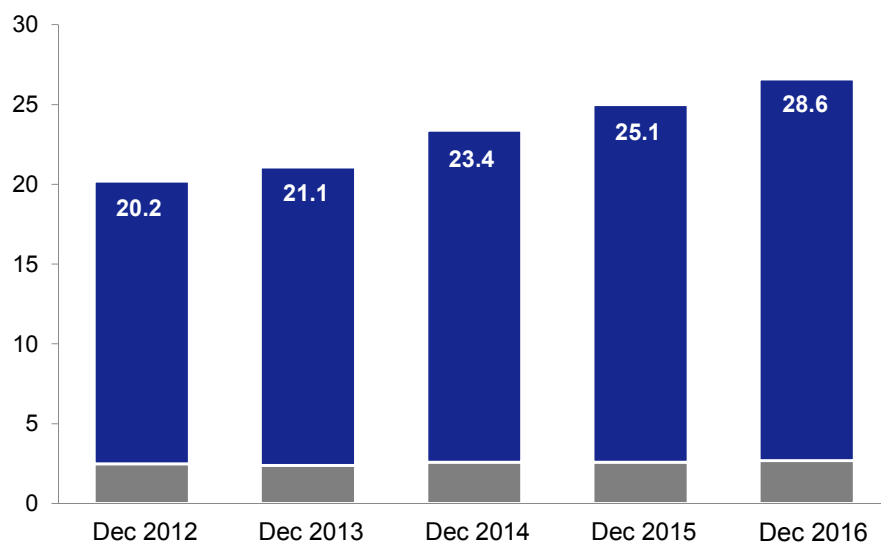
Balance sheet				
£m	Dec 2014	Dec 2015	Dec 2016	Change YoY
Cash and investments	54,889	56,900	67,646	+19%
Reinsurers' share of unearned premiums	1,976	2,368	3,110	+31%
Reinsurers' share of claims outstanding	8,785	8,610	11,310	+31%
Other assets	14,063	15,751	19,536	+24%
Total assets	79,713	83,629	101,602	+21%
Gross unearned premiums	(12,652)	(13,723)	(16,548)	+21%
Gross claims outstanding	(38,134)	(38,833)	(47,747)	+23%
Other liabilities	(5,514)	(5,975)	(8,710)	+46%
Net resources	23,413	25,098	28,597	+14%
Member assets	20,835	22,453	25,718	+15%
Central assets ¹	2,578	2,645	2,879	+9%

Source: Lloyd's pro forma financial statements, 31 December 2016. ¹Central assets are the net assets of the Society including the Central Fund, excluding subordinated debt liabilities and the callable layer.

...with a well diversified capital base

Lloyd's Capital Base

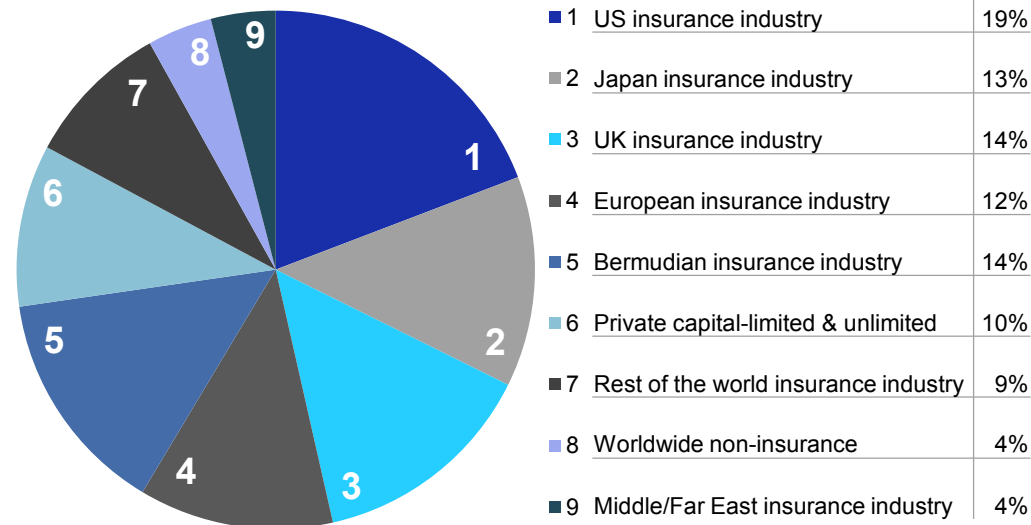
Lloyd's balance sheet, December 2012 to December 2016, £bn



■ Central Assets (mutual assets) ■¹Members' assets (several assets)

2016 Geographic Source²

Geographic source of capacity, 2016, %



Source: Lloyd's pro forma financial statements, 31 December 2016. ¹Members' assets: Sum of members funds at Lloyd's and Members' balances - aggregate net surplus/(deficit) to be distributed/(collected) by syndicates to/(from) the members. Includes the value of capital deposited at syndicate level (known as Funds in Syndicates (FIS)); ²Measured by capacity: maximum amount of premium (gross of reinsurance and net of brokerage) that may be written in accordance with Lloyd's capital requirements.

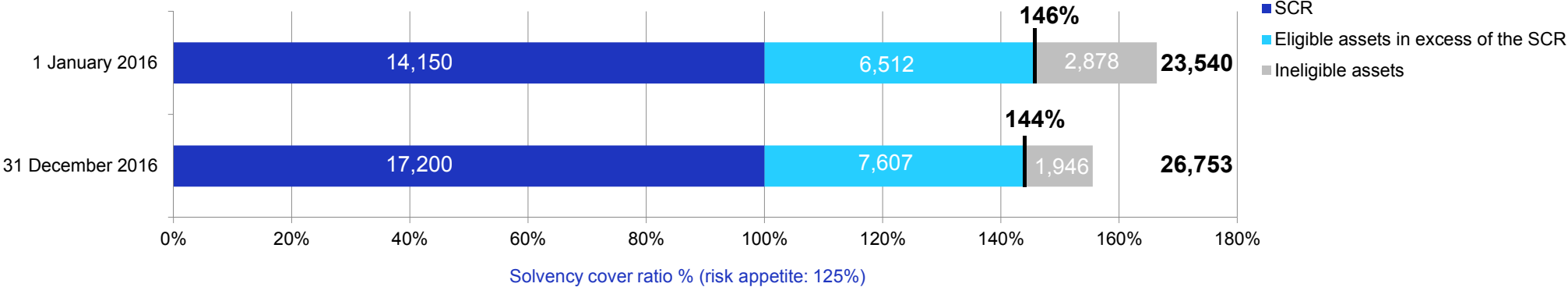
Return on capital has averaged 12% over the last 5 years

Return on capital					
	2012	2013	2014	2015	2016
Pre-tax result (£bn)	2.8	3.2	3.0	2.1	2.1
Combined ratio	91.1%	86.8%	88.4%	90.0%	97.9%
Investment return	2.6%	1.6%	2.0%	0.7%	2.2%
Gross written premiums (£bn)	25.2	25.6	25.3	26.7	29.9
Net resources ¹ (£bn)	20.2	21.1	23.4	25.1	28.6
Pre-tax ROC	14.8%	16.2%	14.1%	9.1%	8.1%
				5 year average	12.0%
				10 year average	12.9%

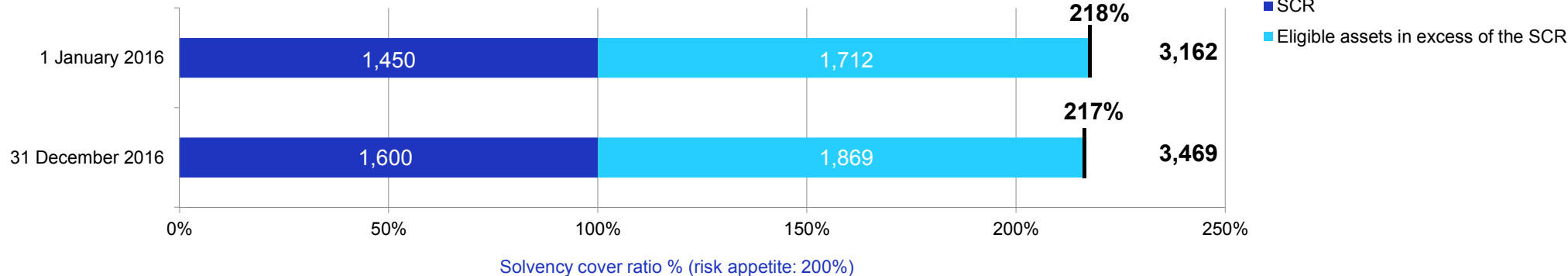
Source: Lloyd's pro forma financial statements, 31 December 2016. ¹Net resources: capital, reserves & subordinated loan notes and securities.

Solvency coverage ratios are above appetite levels

Lloyd's MWSCR¹ (£m)



Lloyd's CSCR² (£m)



Source: Lloyd's Internal Model. Data represents the position from the unaudited solvency returns, which may differ from the final audited submissions. ¹MWSCR: Market Wide SCR, calculated to cover all of the risks of 'the association of underwriters known as Lloyd's'; ²CSCR: Central SCR, calculated in respect only of the risks facing the Society and the Central Fund. After allowing for ring fenced funds and distributable profits.

Summary

Focus for 2017

Market Conditions

- Continuing to enhance oversight processes and maintain balance between protection and growth
- Focus on the cost of doing business in the Lloyd's market

Brexit

- Retaining access to EU markets on comparable terms to today
- Refining plans and beginning to execute our strategy

London Target Operating Model (TOM)

- Continuing to deliver improved services for the market
- Further PPL roll outs and additional functionality to CSRP

Solvency II & Capital

- Application for a major model change
- Strengthening of central assets – Tier 2 subordinated debt issue

Corporation Operating Model (COM)

- Delivering an effective and sustainable operating model
- Clearer and more efficient interface with the market

LLOYD'S