LANCASHIRE HOLDINGS LIMITED

27 July 2022
Hamilton, Bermuda

Lancashire Holdings Limited ("Lancashire" or "the Group") announces its results for the six months ended 30 June 2022.

Highlights:

- **Gross premiums written increased by 34.6% year-on-year to $938.1 million**
- **Group RPI (Renewal Price Index) of 106%**
- **Excellent underwriting performance, with a combined ratio of 78.2%**
- **Profit before tax of $78.0 million**
- **Total net investment return of negative 3.8%, primarily driven by unrealised losses**
- **Interim dividend of $0.05 per common share, in line with our dividend policy**

	Six months ended	
	30 June 2022	**30 June 2021**
Financial highlights ($m)		
Gross premiums written	938.1	697.2
Net premiums written	622.6	427.9
Underwriting profit	164.5	127.1
Profit before tax	78.0	54.1
Comprehensive (loss) income[1]	(7.1)	33.6
Change in FCBVS[2]	0.0%	2.4%
Financial ratios		
Total investment return	(3.8%)	0.3%
Net loss ratio	37.9%	38.4%
Combined ratio	78.2%	80.7%
Per share data		
Fully converted book value per share	$5.67	$6.33
Dividends per common share for the financial year	$0.05	$0.05
Diluted earnings per share	$0.30	$0.19

[1] These amounts are attributable to Lancashire and exclude non-controlling interests.
[2] Defined as the change in fully converted book value per share, adjusted for dividends. See the section headed "Alternative Performance Measures" below.

Alex Maloney, Group Chief Executive Officer, commented:

"The Group delivered strong premium growth in the first half of the year with a 34.6% increase in gross premiums written year-on-year to $938.1 million. We continue to see attractive rate increases across a number of business lines with a renewal price index for the first six months of 106%.

Over the past few years, we have successfully diversified our underwriting portfolio. I am pleased that we are seeing a strong performance from a number of these newer classes of business while we are also continuing to benefit from those products where we have longer-standing expertise. This has resulted in an excellent underwriting performance for the first half of 2022 with a combined ratio of 78.2% and profit before tax of $78.0 million.

We previously gave a range of $20 million to $30 million for potential incurred losses within Ukraine. Our ultimate net losses incurred within Ukraine since the start of the conflict are towards the lower end of our initial range at $22.0 million (excluding the impact of reinstatement premiums).

We continue to closely monitor our exposure with regards to Russia, which remains a complex and fluid situation. We believe that any potential losses would be within our risk tolerances, and would not impact our strategy or our ability to deliver on our ambitious growth plans.

While broader macro-economic issues are impacting the outlook for the global economy, we believe that the strong rate environment for many of our products is the best we have seen for more than a decade and that it will continue through the second half of 2022 and into 2023. This includes risk-adjusted rate rises and attractive opportunities across lines impacted by the conflict in Ukraine.

During the first half of 2022, the investment environment has proved volatile and the upwards trend in US interest rates has resulted in a negative investment performance of 3.8% or in dollar terms an investment loss of $85.8 million. This includes $83.0 million of unrealised losses on our fixed maturity AFS portfolio due to market value changes. Overall, our investment strategy remains conservative and the return to a higher interest rate environment should boost future earnings in our portfolio.

We continue to be strongly capitalised giving us the firepower to execute our long-term strategy to grow premiums where we believe there are attractive returns while retaining our strict focus on underwriting discipline.

In June we were pleased to announce a number of senior underwriting appointments, all of which were promotions from within our existing teams. Ensuring we have the right talent in the right roles is critical to our success as we look to maximise the Group's underwriting prospects. Lancashire has always attracted some of the best people in the industry and we continue to develop our employees, wherever they work in the business, and give them opportunities to thrive in our positive and vibrant corporate culture.

As always, I would like to thank all our colleagues for their hard work and commitment and our brokers, clients and shareholders for their continued support."

Underwriting results

	Six months ended 30 June				
Gross premiums written	**2022**	**2021**	**Change**	**Change**	**RPI**
	$m	**$m**	**$m**	**%**	**%**
Property and casualty reinsurance	548.0	377.0	171.0	45.4	107
Property and casualty insurance	149.6	106.5	43.1	40.5	105
Aviation	58.3	58.4	(0.1)	(0.2)	106
Energy	115.4	107.6	7.8	7.2	103
Marine	66.8	47.7	19.1	40.0	106
Total	**938.1**	**697.2**	**240.9**	**34.6**	**106**

Property and casualty reinsurance
The substantial growth in the property and casualty reinsurance segment was mainly due to new business in the casualty reinsurance and financial lines classes of business, which also benefitted from significant written premium being recognised from new policies bound in 2021. The RPI for this segment also remained strong at 107% further contributing to the premium increase.

Property and casualty insurance
The growth in the property and casualty insurance segment reflects the continued build-out of the property direct and facultative book of business, including our recent expansion in Australia and new business in property construction. This class had an overall RPI of 106%.

Aviation
The first half of the year was not a major renewal period for the aviation segment and, as a result, the gross premium written remained comparable to the prior year.

Energy
Most of our energy classes of business grew through the addition of new underwriting teams and product expansion across underwriting platforms to take advantage of the improving market conditions. Our decision to exit the Gulf of Mexico class resulted in a reduction in premium that was more than offset by new business in other classes.

Marine
Growth in the marine segment was primarily driven by new business particularly in the marine cargo and marine liability classes of business. The marine liability class also had a strong RPI of 115% compared to the same period in the prior year.

Outwards reinsurance premiums
Although the proportion of outwards reinsurance premiums to gross written premium has decreased year-on-year, in dollar terms the spend increased by $46.2 million or 17.2% compared to the first six months of 2021.

Net insurance losses
The Group’s net loss ratio for the six months ended 30 June 2022 was 37.9% compared to 38.4% in 2021. The accident year loss ratio for the six months ended 30 June 2022, including the impact of foreign exchange revaluations, was 53.5% compared to 56.3% in the same period in 2021.

During the first six months of 2022, the Group experienced net losses from the ongoing events in Ukraine and the Australian floods, as well as a number of smaller weather and risk losses. None of these events was individually material for the Group.

The first half of 2021 included $51.2 million of net losses for Winter Storm Uri, excluding the impact of reinstatement premiums. Absent Winter Storm Uri our net loss ratio would have been 22.6% in the same period.

Prior year favourable development for the first six months of 2022 was $64.4 million, compared to $53.6 million of favourable development in 2021. The favourable development in 2022 was primarily due to general IBNR releases on the 2021 accident year across most lines of business due to a lack of reported claims as well as favourable development on some large claims from the 2018 and 2017 accident years.

In the prior half year, the Group benefited from general IBNR releases across most lines of business due to a lack of reported claims. The Group also experienced favourable development from reserve releases on the 2017 and prior accident years.

The table below provides further detail of the prior years’ loss development by class, excluding the impact of foreign exchange revaluations.

For the six months ended 30 June	**2022**	**2021**
	$m	**$m**
Property and casualty reinsurance	23.1	6.7
Property and casualty insurance	16.7	17.6
Aviation	7.5	9.4
Energy	12.0	17.8
Marine	5.1	2.1
Total	**64.4**	**53.6**

Note: Positive numbers denote favourable development.

The table below provides further detail of the prior years' loss development by accident year, excluding the impact of foreign exchange revaluations.

For the six months ended 30 June	**2022**	**2021**
	$m	**$m**
2017 accident year and prior	19.1	29.6
2018 accident year	10.6	(1.6)
2019 accident year	4.9	1.8
2020 accident year	8.6	23.8
2021 accident year	21.2	–
Total	**64.4**	**53.6**

Note: Positive numbers denote favourable development.

Investments

Net investment income, excluding realised and unrealised gains and losses, was $17.3 million for the first six months of 2022, an increase of 17.7% compared to 2021.

The Group's investment portfolio, including unrealised gains and losses, returned a negative investment performance of 3.8% or in dollar terms an investment loss of $85.8 million. This includes $83.0 million of unrealised losses on our fixed maturity AFS portfolio for the first six months of 2022. The losses were primarily driven by the Federal Reserve's response to inflation and volatile financial markets. The yield curve flattened significantly, and spreads widened for investment grade corporate debt and bank loans.

The Group's investment portfolio, including unrealised gains and losses, returned 0.3% (gain of $7.4 million) for the first six months of 2021. Fixed maturity portfolio returns were flat to slightly negative offset by positive returns from other investments, including the hedge funds and principal protected notes.

The managed portfolio was as follows:

	As at	**As at**	**As at**
	30 June 2022	**31 December 2021**	**30 June 2021**
Fixed maturity securities	85.2%	78.4%	77.7%
Cash and cash equivalents	4.7%	11.2%	12.1%
Private investment funds	4.6%	4.6%	4.3%
Hedge funds	4.3%	4.5%	4.5%
Index linked securities	1.3%	1.3%	1.3%
Other investments	(0.1%)	–	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

Key investment portfolio statistics for our fixed maturities and managed cash were:

	As at	**As at**	**As at**
	30 June 2022	**31 December 2021**	**30 June 2021**
Duration	1.8 years	1.8 years	1.8 years
Credit quality	A+	A+	A+
Book yield	1.9%	1.3%	1.3%
Market yield	3.5%	1.0%	0.8%

Third Party Capital Management

The total contribution from third party capital activities consisted of the following items:

For the six months ended 30 June	2022 $m	2021 $m
Lancashire Capital Management underwriting fees	0.9	2.4
Lancashire Capital Management profit commission	0.1	3.6
Lancashire Syndicates' fees and profit commission	1.3	1.0
Total other income	**2.3**	**7.0**
Share of profit of associate	2.4	0.3
Total net third party capital management income	**4.7**	**7.3**

The amount of Lancashire Capital Management profit commission recognised is driven by the timing of loss experience, settlement of claims and collateral release and therefore varies year on year. The share of profit of associate reflects Lancashire's equity interest in the Lancashire Capital Management managed vehicle.

Other operating expenses

Other operating expenses were $68.4 million in the first six months of 2022 compared to $66.1 million in the first six months of 2021. A growth in headcount has resulted in higher underlying employee remuneration costs compared to the prior year alongside an increase in audit fees, travel costs and fees and subscriptions. The weakening Sterling/U.S. Dollar exchange rate relative to the prior year partly offset this increase in the underlying cost base.

Capital

As at 30 June 2022, total capital available to Lancashire was approximately $1.8 billion, comprising shareholders' equity of $1.4 billion and $0.4 billion of long-term debt. Tangible capital was $1.7 billion. Leverage was 24.5% on total capital and 26.9% on total tangible capital. Total capital and total tangible capital as at 30 June 2021 were $2.0 billion and $1.8 billion respectively.

Share repurchases

During the six months ended 30 June 2022, Lancashire repurchased 2,431,517 of its common shares (out of a maximum Board-approved limit for this share repurchase of 3,000,000 common shares). These repurchases were made pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022 and will be used to satisfy a number of future exercises of awards under the Company's Restricted Share Scheme.

Further intention to purchase own shares

Pursuant to and in accordance with the general authority granted by shareholders at Lancashire's Annual General Meeting held on 27 April 2022, Lancashire intends to purchase up to a further 3,000,000 of its common shares of $0.50 each in order to satisfy a number of future exercises of awards under its Restricted Share Scheme. A further announcement in accordance with Listing Rule 12.4 will be made in due course.

Dividends

Lancashire's Board of Directors declared on 26 July 2022 an interim dividend of $0.05 (approximately £0.04) per common share, which will result in an aggregate payment of approximately $12.0 million. The dividend will be paid in Pounds Sterling on 2 September 2022 (the "Dividend Payment Date") to shareholders of record on 5 August 2022 (the "Record Date") using the £ / $ spot market exchange rate at 12 noon London time on the Record Date.

Shareholders interested in participating in the dividend reinvestment plan ("DRIP"), or other services including international payment, are encouraged to contact the Group's registrars, Link Asset Services, for more details.

Financial Information

The Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2022 are published on Lancashire's website at www.lancashiregroup.com.

Analyst and Investor Earnings Conference Call

There will be an analyst and investor conference call on the results at 1:00pm UK time / 9:00am Bermuda time / 8:00am EDT on Wednesday 27 July 2022. The conference call will be hosted by Lancashire management.

Participant Access:
Dial in 5-10 minutes prior to the start time using the number / confirmation code below:

United Kingdom Toll-Free: 08003589473
United Kingdom Toll: +44 3333000804
United States Toll-Free: +1 855 85 70686
United States Toll: +1 6319131422
PIN code: 80848891#

URL for additional international dial in numbers:
https://events-ftp.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

The call can also be accessed via webcast, for registration and access:
https://onlinexperiences.com/Launch/QReg/ShowUUID=AD44C7F8-612E-4DA6-9DC9-B2E299EA3555

A webcast replay facility will be available for 12 months and accessible at: https://www.lancashiregroup.com/en/investors/results-reports-and-presentations.html

For further information, please contact:

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About Lancashire

Lancashire, through its UK and Bermuda-based operating subsidiaries, is a provider of global specialty insurance and reinsurance products. The Group companies carry the following ratings (unchanged from 2021):

	Financial Strength Rating(1)	**Financial Strength Outlook(1)**	**Long Term Issuer Rating(2)**
A.M. Best	A (Excellent)	Stable	bbb+
S&P Global Ratings	A-	Stable	BBB
Moody's	A3	Stable	Baa2

(1) Financial Strength Rating and Financial Strength Outlook apply to Lancashire Insurance Company Limited and Lancashire Insurance Company (UK) Limited.
(2) Long Term Issuer Rating applies to Lancashire Holdings Limited.

Lancashire Syndicates Limited benefits from Lloyd's ratings: A.M. Best: A (Excellent); S&P Global Ratings: A+ (Strong); and Fitch: AA- (Very Strong).

Lancashire has capital of approximately $1.8 billion and its common shares trade on the premium segment of the Main Market of the London Stock Exchange under the ticker symbol LRE. Lancashire has its head office and registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

The Bermuda Monetary Authority ("BMA") is the Group Supervisor of the Lancashire Group.

For more information, please visit Lancashire's website at www.lancashiregroup.com.

This release contains information, which may be of a price sensitive nature, that Lancashire is making public in a manner consistent with the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, and other regulatory obligations. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 BST on 27 July 2022.

Alternative Performance Measures (APMs)

As is customary in the insurance industry, the Group also utilises certain non-GAAP measures in order to evaluate, monitor and manage the business and to aid users' understanding of the Group. Management believes that the APMs included in the Financial Statements are important for understanding the Group's overall results of operations and may be helpful to investors and other interested parties who may benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly labelled measures used by companies inside or outside the insurance industry. In addition, the information contained herein should not be viewed as superior to, or a substitute for, the measures determined in accordance with the accounting principles used by the Group for its audited consolidated financial statements or in accordance with GAAP.

In compliance with the Guidelines on APMs of the European Securities and Markets Authority, as applied by the FCA, information on APMs which the Group uses is described below. This information has not been audited. All amounts, excluding share data, ratios, percentages or where otherwise stated, are in millions of U.S. dollars.

Net loss ratio:

Ratio, in per cent, of net insurance losses to net premiums earned. This ratio gives an indication of the amount of claims expected to be paid out per $1.00 of net premium earned in the financial year. The net loss ratio may also be presented with net insurance losses absent catastrophe and other large losses.

	30 June 2022	**30 June 2021**
Net insurance losses	**166.9**	121.1
Divided by net premiums earned	**440.5**	315.3
Net loss ratio	**37.9%**	38.4%

Net acquisition cost ratio:

Ratio, in per cent, of net insurance acquisition expenses to net premiums earned. This ratio gives an indication of the amount expected to be paid out to insurance brokers and other insurance intermediaries per $1.00 of net premium earned in the financial year.

	30 June 2022	**30 June 2021**
Net acquisition expense	**109.1**	67.1
Divided by net premiums earned	**440.5**	315.3
Net acquisition cost ratio	**24.8%**	21.3%

Net expense ratio:

Ratio, in per cent, of other operating expenses, excluding restricted stock expenses, to net premiums earned. This ratio gives an indication of the amount of operating expenses expected to be paid out per $1.00 of net premium earned in the financial year.

	30 June 2022	**30 June 2021**
Other operating expenses	**68.4**	66.1
Divided by net premiums earned	**440.5**	315.3
Net expense ratio	**15.5%**	21.0%

Combined ratio (KPI):

Ratio, in per cent, of the sum of net insurance losses, net acquisition expenses and other operating expenses to net premiums earned. The Group aims to price its business to ensure that the combined ratio across the cycle is less than 100%.

	30 June 2022	**30 June 2021**
Net loss ratio	**37.9%**	38.4%
Net acquisition cost ratio	**24.8%**	21.3%
Net expense ratio	**15.5%**	21.0%
Combined Ratio	**78.2%**	80.7%

Accident year loss ratio:

The accident year loss ratio is calculated using the accident year ultimate liability revalued at the current balance sheet date, divided by net premiums earned. This ratio shows the amount of claims expected to be paid out per $1.00 of net premium earned in an accident year.

	30 June 2022	30 June 2021
Net insurance losses current accident year	**231.3**	175.2
Dividend by net premiums earned current accident year*	**432.2**	311.0
Accident year loss ratio	**53.5%**	56.3%

*For the accident year loss ratio, net premiums earned excludes inwards and outwards reinstatement premium from prior accident years.

Fully converted book value per share (‘FCBVS’) attributable to the Group:

Calculated based on the value of the total shareholders’ equity attributable to the Group and dilutive restricted stock units as calculated under the treasury method, divided by the sum of all shares and dilutive restricted stock units, assuming all are exercised. Shows the Group net asset value on a diluted per share basis for comparison to the market value per share.

	30 June 2022	30 June 2021
Shareholders’ equity attributable to the Group	**1,372,753,750**	1,553,600,727
Common voting shares outstanding*	**240,122,621**	242,754,618
Shares relating to dilutive restricted stock	**1,949,260**	2,859,880
Fully converted book value denominator	**242,071,881**	245,614,498
Fully converted book value per share	**$ 5.67**	$ 6.33

*Common voting shares outstanding comprise issued share capital less amounts held in the Employee Benefit Trust.

Change in FCBVS (KPI):

The internal rate of return of the change in FCBVS in the period plus accrued dividends. Sometimes referred to as ROE. The Group’s aim is to maximise risk-adjusted returns for shareholders across the cycle through a purposeful and sustainable business culture.

	30 June 2022	30 June 2021
Opening FCBVS	**$ (5.77)**	$ (6.28)
Q1 dividend per share	**$ —**	$ —
Q2 dividend per share	**$ 0.10**	$ 0.10
Closing FCBVS	**$ 5.67**	$ 6.33
Change in FCBVS*	**—%**	2.4%

*Calculated using the internal rate of return.

Total investment return (KPI):

Total investment return in percentage terms, is calculated by dividing the total investment return excluding foreign exchange by the investment portfolio net asset value, including managed cash on a daily basis. These daily returns are then annualized through geometric linking of daily returns. The return can be approximated by dividing the total investment return excluding foreign exchange by the average portfolio net asset value, including managed cash. The Group's primary investment objectives are to preserve capital and provide adequate liquidity to support the Group's payment of claims and other obligations. Within this framework we aim for a degree of investment portfolio return.

	30 June 2022	30 June 2021
Total investment return	**(85.8)**	7.4
Average invested assets*	**2,271.7**	2,139.3
Approximate total investment return	**(3.8%)**	0.3%
Reported total investment return	**(3.8%)**	0.3%

*Calculated as the average between the opening and closing investments and our externally managed cash.

Gross premiums written under management (KPI):

The gross premiums written under management equals the total of the Group's consolidated gross premiums written plus the external names portion of the gross premiums written in LSL Syndicate 2010 plus the gross premiums written in LCM. The Group aims to operate nimbly through the cycle. We will grow in existing and new classes where favourable and improving market conditions exist, whilst monitoring and managing our risk exposures and not seek top-line growth for the sake of it in markets where we do not believe the right opportunities exist.

	30 June 2022	30 June 2021
Gross premiums written by the group	**938.1**	697.2
Names portion of gross premiums written (unconsolidated)	**100.0**	90.8
LCM gross premiums written (unconsolidated)	**38.4**	124.5
Total gross premiums written under management	**1,076.5**	912.5

NOTE REGARDING RPI METHODOLOGY

THE RENEWAL PRICE INDEX ("RPI") IS AN INTERNAL METHODOLOGY THAT MANAGEMENT USES TO TRACK TRENDS IN PREMIUM RATES OF A PORTFOLIO OF INSURANCE AND REINSURANCE CONTRACTS. THE RPI WRITTEN IN THE RESPECTIVE SEGMENTS IS CALCULATED ON A PER CONTRACT BASIS AND REFLECTS MANAGEMENT'S ASSESSMENT OF RELATIVE CHANGES IN PRICE, TERMS, CONDITIONS AND LIMITS AND IS WEIGHTED BY PREMIUM VOLUME. THE RPI DOES NOT INCLUDE NEW BUSINESS, TO OFFER A CONSISTENT BASIS FOR ANALYSIS. THE CALCULATION INVOLVES A DEGREE OF JUDGEMENT IN RELATION TO COMPARABILITY OF CONTRACTS AND THE ASSESSMENT NOTED ABOVE. TO ENHANCE THE RPI METHODOLOGY, MANAGEMENT MAY REVISE THE METHODOLOGY AND ASSUMPTIONS UNDERLYING THE RPI, SO THE TRENDS IN PREMIUM RATES REFLECTED IN THE RPI MAY NOT BE COMPARABLE OVER TIME. CONSIDERATION IS ONLY GIVEN TO RENEWALS OF A COMPARABLE NATURE SO IT DOES NOT REFLECT EVERY CONTRACT IN THE PORTFOLIO OF CONTRACTS. THE FUTURE PROFITABILITY OF THE PORTFOLIO OF CONTRACTS WITHIN THE RPI IS DEPENDENT UPON MANY FACTORS BESIDES THE TRENDS IN PREMIUM RATES.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS AND INDICATIVE PROJECTIONS (WHICH MAY INCLUDE MODELLED LOSS SCENARIOS) MADE IN THIS RELEASE OR OTHERWISE THAT ARE NOT BASED ON CURRENT OR HISTORICAL FACTS ARE FORWARD-LOOKING IN NATURE INCLUDING, WITHOUT LIMITATION, STATEMENTS CONTAINING THE WORDS "BELIEVES", "AIMS", "ANTICIPATES", "PLANS", "PROJECTS", "FORECASTS", "GUIDANCE", "INTENDS", "EXPECTS", "ESTIMATES", "PREDICTS", "MAY", "CAN", "LIKELY", "WILL", "SEEKS", "SHOULD", OR, IN EACH CASE, THEIR NEGATIVE OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE GROUP TO BE MATERIALLY DIFFERENT FROM FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FOR A DESCRIPTION OF SOME OF THESE FACTORS, SEE THE GROUP'S ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021. IN ADDITION TO THOSE FACTORS CONTAINED IN THE GROUP'S 2021 ANNUAL REPORT AND ACCOUNTS, ANY FORWARD-LOOKING STATEMENTS CONTAINED IN THIS RELEASE MAY BE AFFECTED BY: THE IMPACT OF THE ONGOING CONFLICT IN UKRAINE, INCLUDING ANY ESCALATION OR EXPANSION THEREOF, ON THE GROUP'S CLIENTS, RESERVES, THE CONTINUED UNCERTAINTY OF THE SITUATION IN RUSSIA, INCLUDING ISSUES RELATING TO COVERAGE AND THE IMPACT OF SANCTIONS, THE SECURITIES IN OUR INVESTMENT PORTFOLIO AND ON GLOBAL FINANCIAL MARKETS GENERALLY, AS WELL AS ANY GOVERNMENTAL OR REGULATORY CHANGES, ARISING THEREFROM; AND A CONTINUATION IN FINANCIAL MARKET VOLATILITY AND OTHER ADVERSE MARKET CONDITIONS GENERALLY. ALL FORWARD-LOOKING STATEMENTS IN THIS RELEASE OR OTHERWISE SPEAK ONLY AS AT THE DATE OF PUBLICATION. LANCASHIRE EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING (SAVE AS REQUIRED TO COMPLY WITH ANY LEGAL OR REGULATORY OBLIGATIONS INCLUDING THE RULES OF THE LONDON STOCK EXCHANGE) TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT TO REFLECT ANY CHANGES IN THE GROUP'S EXPECTATIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE GROUP OR INDIVIDUALS ACTING ON BEHALF OF THE GROUP ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS NOTE. PROSPECTIVE INVESTORS SHOULD SPECIFICALLY CONSIDER THE FACTORS IDENTIFIED IN THIS RELEASE AND THE REPORT AND ACCOUNTS NOTED ABOVE WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER BEFORE MAKING AN INVESTMENT DECISION.

Consolidated statement of comprehensive (loss) income

For the six months ended 30 June 2022

	Six months 2022 $m	Six months 2021 $m
Gross premiums written	938.1	697.2
Outwards reinsurance premiums	(315.5)	(269.3)
Net premiums written	**622.6**	**427.9**
Change in unearned premiums	(300.5)	(210.6)
Change in unearned premiums on premiums ceded	118.4	98.0
Net premiums earned	**440.5**	**315.3**
Net investment income	17.3	14.7
Net other investment (losses) income	(9.4)	1.5
Net realised (losses) gains and impairments	(10.7)	5.7
Share of profit (loss) of associate	2.4	0.3
Other income	2.3	7.0
Net foreign exchange (losses) gains	(1.6)	1.6
Total net revenue	**440.8**	**346.1**
Insurance losses and loss adjustment expenses	207.5	136.2
Insurance losses and loss adjustment expenses recoverable	(40.6)	(15.1)
Insurance acquisition expenses	127.2	82.3
Insurance acquisition expenses ceded	(18.1)	(15.2)
Equity based compensation	3.7	7.0
Other operating expenses	68.4	66.1
Total expenses	**348.1**	**261.3**
Results of operating activities	**92.7**	**84.8**
Financing costs	14.7	30.7
Profit (loss) before tax	**78.0**	**54.1**
Tax charge	(3.6)	(6.2)
Profit (loss) after tax	**74.4**	**47.9**
Profit (loss) for the period attributable to:		
Equity shareholders of LHL	**74.4**	**47.7**
Non-controlling interests	–	0.2
Net change in unrealised losses on investments	(83.0)	(14.5)
Tax credit on net change in unrealised losses on investments	1.5	0.4
Other comprehensive loss	**(81.5)**	**(14.1)**
Total comprehensive (loss) income attributable to Lancashire	**(7.1)**	**33.6**
Net loss ratio	37.9%	38.4%
Net acquisition cost ratio	24.8%	21.3%
Administrative expense ratio	15.5%	21.0%
Combined ratio	**78.2%**	**80.7%**

Consolidated balance sheet
As at 30 June 2022

	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
	$m	$m	$m
Assets			
Cash and cash equivalents	390.6	563.4	517.7
Accrued interest receivable	8.3	7.2	7.1
Investments	2,132.8	1,977.9	2,048.1
Inwards premiums receivable from insureds and cedants	755.5	550.7	490.6
Reinsurance assets			
- Unearned premiums on premiums ceded	236.2	195.4	117.8
- Reinsurance recoveries	428.8	281.6	418.8
- Other receivables	41.5	22.3	38.2
Other receivables	32.0	21.0	18.8
Investment in associate	87.6	89.0	118.7
Property, plant and equipment	0.6	1.1	0.8
Right-of-use assets	12.1	14.8	13.4
Deferred acquisition costs	173.9	117.8	121.6
Intangible assets	162.3	154.5	157.9
Total assets	**4,462.2**	**3,996.7**	**4,069.5**
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	1,311.4	978.0	1,291.1
- Unearned premiums	898.4	668.5	597.9
- Other payables	30.6	20.7	20.3
Amounts payable to reinsurers	295.3	214.6	205.6
Deferred acquisition costs ceded	25.9	19.9	27.0
Other payables	51.9	58.7	37.4
Corporation tax payable	1.7	2.4	1.6
Deferred tax liability	12.8	14.9	12.2
Lease liability	15.1	19.8	17.9
Long-term debt	445.9	445.5	445.7
Total liabilities	**3,089.0**	**2,443.0**	**2,656.7**
Shareholders' equity			
Share capital	122.0	122.0	122.0
Own shares	(23.5)	(12.1)	(18.1)
Other reserves	1,218.8	1,218.3	1,221.6
Accumulated other comprehensive (loss) income	(78.6)	19.5	2.9
Retained earnings	134.0	205.9	83.9
Total shareholders' equity attributable to equity shareholders of LHL	**1,372.7**	**1,553.6**	**1,412.3**
Non-controlling interests	0.5	0.1	0.5
Total shareholders' equity	**1,373.2**	**1,553.7**	**1,412.8**
Total liabilities and shareholders' equity	**4,462.2**	**3,996.7**	**4,069.5**

Consolidated statement of cash flows

For the six months ended 30 June 2022

	Six months 2022 $m	Six months 2021 $m
Cash flows from operating activities		
Profit (loss) before tax	78.0	54.1
Tax paid	(1.3)	(1.6)
Depreciation	1.5	1.6
Interest expense on long-term debt	12.9	12.6
Interest expense on lease liabilities	0.5	0.6
Interest income	(17.2)	(18.7)
Net amortisation of fixed maturity securities	1.4	3.6
Redemption cost on senior and subordinated loan notes	—	12.8
Net realised / unrealised losses on interest rate swaps	—	3.4
Equity based compensation	3.7	7.0
Foreign exchange gains	(2.4)	(0.5)
Share of (profit) loss of associate	(2.4)	(0.3)
Net other investment losses (income)	9.2	(1.9)
Net realised losses (gains) and impairments	10.7	(5.7)
Changes in operational assets and liabilities		
- Insurance and reinsurance contracts	(18.7)	57.3
- Other assets and liabilities	(0.6)	15.8
Net cash flows from operating activities	**75.3**	**140.1**
Cash flows used in investing activities		
Interest received	19.5	23.1
Purchase of property, plant and equipment	—	(0.7)
Internally generated intangible asset	(4.4)	—
Investment in associate	33.5	38.5
Purchase of investments	(700.7)	(808.0)
Proceeds on sale of investments	507.7	672.3
Net cash flows used in investing activities	**(144.4)**	**(74.8)**
Cash flows (used in) from financing activities		
Interest paid	(12.9)	(7.6)
Interest rate swap	—	(3.4)
Lease liabilities paid	(1.8)	(2.1)
Proceeds from issue of long-term debt	—	445.4
Redemption of long-term debt	—	(339.6)
Dividends paid	(24.3)	(24.3)
Dividend paid to minority interest holders	—	(0.5)
Share repurchases	(11.7)	—
Distributions by trust	(0.4)	(1.0)
Net cash flows (used in) from financing activities	**(51.1)**	**66.9**
Net (decrease) increase in cash and cash equivalents	**(120.2)**	**132.2**
Cash and cash equivalents at the beginning of year	517.7	432.4
Effect of exchange rate fluctuations on cash and cash equivalents	(6.9)	(1.2)
Cash and cash equivalents at end of period	**390.6**	**563.4**