A better balance *for growth*

Lancashire made significant progress in 2022 in realising the benefits of our work to **diversify**, **fortify** and **grow** our strong product portfolio.

We will always be driven by the underwriting opportunity and our disciplined approach to managing risk as we push **forward**.

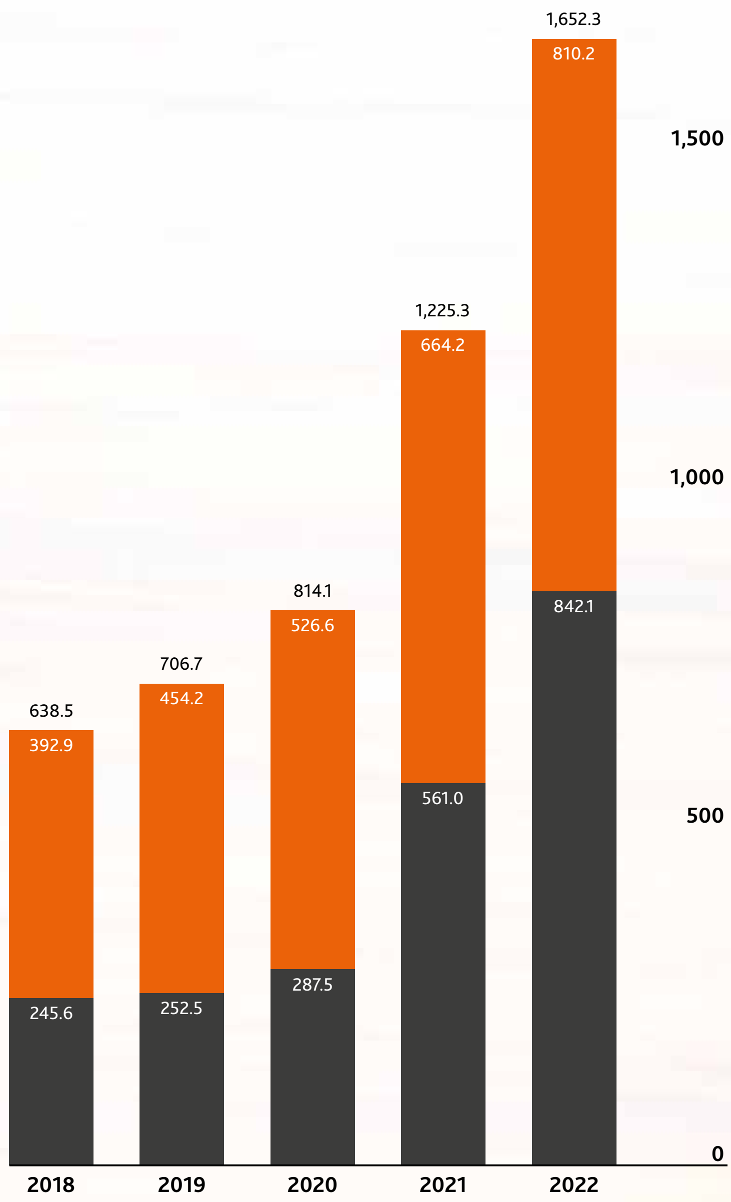
We have the **momentum** to take advantage of an exciting market opportunity.

Gross premiums written

Key

Reinsurance

Insurance



Demonstrating resilience

A business focused on growth

We are a provider of global specialty insurance and reinsurance products offering risk transfer solutions to brokers and clients.

We always strive for long-term and mutually beneficial relationships with our customers and stakeholders.

We want to be the best and we are building on our strengths

Empowering people

Our sector
plays a role in giving people and businesses confidence to operate, recover and thrive through our products

Our people
are united by our ambition and we work hard to build strong teams

A growing and responsible franchise

2
segments with 8 core product classes

47%
women in senior management roles

$1.7bn
Robust capital base

100%
calculated GHG emissions from own operations offset

A supportive employer

100+
senior managers attended Group strategy sessions during 2022

$149,000
donated to charities nominated by staff in 2022 from a total Foundation donation of $0.6m.

11.2%
Staff turnover

Our footprint

3
offices in London, Bermuda and Australia

338
experienced and talented colleagues

A helpful employer
One-off cost-of-living payment to lower paid employees

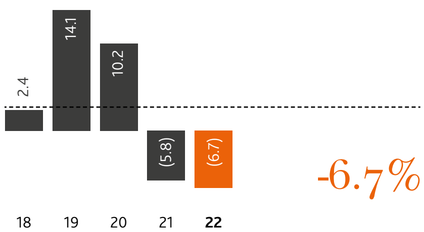
Strongly rated

A
(Excellent) A.M. Best Company

A-
S&P Global Ratings

A3
Moody's Investors Service

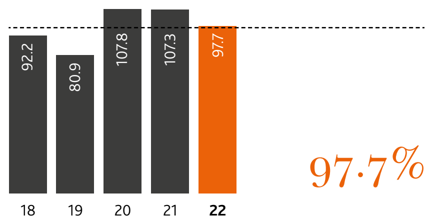
Change in FCBVS



The negative change in FCBVS is primarily due to the upwards trend in U.S. interest rates which resulted in **$93.2 million of unrealised losses** on our fixed maturity investment portfolio.

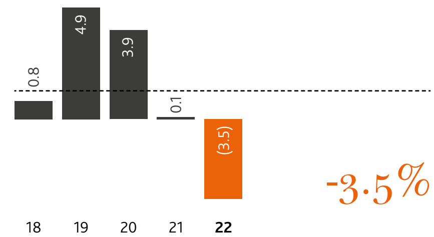
For the 2023 accounting year we will rename 'Change in FCBVS' to 'Change in Diluted Book Value Per Share'. This has no impact on the underlying calculation, given the Group has no warrants in issuance.

Combined ratio



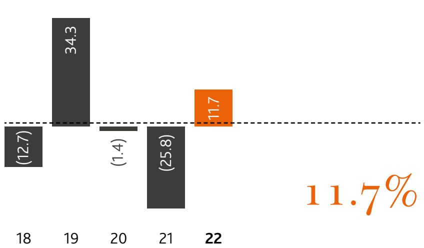
Net premiums earned have grown to $988.4 million compared to $696.5 million in the prior year. The profitable growth of our non-catastrophe lines of business has enabled Lancashire to mitigate the impact of the 2022 natural catastrophe loss events, such as hurricane Ian and the Australian floods. The **combined ratio of 97.7%** demonstrates how our recent disciplined growth helps deliver more balanced returns over the longer term and improves our ability to return an underwriting profit even in a year of significant losses.

Total investment return



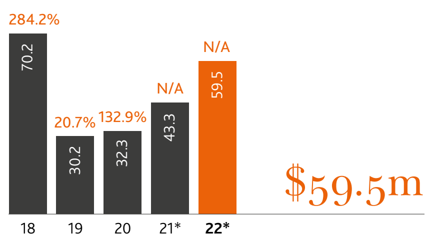
Lancashire reported a total net investment return of **negative 3.5%** for the year ended 31 December 2022. This was primarily driven by unrealised losses on our fixed maturity portfolio as a result of significant interest rate hikes by the U.S. Federal Reserve. Given the short duration of our investment portfolio we should benefit from the higher interest rate environment going forward.

Total Shareholder return



In 2022 there has been an overall stock market decline driven by the ongoing conflict in Ukraine, supply chain and inflationary pressures, a rapidly changing interest rate environment, exchange rate volatility and general economic uncertainty. This weighed on our total shareholder return for much of the year with a recovery in Q4 2022. We see further opportunities for profitable underwriting growth into 2023 and will continue to deliver on our strategy and manage the cycle.

Comprehensive income returned to shareholders



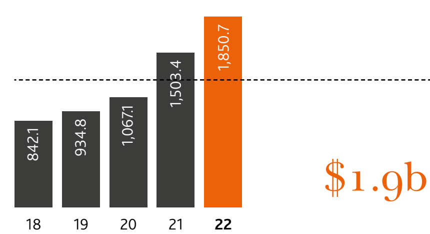
■ Ordinary / special dividends and shares repurchased ($)

% Comprehensive income returned to shareholders

* Due to 2022 and 2021 being N/A the five year % average is not calculated.

The Group has made a **comprehensive loss of $92.6 million** in 2022 primarily driven by unrealised investment losses of $93.2 million on our fixed maturity available for sale investment portfolio. We remain strongly capitalised to deliver on our long-term strategy and continued to deploy excess capital into the business to fund growth opportunities. We paid ordinary dividends of $36.2 million and repurchased shares of $23.3 million.

Gross premiums written under management



The Group continues to expand and diversify its underwriting portfolio taking advantage of a period of sustained rate increases across a number of lines of business. The Group's corporate member has also acquired additional syndicate participation rights in Syndicate 2010, which takes the Group's share of the 2023 year of account to 69.3%.

Key

KPI linked to Executive Directors' remuneration. For more information see pages 96 to 117.

Alternative Performance Measures (APMs) refer to page 197.

----- Five-year average

A model to move us forward

Our strengths

Customer focus

- Our relationships with clients and brokers are long-standing and we aim to enable our clients to return to their pre-loss condition as soon as practicable

Expert people and specialised products

- Experienced management team and skilled operational teams with proven ability
- A lean business operation allows us to make decisions efficiently
- Highly-specialised multi-class products with market barriers to entry in terms of data and modelling expertise

Disciplined risk and capital management

- Rigorous systems for risk monitoring and management
- Strong track record of capital management
- Proven ability to manage volatility by optimising capital and the underwriting portfolio through market cycles

A diverse offering

- Three established platforms: Lancashire Insurance companies; Lancashire Syndicates; and Lancashire Capital Management
- Access to multiple markets providing clients with versatile solutions and ourselves with underwriting opportunities
- A stable core book of business and disciplined underwriting

Our strategy

Underwriting comes first

Profitable growth

Exploring opportunities for growth in markets where we believe the right long-term opportunities exist, and rigorously monitoring and managing our risk exposures.

Balance risk and return through the cycle

Maximise risk-adjusted returns

Our speed and agility in the way we manage volatility help us underwrite our core portfolio profitably through the challenges of the cycle, yet seize opportunities when they present themselves.

Insurance market employer of choice

Positive culture enables sustainability

Maintaining our positive culture and the ability to retain and attract the best talent is key for success, coupled with a strong focus on profitability and risk selection.

Our purpose is to...

Deliver bespoke risk solutions that protect our clients and support economies, businesses and communities in the face of uncertain loss events.

Manage our risk exposures and capital resources to generate returns for our investors.

Support our people and work with our stakeholders, fostering a positive, sustainable and open business culture to the benefit of society.

Priorities

Growth in existing and new classes where favourable and improving market conditions exist.

Focus on maintaining a diversified portfolio structure and our core clients.

Use the principle of peer review throughout the Group.

Achievements

We continue to add new expertise to the Group and diversify our underwriting portfolio. Gross premiums written increased to $1.7 billion in 2022. This growth came from both newer and more established classes.

Priorities

Explore opportunities for top-line growth in markets where we believe the right long-term opportunities exist and rigorously monitor and manage our risk exposures.

Use our speed and agility to manage volatility and underwrite our core portfolio profitably through the challenges of the cycle.

Deploy capital quickly when it is needed and having the discipline to return it when it is not.

Achievements

We have increased our underwriting footprint and optimised our portfolio in areas where rating has improved, whilst adding new complementary classes of business.

Priorities

Foster entrepreneurial, collaborative culture through the Lancashire values.

Improve operational efficiency and data capabilities through business transformation activities.

Develop the Group's ESG principles to ensure we operate responsibly as a business.

Achievements

Employee headcount increased to 338 in 2022 with new talent attracted by Lancashire's positive corporate culture.

More than $149,000 donated to charitable organisations nominated by employees in 2022.

The value we create

Our people

85%

overall participation rate for 2022 employee 'Pulse' survey

Our policyholders

$412.7m

gross losses paid in 2022

Our shareholders

16.5%

compound annual change in FCBVS since inception

Society

$0.6m

donated through the Lancashire Foundation in 2022

The environment

15%

per FTE carbon footprint reduction target from own operations by 2030

Our Vision

At Lancashire, our vision is to be the leading underwriter of specialty insurance and reinsurance products.

I am pleased with our performance in 2022 and that the decisions we have made in the past few years to better balance the portfolio mean we have produced an underwriting profit in a challenging year.

Alex Maloney
Group Chief Executive Officer

A stronger *and more resilient business*

Peter Clarke
Non-Executive Chair

For Lancashire, 2022 was the year where we continued to implement our long-term strategy of building a more diverse and robust business. We deployed our capital according to the opportunity in an improving pricing environment.

The year started with a challenging macroeconomic environment, which was further amplified by the conflict in Ukraine. In addition, the insurance industry had to deal with the large natural catastrophe loss of hurricane Ian and other loss events.

However, I am very pleased that we maintained our strong forward momentum – with an increase in gross premiums written of 34.9% – despite the various challenges.

This is the second year of strong premium growth since we raised new equity capital in 2020, and we now have a more diversified and balanced underwriting portfolio.

The Board is pleased with this continued growth in both existing and new classes including longer tail casualty lines, and the Group's position going into a strong market for many of our product lines in 2023.

Overall, the Board is satisfied that the business has demonstrated discipline and resilience in a challenging year.

The Group's negative change in FCBVS of 6.7%, based on the comprehensive loss of $92.6 million, was mainly driven by rising U.S. interest rates and general volatility in investment markets. These have impacted our investment returns at negative 3.5% and resulted in unrealised losses on our investment portfolio during the year, which we expect to unwind for the most part as our predominantly shorter duration assets reach maturity.

Elevated natural catastrophe insured losses also contributed, with estimated industry-wide losses in 2022 of around $120bn, exceeding the 10-year average by 40%.

Natural catastrophe risk business, particularly property catastrophe risks, is an important part of Lancashire's product offering to its clients, offering confidence to vulnerable communities that they can return to normal post a loss event.

As a result, we can expect our underwriting results to be impacted by catastrophe losses such as hurricane Ian. Nevertheless, Lancashire delivered a combined ratio of 97.7%, which demonstrates the benefits of the current growth and greater risk diversification in enabling us to produce an underwriting profit even in a year of heightened losses.

"This is the second year of strong premium growth since we raised new equity capital in 2020, and we now have a more diversified and balanced underwriting portfolio."

This is testament to the delivery of our strategy to grow our footprint when the market opportunity allows, and to rigorously monitor and manage our risk exposures through the cycle.

The Group's philosophy on reserving has been conservative and is well established. Management engaged proactively with the Board during 2022 in explaining the reserving exercises which were conducted, in particular with regard to the conflict in Ukraine and hurricane Ian. This gives us the confidence in our overall capital position and Natalie talks more about this in her review.

Importantly, maintaining our positive culture as we grow is at the heart of Lancashire's strategy, as outlined by Alex in his review. The Board is fully supportive of management's efforts to ensure we continue to retain and attract a talented and diverse group of colleagues.

During 2022, we also continued to have an active dialogue on issues of climate change, sustainability and governance. We were pleased to join the ClimateWise organisation during the year and we have again reported against the recommendations of TCFD and outlined our activities in measuring and actively monitoring climate change effects on the Group.

Through the Lancashire Foundation we have always sought to support charities that have a positive impact on the communities they serve. The cost-of-living crisis has made that need even more acute. I am pleased that during 2022, the Foundation's focus on social causes has been increasingly valuable and effective. The Foundation's support for homeless charities is particularly apt and the organisations we have funded include in their ethos a long-term goal of helping people back on their feet.

During the course of 2022, we have acknowledged and discussed the impact that the increased cost-of-living can have on some employees. We have ensured that our focus with regards to remuneration and assistance has been targeted to benefit those who are likely to require additional support the most. To that end, the Board approved a one-off cost-of-living payment for employees whose salary was below a specific level. You can read more about our work on Environmental, Social and Governance matters in our sustainability section starting on page 40.

As in previous years, we have not changed our dividend strategy. Subject to a shareholder vote at the 2023 AGM, we propose to pay a final ordinary dividend of $0.10 per common share, unchanged on prior years. Further information can be found on page 119. Our dividend policy is set out on page 118.

Q: How have employees assisted in navigating a challenging year?

A: Lancashire employs some of the best people in our industry. Our underwriters have market-leading expertise and all our support functions effectively aid our overall goal to deliver on our strategy.

In a challenging year, acting as one team with one driver for success is incredibly important. I am reminded constantly in my conversations with people from around the business of the strength of pride that they feel in working at Lancashire.

On behalf of the Board, I would like to thank Alex, the wider management team and all our colleagues for their hard work and commitment.

We believe the outlook for 2023 and beyond is extremely exciting and that we have the right teams across the Group to deliver our strategy and grow when there are opportunities.

Driving forward *a more diverse and robust business*

Alex Maloney
Group Chief Executive Officer

This year our focus remained firmly on delivering our long-term strategy and actively managing the cycle.

I'm very pleased to report that Lancashire continued its strong growth trajectory, increasing gross premiums written year-on-year by 34.9% to $1.7 billion and delivering a combined ratio of 97.7%.

Our robust underwriting performance came against a backdrop of high industry losses and a volatile macroeconomic environment.

In line with our 'underwriting comes first' principle, we have continued to expand our footprint and take full advantage of the organic growth opportunities and rate increases being seen across the majority of our product lines.

This growth has come from those lines where we have longer-term strength and expertise and from those we have added over the past few years as part of our actions to diversify and fortify our portfolio.

Although there have been years in the past when we have had to be patient, we are now starting to see the benefits of the expansion we started in 2018 coming through.

Traditionally, Lancashire has been seen as an established writer of natural catastrophe risk business meaning that when such events occur it is expected to impact our performance. However, during 2022 we have demonstrated that the growth and diversification of recent years now allows us to absorb significant catastrophe losses, such as hurricane Ian. While this event is estimated to be the second most costly hurricane on record, we have still produced a net underwriting profit.

This is a notable positive step-change for the business and testament to the clear long-term strategy we have set out.

Catastrophe and weather related losses for the year, excluding the impacts of reinstatement premiums, were $218.4 million. This includes the impact of hurricane Ian, which was within our expectations for these types of events and at the lower end of the $160 million to $190 million range provided at Q3.

"Everything we do is driven by the underwriting opportunity. It is why we are here and why we do what we do."

We previously set aside $22 million for direct claims emanating from the conflict in Ukraine. In Q4, we subsequently revised this to include an additional management margin for any potential indirect claims related to the conflict across a number of classes. Our potential claims related to the conflict now total $65.8 million. Given the nature of the conflict, the ultimate claims relating to the event are subject to a high level of uncertainty.

On investments, the volatility in the global financial markets and higher interest rates have understandably affected our 2022 investment result, which was negative 3.5% including mark-to-market losses. These losses are largely unrealised and were the most significant driver of the negative change in FCBVS of 6.7% for the year. Going forward, we expect to see higher investment income as a result of the higher interest rate environment.

From a capital perspective, we held a very strong position throughout the year and we have the necessary headroom to continue to write profitable business, and deliver returns, during what we expect to be a harder market in 2023.

Overall, I am pleased with our performance in 2022, and that the decisions we have made in the past few years to better balance the portfolio mean we have returned an underwriting profit in a challenging year.

During 2022, we have continued to strengthen our underwriting teams and our organisational infrastructure through key internal promotions and external hires.

Lancashire aims to retain and attract the best people in our industry. Our underwriters have market-leading expertise and our support functions are vitally important in the overall delivery of our growth strategy.

We made a number of senior appointments from within our existing underwriting teams during the year. This is testament to the strength of talent, knowledge and experience that we have at Lancashire, in underwriting and across the wider business.

Our long-term investment in developing our people means that we are able to reward and promote colleagues across the Group when suitable opportunities arise.

We are also enhancing and expanding our capabilities in a range of areas, including business development, human resources, procurement, change and vendor management, and sustainability.

We have always recruited on merit which has given us the benefits of a diverse employee community and we continue to look at how we can bring more people into the industry from a range of backgrounds.

Q: How have the business's strategic objectives and vision changed in 2022?

A: Each year the Board reviews the Group strategy, and in 2022 we made some changes to reflect the size of the business and our future aspirations. This includes a new focus on our people, operations and sustainability.

It is important to stress that our number one priority remains the same and will not change – underwriting comes first.

It is this emphasis on disciplined underwriting that underpins everything we do. It is also in many cases why people want to join Lancashire.

They know that we have a strong team, in both underwriting and support functions, and that we value and reward expertise and talent.

As I said last year, everything we do is driven by the underwriting opportunity. It is why we are here, why we do what we do and why we play an important role in supporting and protecting communities and economies across the world.

I am pleased that in delivering on our strategy we have the full support of our people. We hosted sessions in London and Bermuda during 2022 for our people managers, where we had an opportunity to discuss how to bring the strategy and vision to life – and how we can further improve the work experience for employees.

This spirit of collaboration is incredibly important for us at Lancashire.

Fundamentally we are a people business and we have a high level of engagement from all our colleagues. Keeping our positive culture and making Lancashire a place that develops, retains and attracts quality people is central to our success going forward.

I very much look forward to the opportunities for further profitable growth that the next 12 months may bring, and I'd like to thank all of our colleagues for their hard work, and our investors, clients, and brokers for their support during the past year.