LLOYD'S

Lloyd's Investor Relations Roadshow

December 2017

© Lloyd's

LLOYD'S

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.

© Lloyd's

LLOYD'S

Contents

© Lloyd's

LLOYD'S

Lloyd's market structure

Business flow

Policyholder – transferring risk
- 63% of FTSE 250 and 65% of the Fortune 500 are insured at Lloyd's[1]

Distribution channel
- 258 Brokers – distributing business
- 3,859 Coverholders and 380 Service companies[2] offering local access to Lloyd's

The Market

57 Managing Agents – managing syndicates
99 Syndicates – writing insurance

Gross written premiums:		Capital & reserves[3]	
2017 H1	£19bn	2017 H1	£28bn
2016	£30bn	2016	£29bn
2015	£27bn	2015	£25bn

Capital flow

Capital providers (Members)
- Dedicated Corporate members
- Direct capital provisions to syndicates under common management
- Private capital (via members agents – supporting the members and capital provisions to third party managed syndicates)

The Society of Lloyd's – supporting the market

Note: 1) As at 31 Dec 2015; 2) Coverholders/ Service companies: a company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it, in accordance with the terms of a binding authority; 3) At 30 June 2107 £28bn was split among Members' assets held severally (£25bn) and mutual assets (£2.1bn) and subordinated debt and securities (£0.8bn)

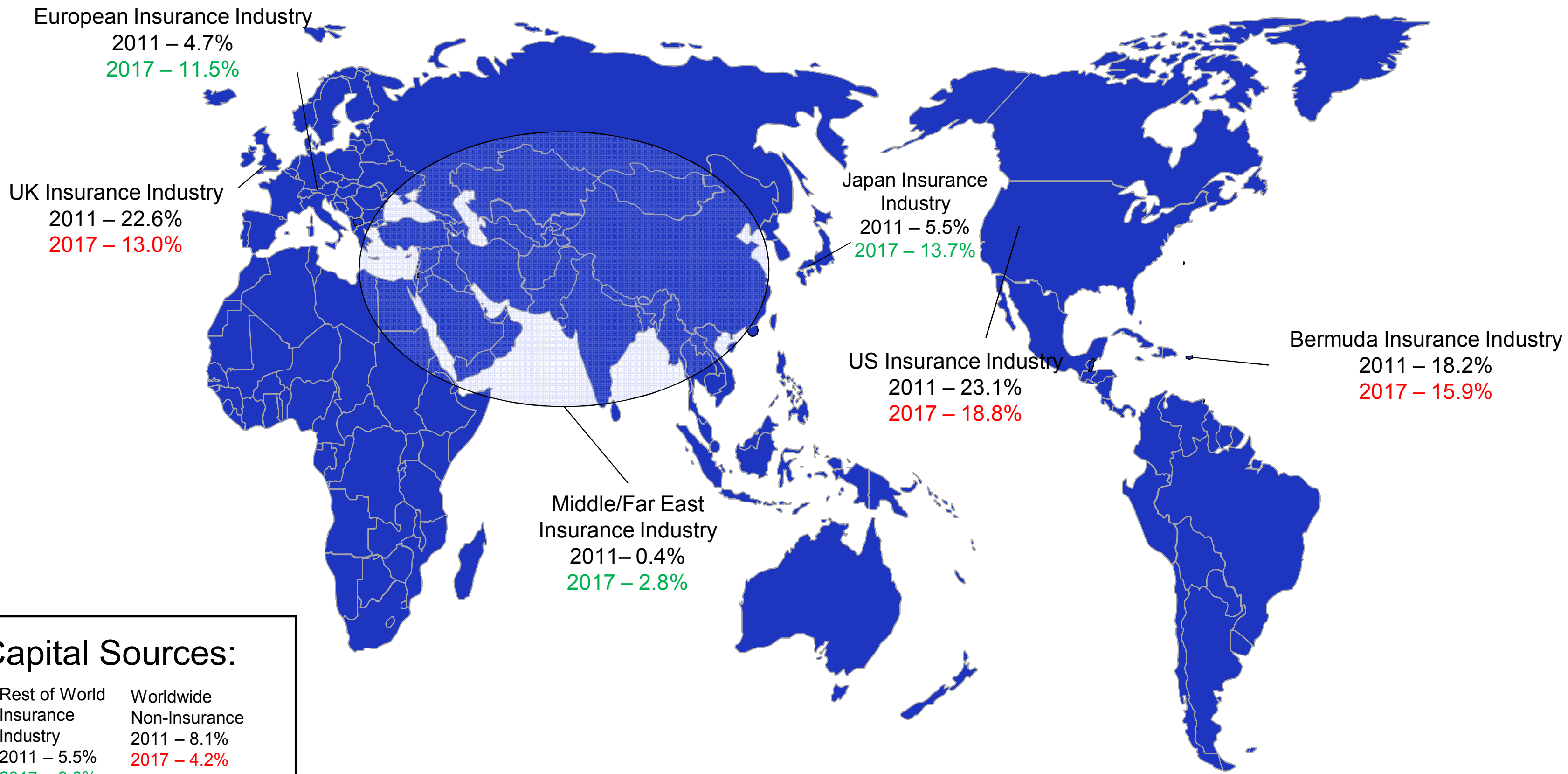
All balances are as at 31 Dec 2016 unless otherwise noted

Capital

© Lloyd's

Lloyd's capital base is diversifying in line with our Vision 2025 strategy

Capital



Other Capital Sources:

Private Capital	Rest of World Insurance Industry	Worldwide Non-Insurance
2011 – 12%	2011 – 5.5%	2011 – 8.1%
2017 – 10.2%	2017 – 9.8%	2017 – 4.2%

© Lloyd's

LLOYD'S

Strong and Flexible Capital Structure:

Lloyd's "Chain of Security"

Claims/ Losses

SEVERAL ASSETS

FIRST LINK

SYNDICATE LEVEL ASSETS £52,983m

All premiums received by a syndicate are held in its premium trust funds and are the first resource for paying policyholder claims from that syndicate. **1**

SECOND LINK

MEMBERS FUNDS AT LLOYD'S (FAL) £22,291m

Each member provides Capital to support its underwriting at Lloyd's. Each managing agent produces its own capital assessment in respect of each managed syndicate stating how much capital it considers is needed to cover its underlying business risks with a 99.5% confidence level. **2**

MUTUAL ASSETS

THIRD LINK

CENTRAL FUND £2,030m

CORPORATION NET ASSETS[1] £83m

SUBORDINATED DEBT/ SECURITIES £792m

CALLABLE LAYER (≤ 3%)[2] £875m

The central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met by the resources of any member. It is funded by members' annual contributions and subordinated debt issued by the Society in 2014 and 2017. **3**

1) Corporation net assets: Corporation Reserves, Associates Reserve, Revaluation Reserve, Translation Reserve; 2) Callable layer: Central Fund assets may be supplemented by a 'callable layer' of up to 3% of members' overall premium limits in any one calendar year. These funds would be drawn from premium trust funds.
Source: Lloyd's pro forma financial statements, 30 June 2017

Balance sheet

Balance sheet				
£m	December 2014	December 2015	December 2016	June 2017
Cash and investments	54,889	56,900	67,646	65,941
Reinsurers' share of unearned premiums	1,976	2,368	3,110	4,422
Reinsurers' share of claims outstanding	8,785	8,610	11,310	11,963
Other assets	14,063	15,751	19,536	23,122
Total assets	79,713	83,629	101,602	105,448
Gross unearned premiums	(12,652)	(13,723)	(16,548)	(19,212)
Gross claims outstanding	(38,134)	(38,833)	(47,747)	(47,373)
Other liabilities	(5,514)	(5,975)	(8,710)	(10,884)
Net resources	23,413	25,098	28,597	27,979
Member assets	20,835	22,453	25,718	25,074
Central assets[1]	2,578	2,645	2,879	2,905

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

LLOYD'S

Return on capital 2012 – HY 2017

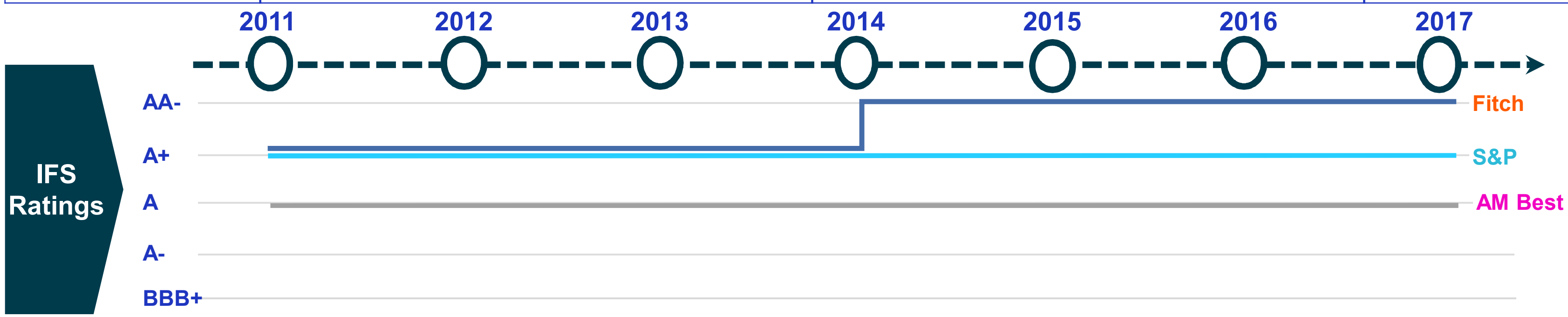
Return on capital	2012	2013	2014	2015	**2016**	HY 2017
Pre-tax result (£bn)	2.8	3.2	3.0	2.1	2.1	1.2
Combined ratio	91.1%	86.8%	88.4%	90.0%	97.9%	96.9
Investment return	2.6%	1.6%	2.0%	0.7%	2.2%	1.5%
Gross written premiums (£bn)	25.2	25.6	25.3	26.7	29.9	18.9
Net resources[1] (£bn)	20.2	21.1	23.4	25.1	28.6	28.0
Pre-tax ROC	14.8%	16.2%	14.1%	9.1%	8.1%	8.9%

Source: Lloyd's pro forma financial statements, 30 June 2017. [1]Net resources: capital, reserves & subordinated loan notes and securities.

LLOYD'S

Lloyd's financial strength ratings are strong

Ratings	Standard & Poor's	Fitch Ratings	A.M. Best
Insurer financial strength (IFS)	**A+ (Strong)** Affirmed in October 2017 Negative outlook	**AA- (Very strong)** Affirmed in October 2017 Negative outlook	**A (Excellent)** Affirmed in July 2017 Stable outlook
Subordinated debt rating	**A-**	**A-**	**a-**
Key strengths quoted by the rating agency	• Very strong competitive position with wide geographic and product coverage • Very strong capital and earnings and strong financial flexibility • Strong risk controls, risk culture and risk management	• Very strong business profile and strong market performance • Strong and well structured risk management framework • Strong member and central capital	• Strong and stable risk-adjusted capitalisation • Good financial flexibility • Strong underwriting performance • Excellent business profile



Sources: S&P Global Ratings Research Update June 15 2017; Fitch Ratings Press Release 27 June 2017; A.M. Best press release July 2017; Best's Rating of Lloyd's 2016, September 2016

LLOYD'S

Solvency

© Lloyd's

LLOYD'S

How Lloyd's calculate and cover solvency?

- Under Solvency II the Solvency Capital Requirement (SCR) must be calculated
  - Sufficient capital to cover a 1 in 200 year loss event for the entity over a one year time period
- Lloyd's calculates two SCRs

SCR	Scope of calculation	Capital available to cover SCR
Lloyd's Market Wide SCR (MWSCR)	Covers whole Lloyd's market	All capital held at Lloyd's including syndicate assets, member level capital and central capital
Lloyd's Central SCR (CSCR)	Covers central risks only, in particular risk that members may not have enough capital to meet losses (and thus hit Central Fund)	Central capital – mainly the Central Fund

- Both the Lloyd's MWSCR and CSCR are calculated using Lloyd's Internal Model
- Solvency also assessed at the member level

© Lloyd's

Capital tiering and Lloyd's solvency margin as at 30 June 2017

Eligible own funds and coverage of MWSCR

Lloyd's assets	Tier 1 £m	Tier 2 £m	Tier 3 £m	Total £m
Syndicate assets	1,469			1,469
FAL:				
- Cash, bonds, equities etc	12,879			12,879
- Ancillary own funds (FAL provided by Letters of Credit and Bank Guarantees etc)[1]		8,628		8,628
Society assets:				
- Subordinated debt (valued at fair value)[2]		888		888
- Deferred tax			35	35
- Balance of net assets	1,827			1,827
Total own funds **available** to meet the SCR	16,175	9,516	35	**25,726**
Lloyd's MWSCR				**16,750**
Total own funds **eligible** to meet the SCR (Tier 2 and 3 assets can only cover up to 50% of SCR)	16,175	8,375	-	24,550
'Excess' own funds not eligible to meet SCR	-	1,141[3]	35	1,176
Lloyd's solvency ratio (based on MWSCR)				**147%**

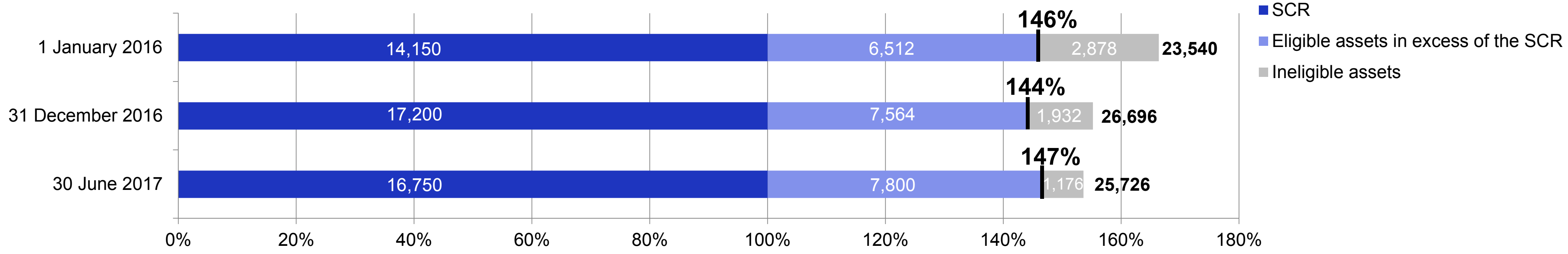
Note: 1)FAL provided by ancillary own funds is treated as Tier 2 capital; 2) The subordinated debt is treated as Tier 2; 3) Letters of Credit and Bank Guarantees become unrestricted Tier 1 capital if drawn down.
Source: Lloyd's Interim Results 30.06.2017

© Lloyd's

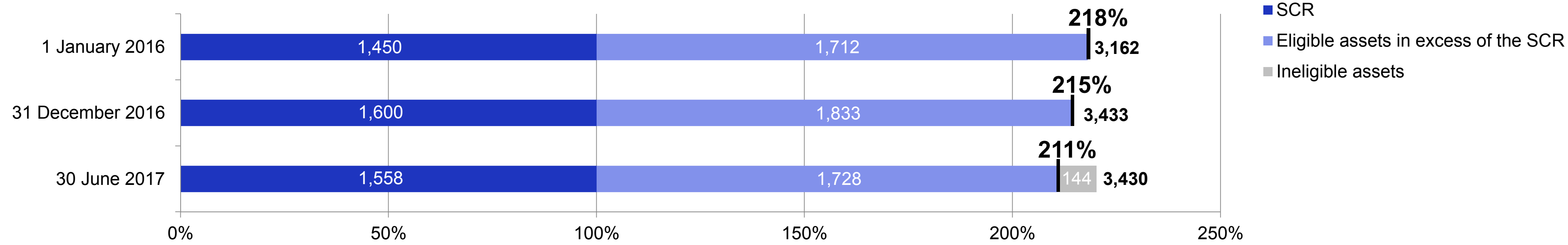
LLOYD'S

Lloyd's solvency position stable during 2016-17

Lloyd's MWSCR[1] (£m)



Lloyd's CSCR[2] (£m)

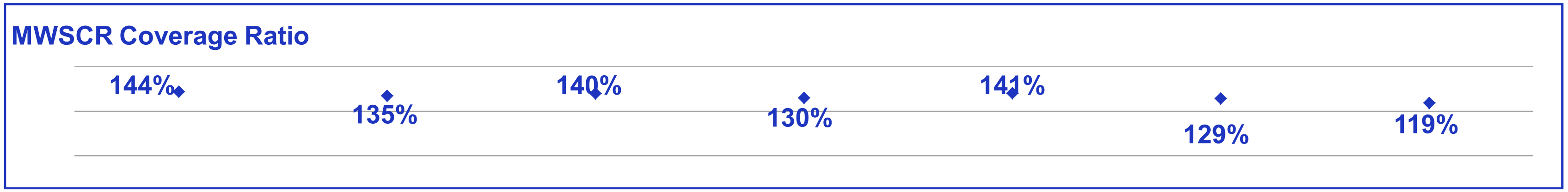


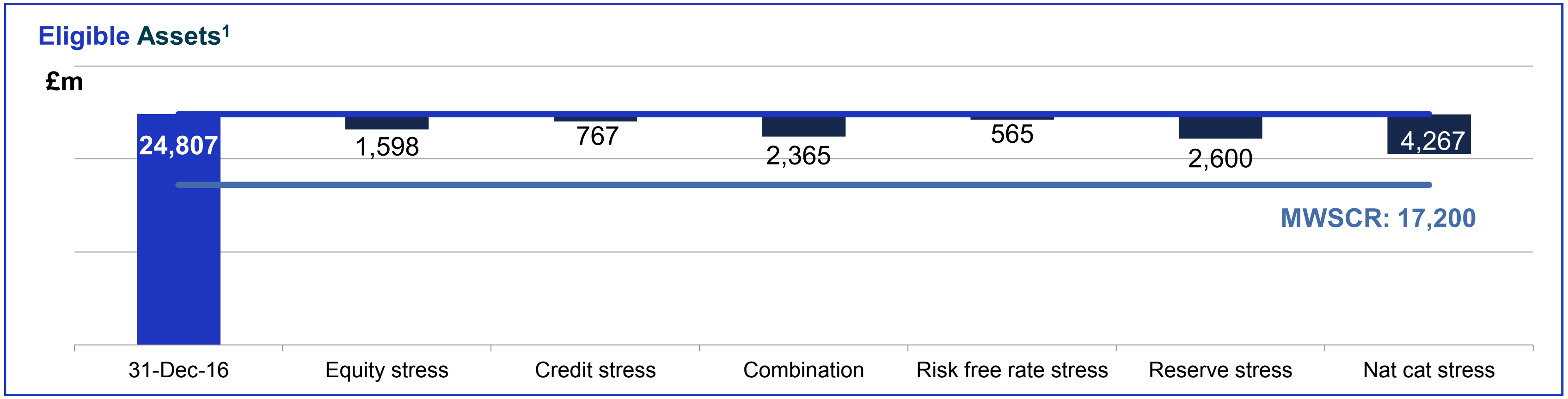
Source: Lloyd's Internal Model. Data represents the position from the unaudited solvency returns, which may differ from the final audited submissions. [1]MWSCR: Market Wide SCR, calculated to cover all of the risks of 'the association of underwriters known as Lloyd's; [2]CSCR: Central SCR, calculated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

© Lloyd's

LLOYD'S

Market wide SCR coverage sensitivity





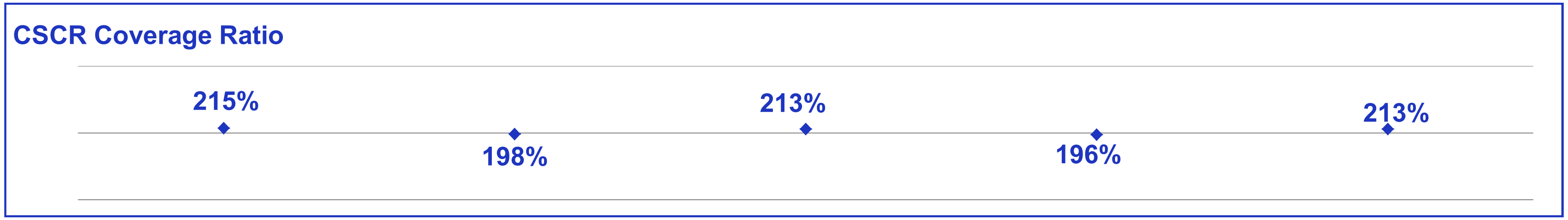
Stress applied on instantaneous basis	Equity & growth assets lose 25%	Investment grade credit spreads widen by 100bp	Combined equity & credit event	Government bond yields rise by 50bp	Reserves deteriorate by 15% for all syndicates on casualty lines across all years of account	30 year high natural catastrophes world-wide[2]

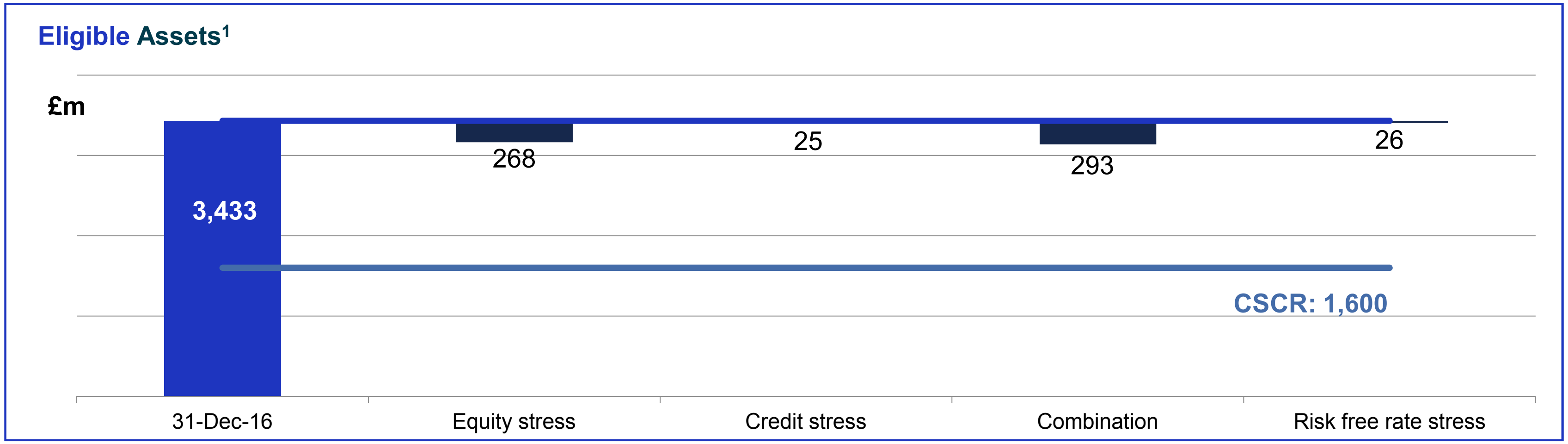
Note: 1) Stress impact modelled on eligible assets only, SCR is assumed to be unchanged for stress scenarios. Stresses are uncorrelated. 2) Impact on central assets (and so central SCR coverage) will be dependent on whether claims are spread across the market or concentrated in particular syndicates. The impact of significant claims on central assets would be zero unless the Issuer chooses to make these assets available to meet the underwriting liabilities of Lloyd's members that are unable to meet these liabilities in full.
Source: Lloyd's Internal Model

© Lloyd's

LLOYD'S

Central SCR coverage sensitivity





Stress applied on instantaneous basis	Equity & growth assets lose 25%	Investment grade credit spreads widen by 100bp	Combined equity & credit stress	Government bond yields rise by 50bp

Note: 1) Stress impact modelled on eligible assets only, SCR is assumed to be unchanged for stress scenarios. Stresses are uncorrelated.
Source: Lloyd's Internal Model

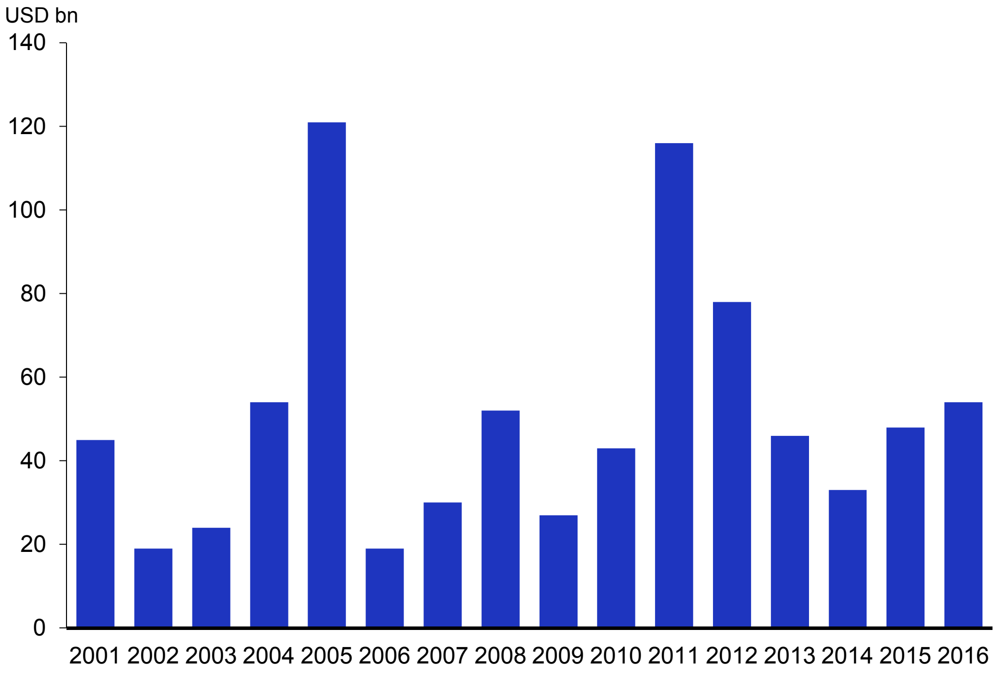
© Lloyd's

© Lloyd's

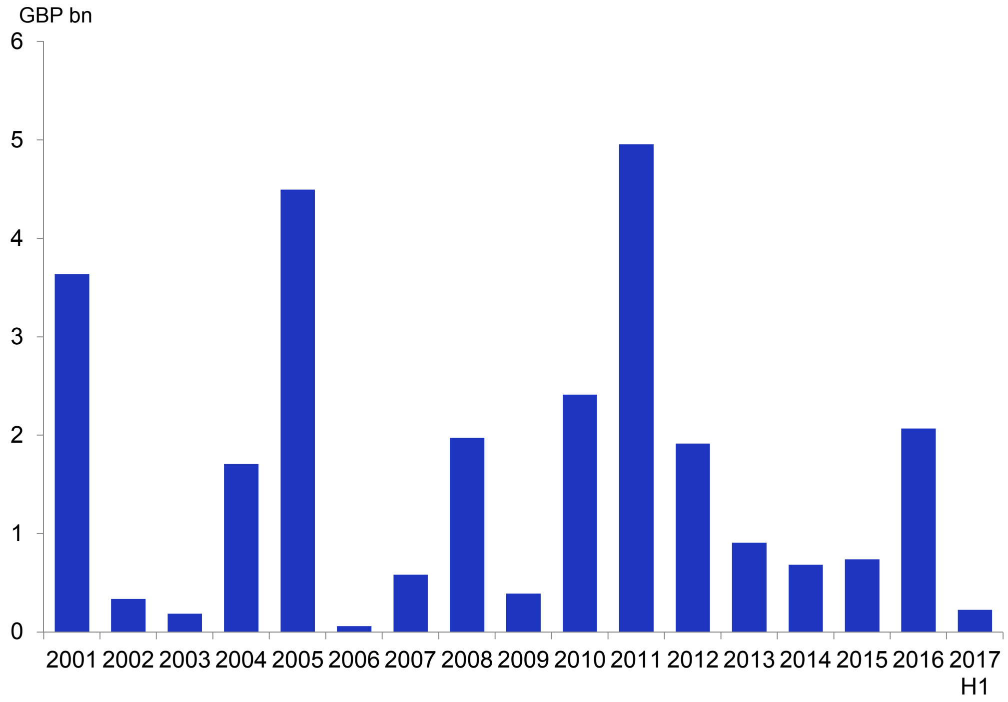
LLOYD'S

Major claims have increased but still < 5% of industry wide insured cat losses

Industry wide insured catastrophe losses



Lloyd's major claims[1]



Note: 1) Indexed for inflation to 2016. Claims in other currencies translated at the exchange rate prevailing at the date of loss.
Source: Swiss Re Sigma Report 2016, Lloyd's Annual Report 2016 & Lloyd's Interim Report 2017

LLOYD'S

Impact of natural catastrophes in H2

Lloyd's loss estimates	
Event	**Net USD billions**
Harvey	1.74
Irma	2.14
Maria	0.93
Total	4.81

Event	Low range estimate USD billions		High range estimate USD billions
Harvey	7.5		35.0
Irma	32.0		55.0
Maria	15.0	to	85.0
Total	54.5		175.0

Lloyd's cost

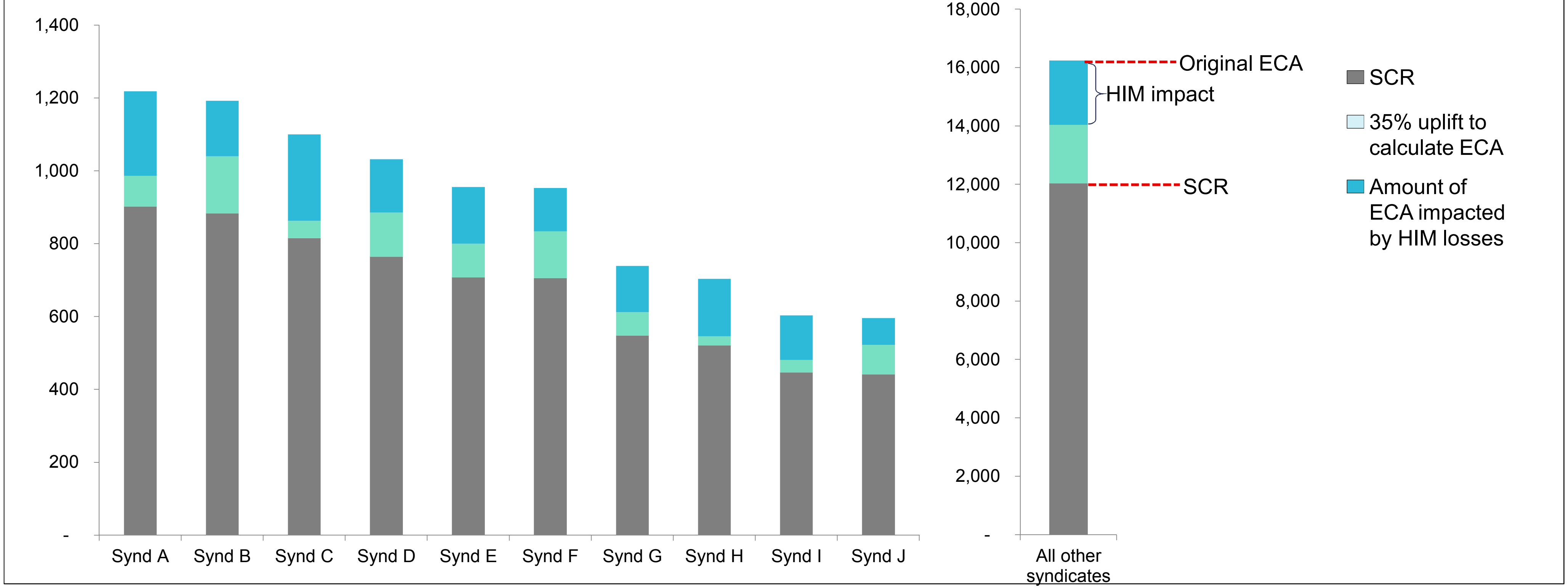
- Major claims return submitted by market September
- Updated version submitted 17 October – included a first estimate for Maria.
- Data reflects latest market Q3 reporting estimates

Industry cost

- Significant uncertainty over actual market numbers as shown by range of figures published by modelling companies for each event
- AIR loss range to be updated

The impact from the Q3 hurricanes is spread across multiple syndicates and absorbed within capital held above the SCR

Make-up of ECA for the market (including the 10 largest syndicates), showing the impact of HIM losses (£m)

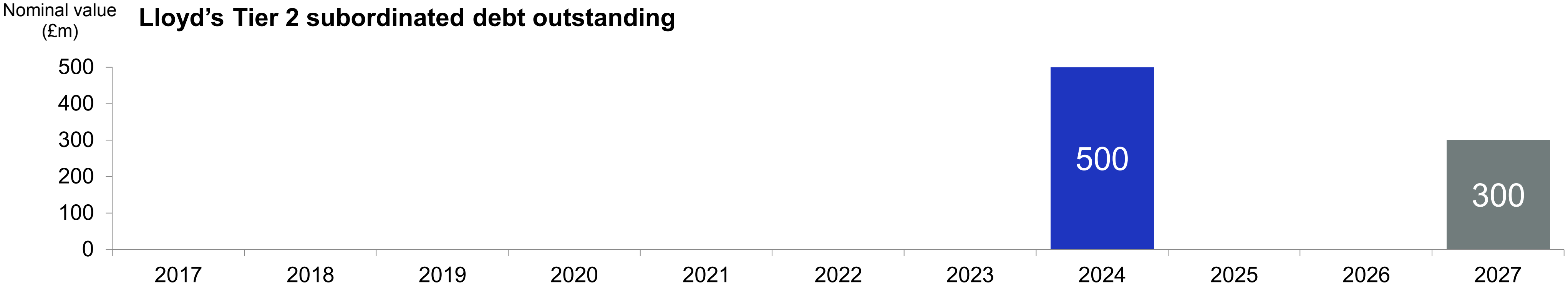


Source: SCR/ECA analysis and large loss QMA return submissions, 30 September 2017. ECA: Economic capital assessment. SCR: Solvency capital requirement. HIM: Harvey, Irma and Maria

© Lloyd's

LLOYD'S

Debt Profile



N.B.: Chart shows bonds at the earlier of maturity and first call date

Issue Date	Issuer	Status	Bond Rating (S&P/Fitch)	Currency	Amount Issued (£m)	Amount Outstanding (£m)	Coupon (%)	First Call Date	Maturity Date
07 Feb '17	Society of Lloyd's	Tier 2	A-/A-	GBP	300	300	4.875	07 Feb '27	07 Feb '47
30 Oct '14	Society of Lloyd's	Tier 2	A-/A-	GBP	500	500	4.750	N/A	30 Oct '24

© Lloyd's

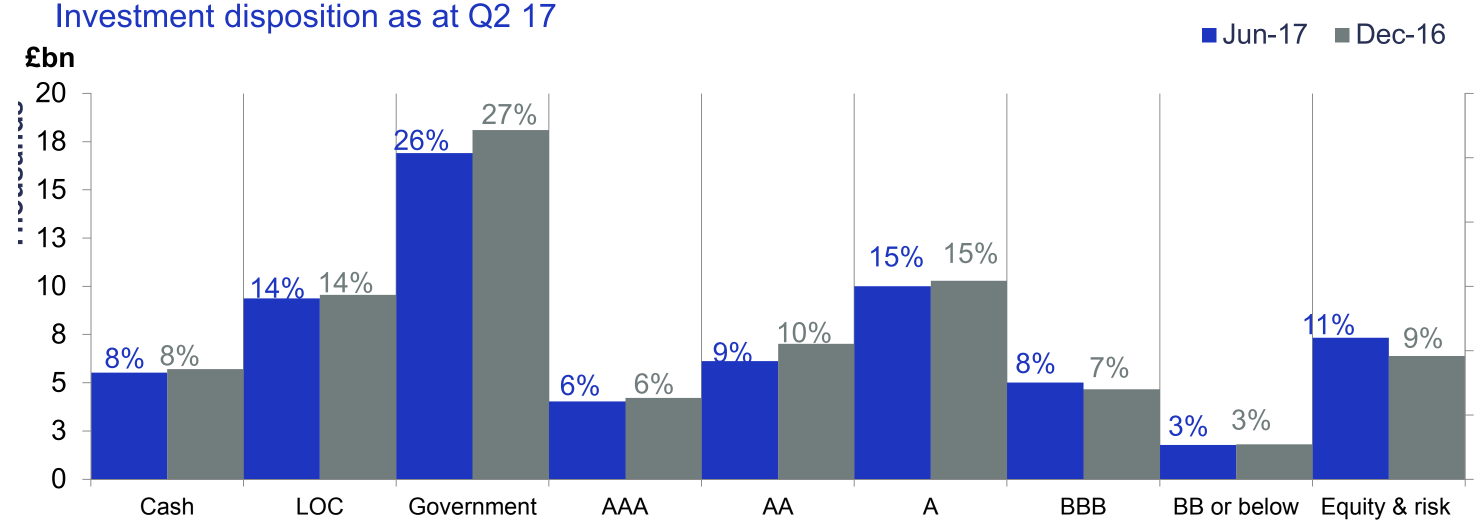
Investments

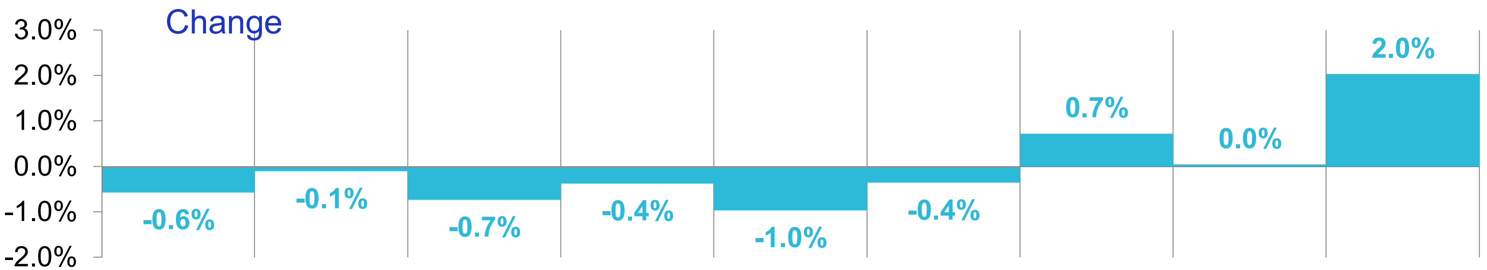
LLOYD'S

Market investment disposition remains conservative

Investments

Investment disposition as at Q2 17





Key metrics as at Q2 2017

- Cash & LOC: 23%
- Government bonds: 26%
- Investment grade credit: 38%
- Risk assets*: 14%
- Fixed interest duration: 2.4yrs
- Average credit rating: AA

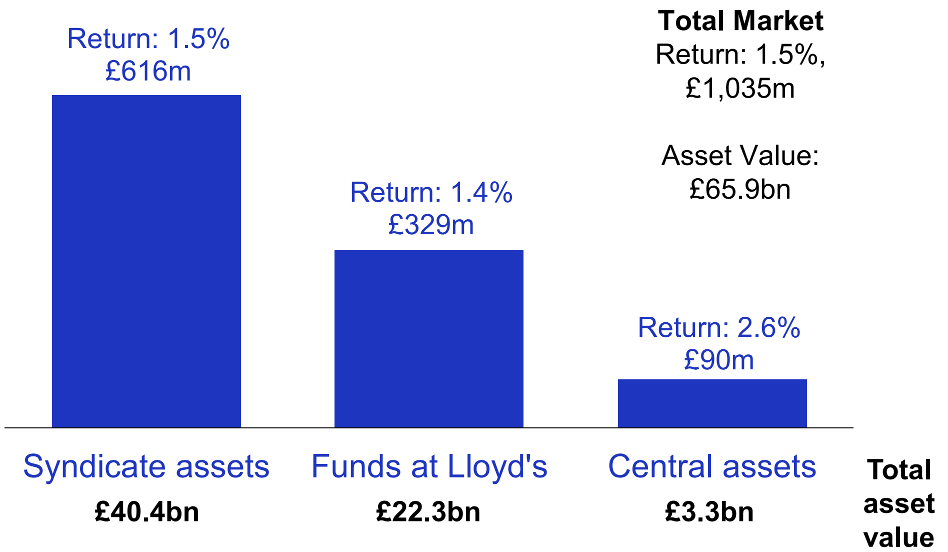
CCY	% assets
USD	62%
GBP	21%
CAD	6%
EUR	6%
AUD	3%
Other	2%

* Risk assets includes equity, sub-IG credit, NR credit and alternatives

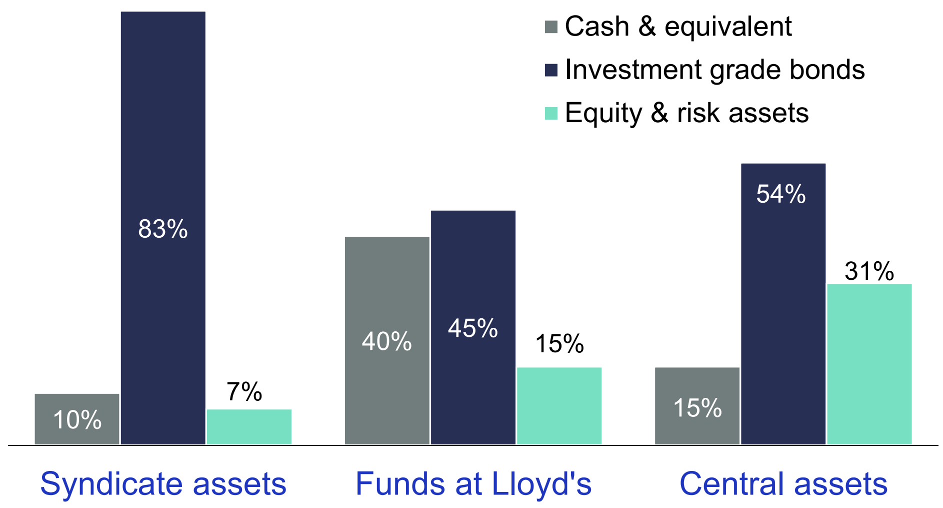
LLOYD'S

Investment disposition by asset pool

2017 H1 investment return



June 2017 investment disposition



Syndicate assets are primarily invested in money-market and short to medium dated fixed-interest securities of high credit quality. Their average portfolio durations are typically between 1 and 3 years, minimising volatility from yield movements and their average asset duration is less than claims duration (c. 3 years)

Funds at Lloyd's are comprised of securities (including Letters of Credit) pledged to support each member's underwriting activities

Source: Lloyd's Interim Results 2016. Central assets are the gross invested assets of the Society, stated on IFRS basis.

© Lloyd's

LLOYD'S

Central Fund strategic asset disposition

Investments

Central Fund investment disposition			Jun 17
Core 60%	1	Cash & equivalent	**0%**
	2	Government bonds	**26%**
	3	Investment grade corporate bonds	**34%**
Growth 40%	4	Equity	**22%**
	5	Emerging market & high yield bonds	**6%**
	6	Senior secured loans	**4%**
	7	Hedge funds	**6%**
	8	Commodities	**2%**

- No material changes in strategic asset allocation
- New hedge fund manager on board as at Oct 17
- EM&HY debt under review with manager selection close to completion
- GBP centric benchmark for FI portfolio is being reviewed
- Responsible investment policy also an area of focus
- Fund return is ahead of benchmark

Jan to Jun 17 return	Core FI	Growth	Total Fund	
Fund	0.6%	6.4%	**2.9%**	**£76m**
Benchmark	0.1%	6.0%	**2.0%**	**£53m**

Investment strategy is to maximise investment returns, net of relevant liabilities, whilst operating within a defined risk budget and ensuring appropriate liquidity

© Lloyd's

Risk Management

LLOYD'S

Risk Appetite Framework

Board reporting dashboard when live = **13 key metrics**

Lloyd's has redeveloped the risk appetite framework

Corporation purpose:

Under our trusted name, the Corporation acts to create and maintain a competitive, innovative and secure market. Our dedicated people serve to protect and promote the interests of the market and its policyholders, provide valued services to market participants and advance the interests of capital providers over the long term

Pillar: Sustainability	Pillar: Solvency	Pillar: Operational
Strategic, Group, Insurance, Credit	**Market, Liquidity**	**Reputation, Legal & Reg, Conduct**
Risk objective: Lloyd's strategy must deliver a sustainable business model over the medium term	**Risk objective: Management of financial risks ensures that Lloyd's is not exposed to undue concentration and is able to withstand an extreme event & trade forward**	**Risk objective: Risk of operational and other events is managed to ensure Lloyd's maintains its strong reputation**

Board level Tier 1 metrics

Pillar: Sustainability	Pillar: Solvency	Pillar: Operational
Underwriting profitability	Central Fund investment	Conduct
Syndicate capability	Liquidity	Financial crime and sanctions
Catastrophe exposure		Regulatory, legal & tax compliance
Reserve deterioration		Operational effectiveness
Reinsurance failure		Cyber (data protection and theft)
Attractiveness of Lloyd's Market		

Delivery metrics

Monitoring metrics

Key Market oversight risk Corporation risk

Market oversight risk: Underwriting profitability, Syndicate capability, Catastrophe exposure, Reserve deterioration, Reinsurance failure, Liquidity, Conduct, Financial crime and sanctions.
Corporation risk: Attractiveness of Lloyd's Market, Central Fund investment, Regulatory, legal & tax compliance, Operational effectiveness, Cyber (data protection and theft).

© Lloyd's

LLOYD'S

Risk Management priorities for 2018

More focus on performing thematic reviews

Five priority areas for 2018

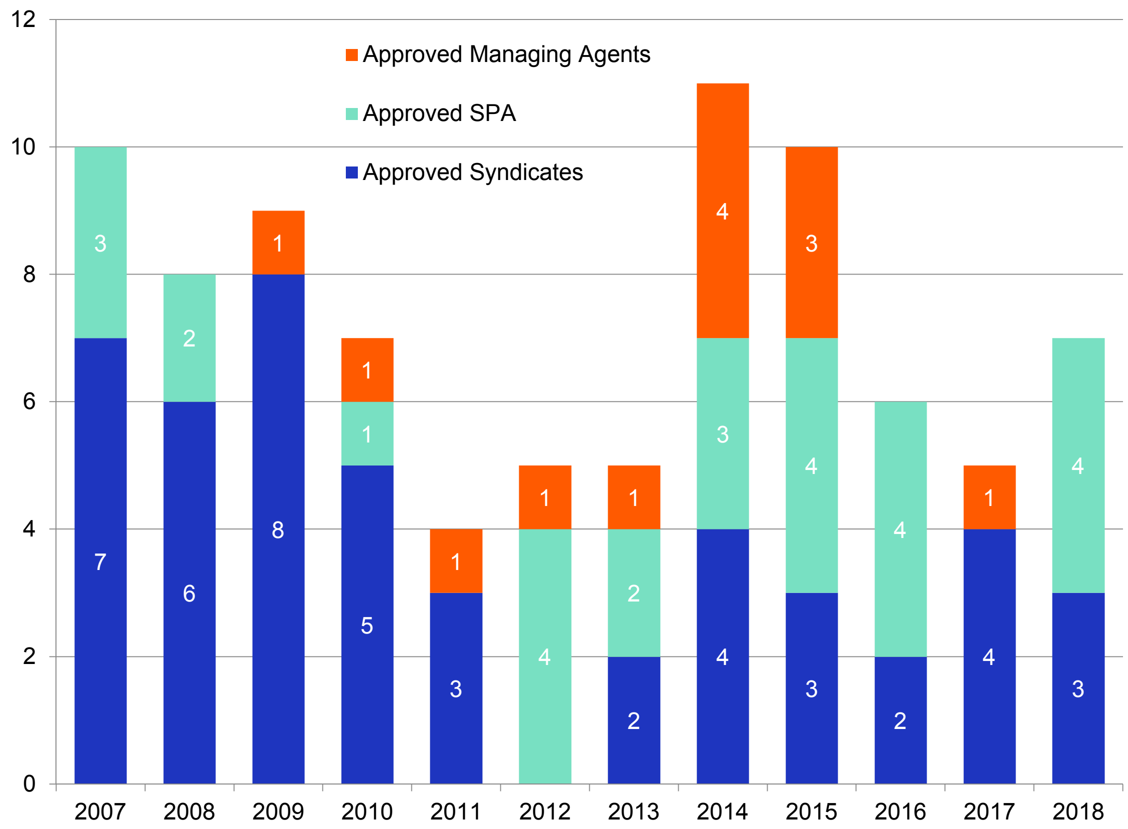
Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
Assessing strategic and emerging risks	**Supporting a risk-based approach to market supervision**	**Risk management of programme delivery and organisational change**	**Preparing for an evolving political and regulatory environment**	**Tactical improvements to the risk management framework**
Example areas of focus:				
• *Identify the potential impact of disruptive technology* • *Assessing strategic risks to the Lloyd's business model* • *Reputation risk and ethical business*	• *Support Account Management implementation* • *Catastrophe risk exposure and underwriting profitability* • *Cyber risk – market controls*	• *Risk assessment of major programmes* • *Formalise the programme oversight approach*	• *Arranging a Hard Brexit solution* • *Identifying political potential disruption scenarios* • *GDPR readiness*	• *Develop the international risk framework (incl. risk appetites)* • *Continue to improve efficiency and visualisation of risk reporting* • *Support the risk function in Europe*

© Lloyd's

New entrants and M&A activity

New entrant update

- Interest in business joining the Lloyd's Market remains strong with the number of approved new syndicates and SPA for 2018 being the same as for the 2014 and 2015 years
- While interest remains high from outside Lloyd's, a feature of the class of 2018 is the validation of the business development model with two new syndicates being the transition of an MGA platform and an SPA
- The Special Purpose Arrangement (SPA) structure remains attractive for the development of new businesses. The 4 new SPA for 2018 include an innovative underwriting framework and the introduction of a company market team and business as an adjunct to an existing syndicate
- Groups are continuing to access the market initially at member level, supporting third party syndicates.
- The Third Party Syndicate ('turnkey') management model is anticipated to give rise to a number of managing agent applications.

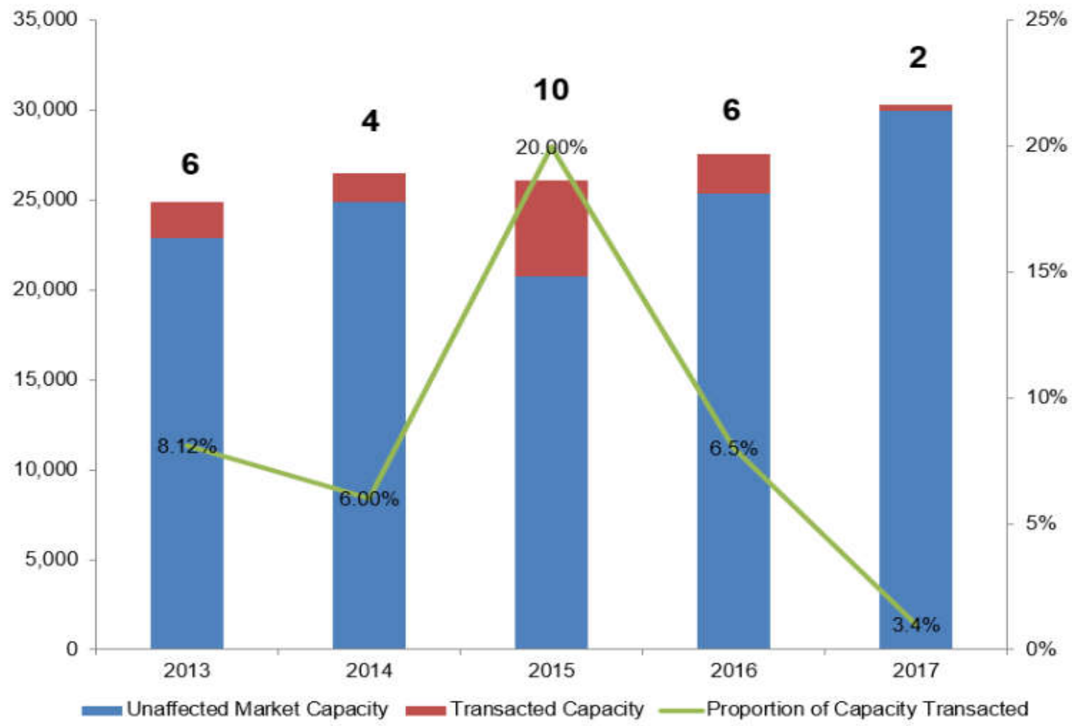


© Lloyd's

LLOYD'S

M&A activity affecting the Lloyd's market

- Global insurance group consolidation has given rise to the consolidation of Lloyd's platforms (eg. ACE / Chubb, Sompo / Endurance, Liberty / Ironshore)
- However, 2017 has seen the acquisition of 2 more of the 'Lloyd's only' businesses – Hannover Re buying Argenta and AXIS buying Novae
- The consolidation of syndicates further justifies the regeneration of Lloyd's through the admission of new entrants



© Lloyd's

London Market Target Operating Model

LLOYD'S

London Market Target Operating Model

Noteworthy Achievements Q2 – Q4 2017

Placing Platform Ltd.

- Terrorism, Marine, Financial and Professional lines of business live.
- Commencement of work that supports broker / underwriter integration of PPL with their back end systems.
- A total of 11,411 risks have been bound on the system, as at 10th November.

Structured Data Capture.

- Successful delivery of the SDC service for Market Reform Contracts with associated capabilities to support future use.
- Roll out the service to other adopters in the market. 4237 MRC's processed within SLA and a reported accuracy Aug-Oct of 99.93%

Central Service Refresh Platform.

- Premiums and claims processing including legacy (where the premium or first claims advice was not submitted through the new channel) are live.
- Brokers are able to submit treaty and binder contract submissions electronically in accordance with ACORD standards.

Delegated Authority.

- The Coverholder Audit system is live. Auditors can submit quotations for scope and outputs are reported including audit findings to the Coverholder/TPA resulting in 98% adoption and 1,500 less audits.
- Data Submission and Access is in the design phase looking to delivery in the first half of 2018.

Data Integration.

- Successful completion of the Market Business Glossary first delivery, with over 300 users registered in the first 6 weeks of being live.
- Common Infrastructure Services elements have been accelerated from Phase 3 – with a good mix of LM TOM and non-TOM initiatives having interest/plans to use Single Sign on and access services (e.g. master data) through a standard Web Service API interface in 2018

Claims / Reimagining the Bureau.

- Early initiation of work previously planned to take place in Phase 2, with a pilot to be delivered in 2018.

© Lloyd's

LLOYD'S

London Market Target Operating Model

2018 Priorities by Initiative

PPL
- Rollout of remaining Classes of Business
- Further platform enhancement releases to deliver the changes requested by the market
- Focus on further adoption
- Transition to Business as Usual working

SDC
- Delivery of Quotes functionality
- Continue rollout of service to further adopters
- Transition to Business as Usual working

CSRP
- Further capability enhancements
- Delivery of Proportional Treaty
- Focus on adoption
- Transition to Business as Usual working

DA
- Delivery of DA SATs Phase 1 to support Brexit activities
- Complete Build of DA SATs Phase 2

DI
- Completion of all Business Glossary activity
- Completion of the Master Data Management activity
- Delivery of Common Infrastructure Service to the Initiatives
- Ensure compliance of LMTOM with EU GDPR
- Transition to Business as Usual working

Claims/ RiB
- Work through Design Build and Test for a first phase
- Prepare for later Phases

Underpinning priority for 2018 is to drive adoption of LMTOM Phase 1 solutions

Completion of LMTOM Phase 1 in 2018

Future work

© Lloyd's

Brexit

© Lloyd's

Lloyd’s Brussels subsidiary

- Lloyd’s Brexit lobbying position: continued trade with Single Market. No ‘hard Brexit’, transitional arrangements instead. Ongoing engagement with UK Government
- Brussels Subsidiary will be a fully fledged Insurance Company, fully regulatory and tax compliant
- Allows continued trading under the Lloyd’s brand and benefiting from Lloyd’s robust financial ratings
- Maximum Reinsurance back to syndicates (100%)
- Initial capital injection from Society of Lloyd’s

Timeline:

Lloyd’s

October 2017
Regulatory application submitted

Q4 2017
Company set-up

Q2 2018
Market Acceptance Testing begins

July 2018
Operationally ready

Live Trading
1 Jan 2019

March 2019
UK exits EU

LLOYD'S